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# Test Rite Group (2908:TT) 4Q15 IR Presentation

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*2016 APR*

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- Beginning on January 1, 2013, the Company has adopted International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board and endorsed by ROC Financial Supervisory Commission (FSC). Reporting for our annual and interim consolidated financial statements follow Taiwan IFRS requirements, however, given that there exist material differences between Taiwan IFRS and generally accepted accounting principle in the Republic of China (ROC GAAP), selected comparison of financial results in 2013 may have material differences versus previously released financial information under ROC GAAP.

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# Agenda

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# 2015 Snapshot

## 2015 GROUP OVERVIEW

NT\$ 35,981M

Revenue

NT\$ 11,303M

Gross Profit

NT\$ 810M

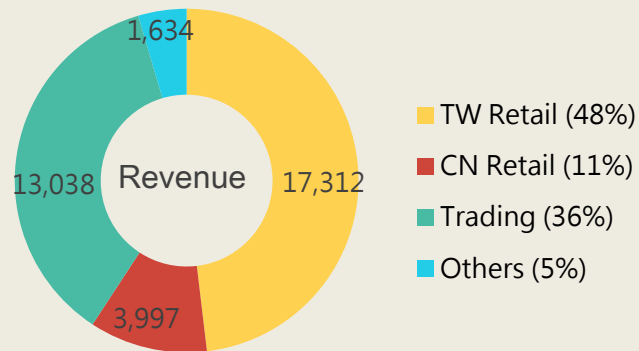
Operating Profit

NT\$ 671M

Net Profit

NT\$ 1.32

EPS



TLW (TW)

26 stores

HOLA (CN)

38 stores

HOLA (TW)

25 stores

Brand Agency

22 brands

TLW Private Label

8.5%

HOLA (TW) Private Label

19.8%

Total Retail Revenue

NT\$ 21,309M

Total Trading Shipment

NT\$ 18,193M

N. America Shipment

73%

Europe Shipment

19%

Global Presence

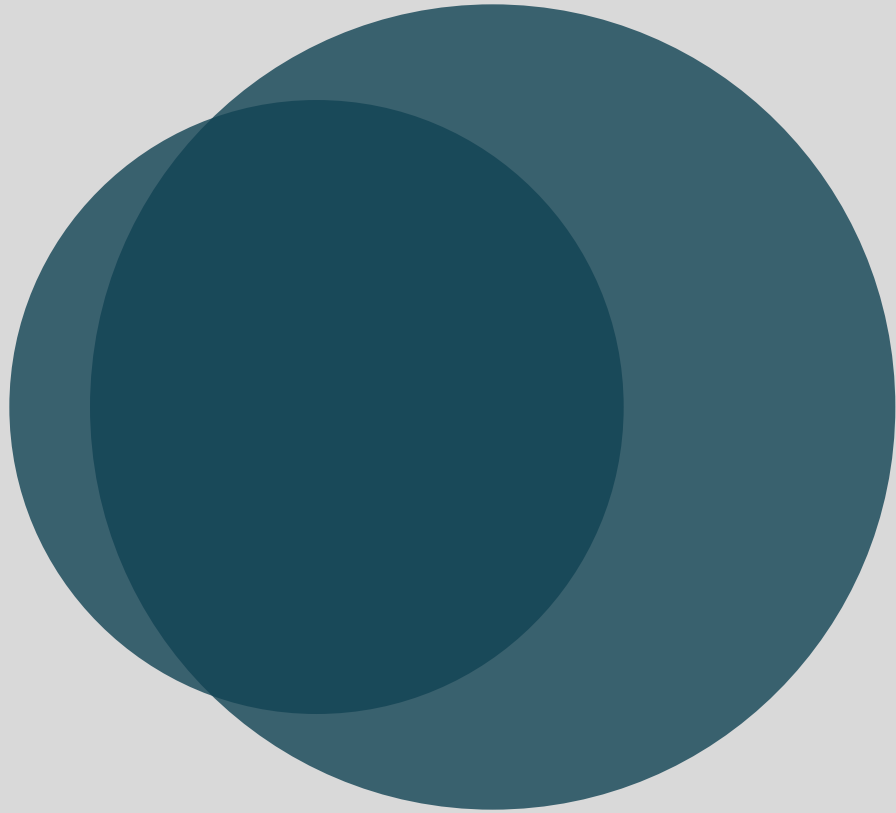
11 countries/14 offices

Warehouse

4 countries

Global Employees

6000+ people



# FINANCIAL HIGHLIGHTS

# Financial Highlights 4Q15/1-4Q15

## Revenue (YoY)

2015: +0.1%

4Q15: -5.1%

## Gross Profit

2015: 31.4% (↑ 1.3%)

4Q15: 33.2% (↑ 0.9%)

471M increase of GP.

Test Rite has greatly improved of fundamental profitability

## Operating Profit

2015: 2.3% (↓ 0.5%)

4Q15: 1.2% (↓ 2.2%)

Op. Expenses increased due to new business investment/ new stores/ EC development/ and consolidated expenses of the new merged German subsidiary.

(NT\$ mn)	4Q15	4Q14	YoY% chg	2015	2014	YoY% chg
Consolidated sales	8,367	8,813	-5.1%	35,981	35,946	0.1%
COGS	(5,586)	(5,959)	-6.3%	(24,678)	(25,114)	-1.7%
Gross profit	2,781	2,854	-2.5%	11,303	10,832	4.3%
Operating Expense	(2,684)	(2,555)	5.1%	(10,492)	(9,850)	6.5%
Operating profit	97	299	-67.5%	811	982	-17.5%
Non-operating income/loss	13	(82)	NA	54	(99)	NA
Pre-tax profit	110	217	-49.5%	865	883	-2.0%
Net profit	99	179	-44.8%	671	715	-6.2%
Other net profit	(116)	17	NA	(131)	37	NA
Total net profit	(17)	196	-108.8%	539	752	-28.3%
Net profit attribute to TRIC shareholders	99	181	-45.2%	671	706	-5.0%
NT dollar (After Tax)						
Basic EPS	0.19	0.36	-46.0%	1.32	1.42	-6.7%
Diluted EPS	0.19	0.36	-46.0%	1.32	1.42	-6.7%
Gross margin	33.2%	32.4%	0.9%	31.4%	30.1%	1.3%
Operating margin	1.2%	3.4%	-2.2%	2.3%	2.7%	-0.5%
Pretax margin	1.3%	2.5%	-1.2%	2.4%	2.5%	-0.1%
Net margin	1.2%	2.1%	-0.9%	1.9%	2.0%	-0.1%

# 4Q15/1-4Q15 by BU

## Revenue by BU

Trading and TW Retail business grow stably, while CN Retail faces stronger headwinds.

Sales by BU (NT\$ mn)	4Q15	4Q14	YoY% chg	2015	2014	YoY% chg
Taiwan Retail ▲	4,315	4,397	-1.9%	17,312	17,212	0.6%
HOLA China ^	1,085	1,144	-5.2%	3,997	4,097	-2.4%
Trading ☉	2,625	2,848	-7.8%	13,038	12,990	0.4%
Others #	342	424	-19.3%	1,634	1,647	-0.8%
<b>Consolidated Sales</b>	<b>8,367</b>	<b>8,813</b>	<b>-5.1%</b>	<b>35,981</b>	<b>35,946</b>	<b>0.1%</b>
Net Profit by BU (NT\$ mn)	4Q15	4Q14	YoY% chg	2015	2014	YoY% chg
Taiwan Retail ▲	133	227	-41.3%	604	646	-6.4%
HOLA China ^	(55)	17	NA	(256)	(66)	290.7%
Trading ☉	64	39	63.8%	616	538	14.5%
Others #	(43)	(102)	-57.2%	(293)	(412)	-28.9%
<b>Consolidated Net Profit</b>	<b>99</b>	<b>181</b>	<b>-45.2%</b>	<b>671</b>	<b>706</b>	<b>-5.0%</b>

## Net Profit by BU

Both Trading and TW Retail business are profitable, moreover Trading is substantially benefited from merging of German subsidiary. The loss of CN Retail has expanded due to tough environment.

☉ Trading included Great China, TRPC, SO/RO, and related party transactions write-off.

▲ Taiwan Retail included TLW, HOLA, Décor House, TLW Service, Testrite Brand Agency, and Test Rite C&B.

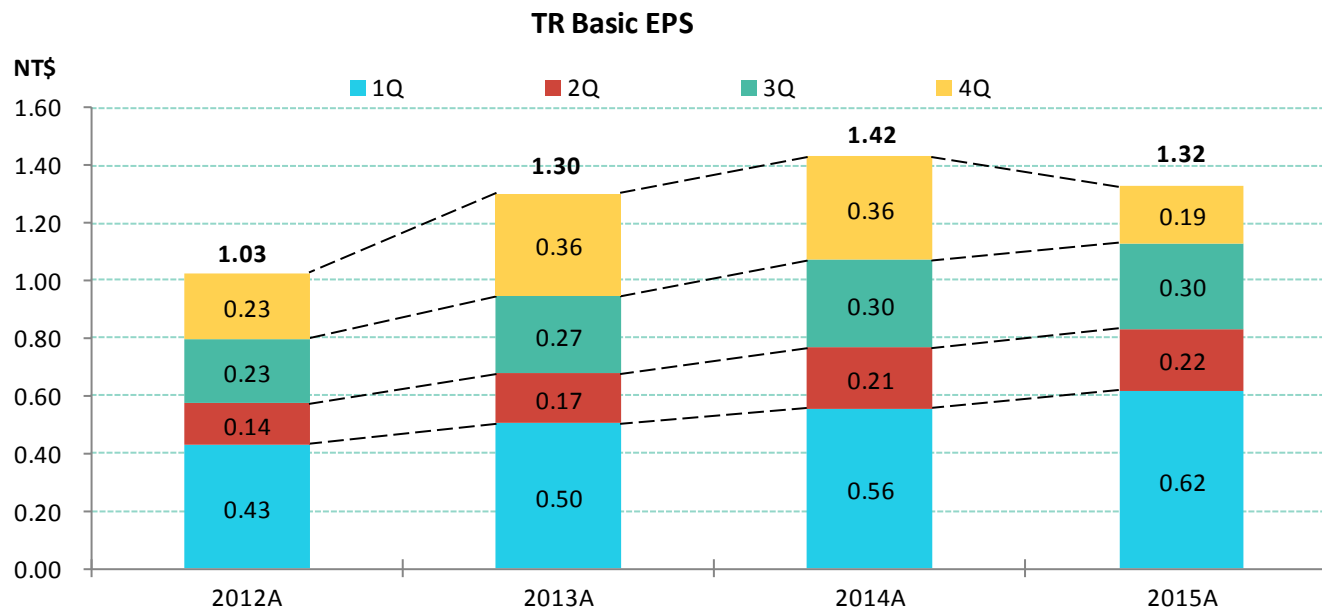
^ HOLA China only included HOLA China.

# Others included Life 1 Plaza, TRR others, Chung Cin, group office expense, and gain on sale and leaseback

# Stable Cash Div. and High Tax Deductable

NT\$	2012A	2013A	2014A	2015A
Cash dividend	1.08	1.00	1.13	0.95
Payout rate	77.1%*	76.9%	79.6%	72.0%
Tax Deductable	20.48%	20.48%	20.48%	20.48%

\* EPS 1.4 on R.O.C. GAAP basis





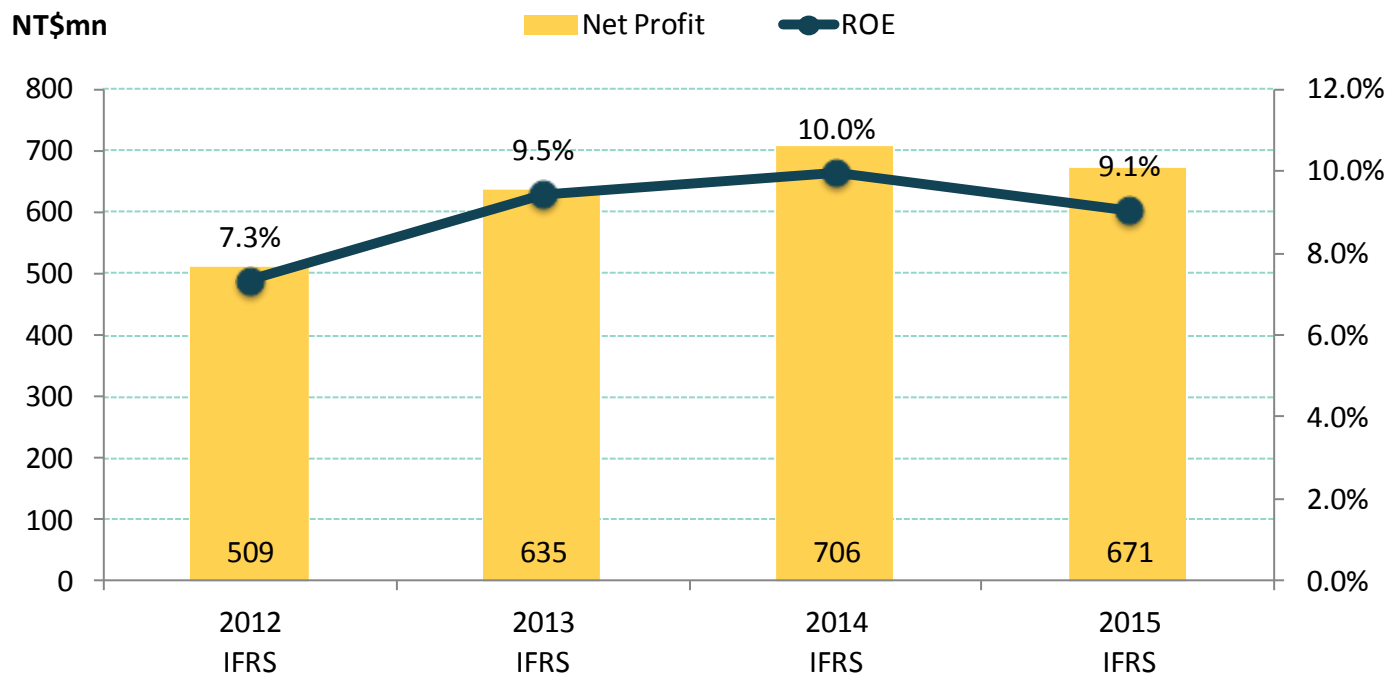
# Best Interest of Shareholders

## Test Rite pursues best interests of shareholders

ROE is stable at 9-10% in the past 3 years

## Highly Transparent

Test Rite is awarded by TWSE as the top 6%-20% best corporate governance public company.



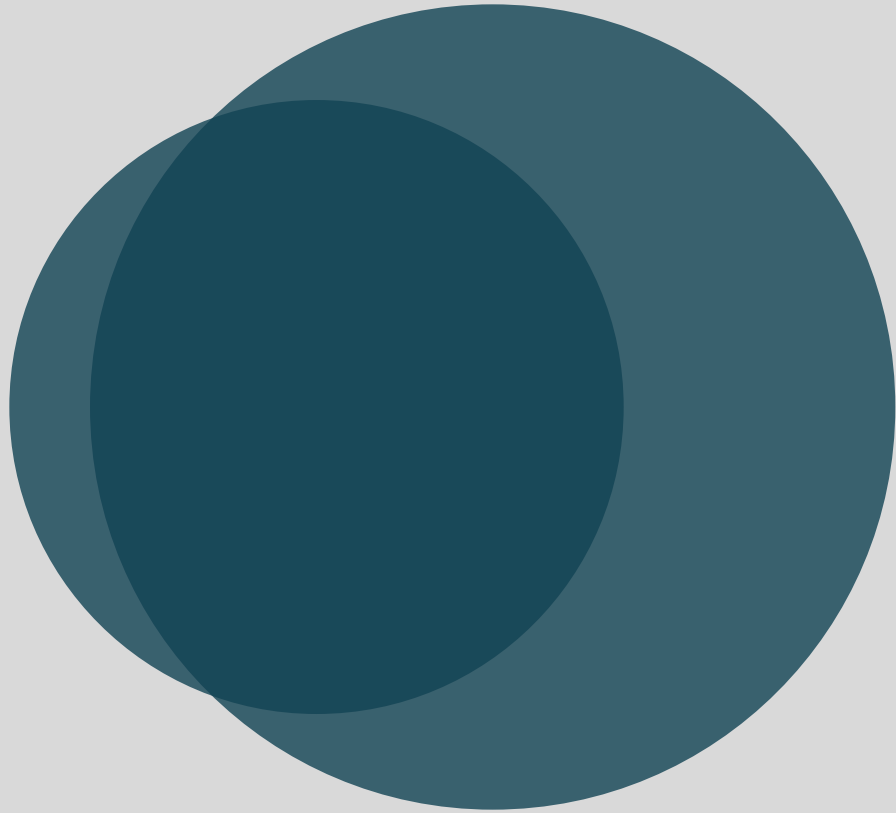
# 2016 Outlook

## Trading Business

- 1) Transforming to product company and strengthening product development ability
- 2) Provide value-added services to enhance sourcing and supply chain management
- 3) Improving the utilization of Shanghai Free-trade-zone to provide better services in supply chain
- 4) Developing 3<sup>rd</sup> party QA/QC business
- 5) Integrating the newly acquired German subsidiary to expand European business
- 6) Reaching synergies of group trading and retail business

## Retail Business

- 1) Store opening schedule in 2016
  - TLW: Xitun store in Taichung opened in Jan
  - HOLA TW: no new store
  - Crate & Barrel: 2<sup>nd</sup> store will be in Taichung
  - Brand agency will expand presences in department stores
  - HOLA CN: no new store, but will focus on reviewing profitability of each store and developing EC/Franchise model.
- 2) Enhancing customers experiences in physical store
- 3) Increasing product skus in the online store
- 4) Brand agency will introduce well-known brands to the market, such as WMF, KitchenAid, and Honeywell water cooling fan in 2016.
- 5) Raising the sales mix of private label
- 6) Joint merchandise



# GROUP INTRODUCTION

# Key Management Team



Tony Ho, Group Chairman; Co Founder of Test-Rite Group. Tony played a critical role in Test-Rite's expansion into retail business and was instrumental in leading the company's IPO efforts. Tony recently completed the two-year Joint Executive MBA Program between Taiwan University and Fudan University and completed his graduation thesis: "How to pursue further growth by organization transformation-take large retail group for example."

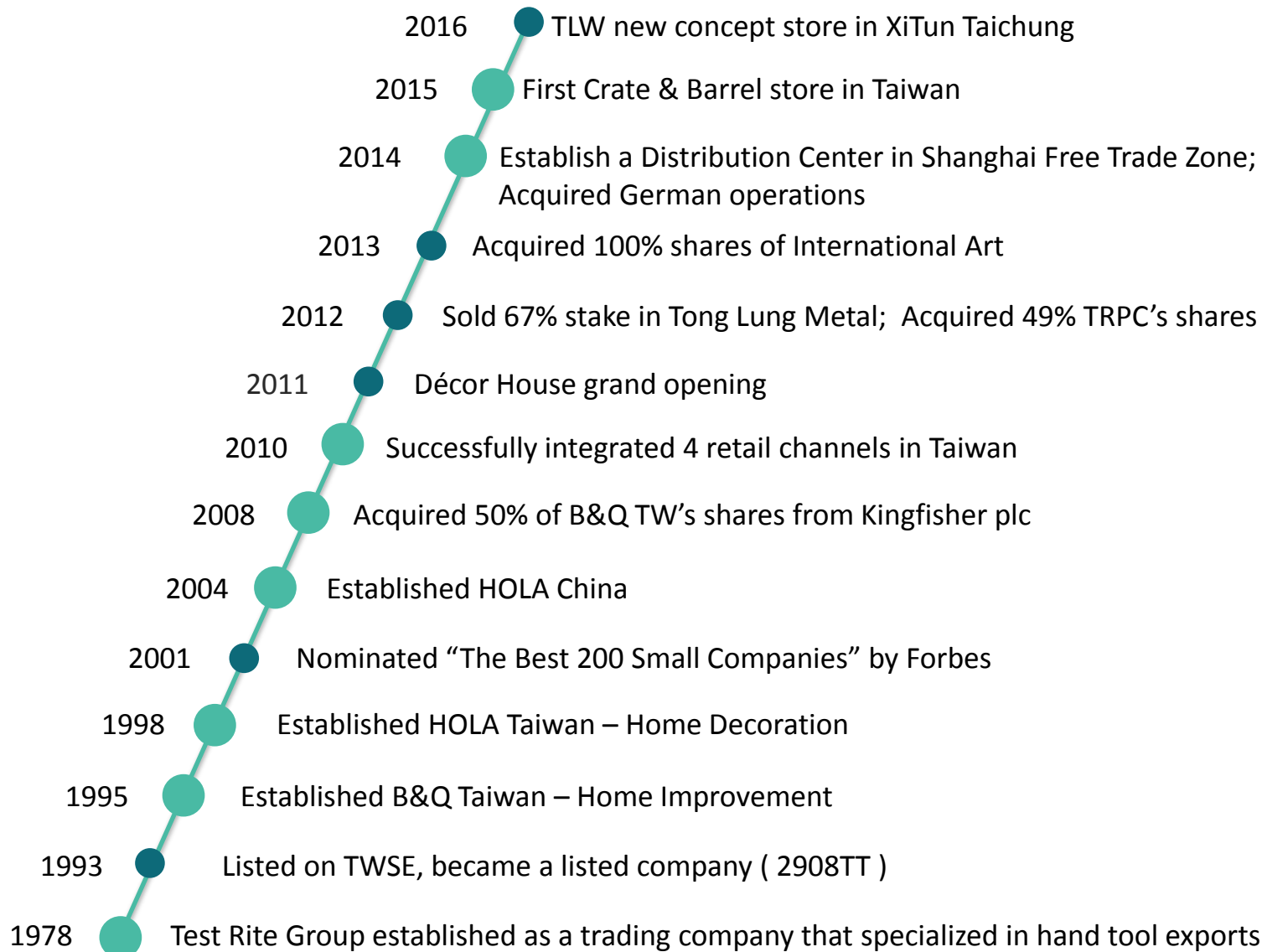


Judy Lee, Chairwoman, Test-Rite Int'l (2908 TT/2908 TW); Co Founder of Test-Rite Group. Best known as the "Queen of Hardline", Judy is a seasoned veteran of the import/export trading business. With Judy at the helm, Test-Rite Trading consistently provides outstanding services to retail customers globally and has received multiple recognitions as "Best Partner/Supplier". Judy is also awarded by "EY Entrepreneur of the Year" in 2015.



Sophia Tong, Group CEO. Sophia joined Test-Rite in March 2009 to lead both Trading and Retail businesses. Prior to Test-Rite Sophia was the General Manager of IBM Taiwan from 2006 to 2009 and the Director of China Banking Cluster for IBM Greater China Group. Sophia was previously with IBM for over 25 years.

# Milestones



# Group Structure

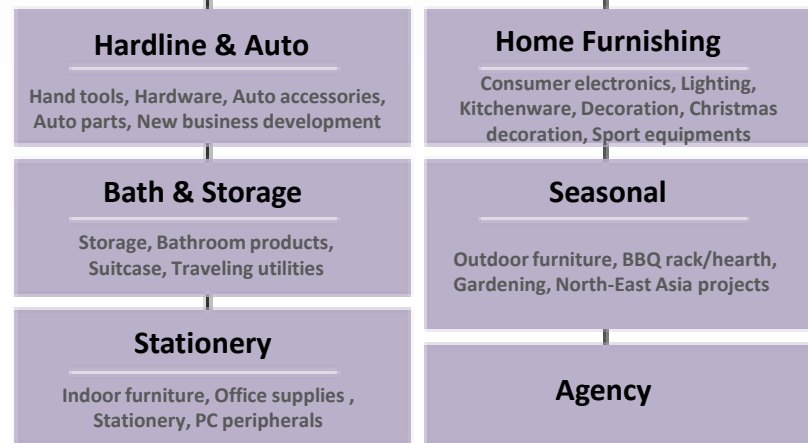
## Test Rite Retail Business Group (2015 Revenues: ~NTD\$ 21.3 bn)

<b>Home decoration</b>	HOLA	Taiwan (26) China (38)
<b>Home Improvement</b>	TLW 特力屋 (27), TLW PLUS (1), HISU	
<b>Mattresses &amp; Bedding</b>	HOLA CASA (22), HOLA Petite(11), WEDGWOOD(12), FRETTE(7), Zucchi (1)	
<b>Comprehensive home integration services</b>	DÉCOR House	
<b>Brand Agency</b>	Crate & Barrel (1)	

### Market deployment



## Test Rite Trading Business Group (2015 Shipment Value: ~NT\$ 18.2 bn)



### Market deployment



## Other investment holdings

### Creative Design/ Product Development

Theme Trend & Product Concept; Product Design; VI & Graphic Design; Packaging & Purchasing

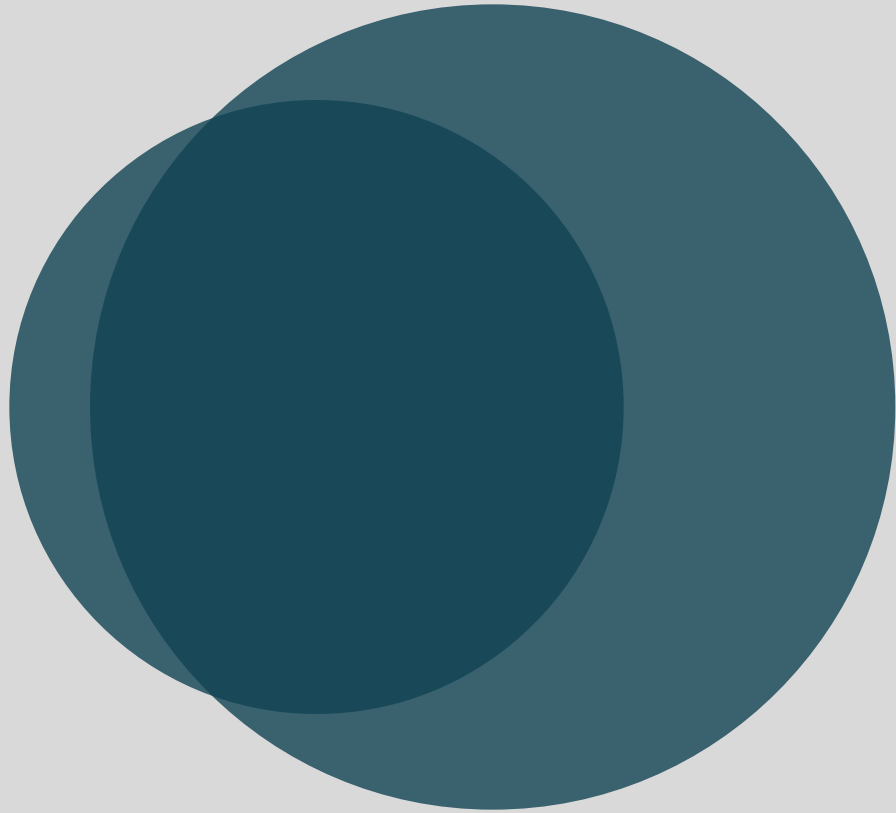
### Chung Cin Corp.

Shopping mall construction; Office building construction; Booth recruitment

### Logistics/ warehousing services

China  
USA  
Taiwan  
Europe

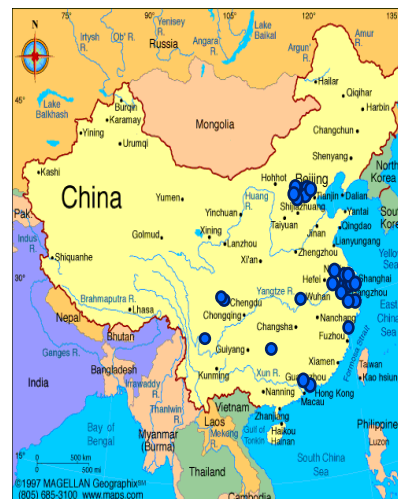
Note: store numbers updated on February 29<sup>th</sup>, 2016



# RETAIL SECTOR

# Building the best “Home-related” channel

Store #	2011A	2012A	2013A	2014A	2015A
TLW	23	24	26	26	26
HOLA TW	20	21	22	23	25
HOLA CN	28	31	33	35	38
Avg. selling space(m <sup>2</sup> )	2011A	2012A	2013A	2014A	2015A
TLW	3,824	3,696	3,541	3,541	3,410
HOLA TW	2,700	2,466	2,414	2,311	2,179
HOLA CN	2,147	2,054	1,904	1,853	1,867



## Store Locations





# Improve Margin by Private Label

2015

TLW Sales mix 8.5%  
HOLA Sales mix 19.8%



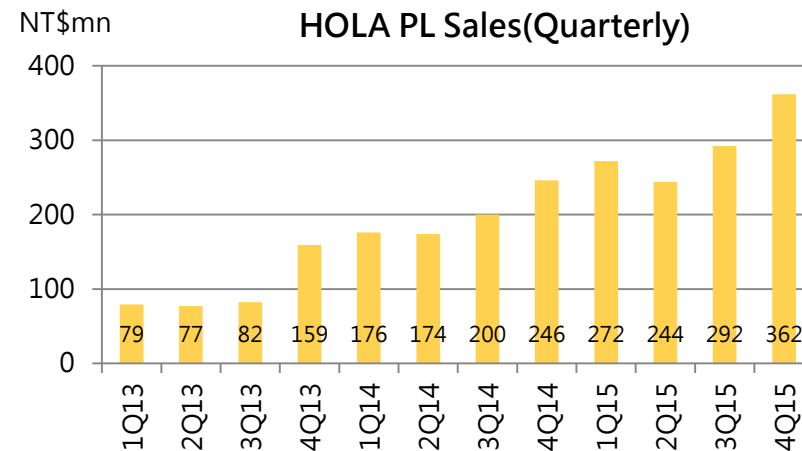
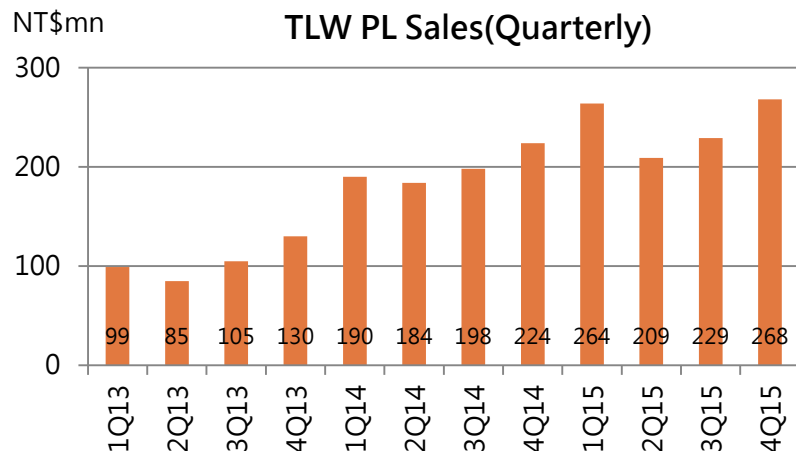
## Mid-term Goal

TLW: reaches 15%  
HOLA: reaches 30%

## Long-term Goal

TLW: reaches 30%  
HOLA: reaches 50%

- Save costs by joint-merchandise
- Leading home décor trend by strengthening PL designing ability



# Omni-Channel Development

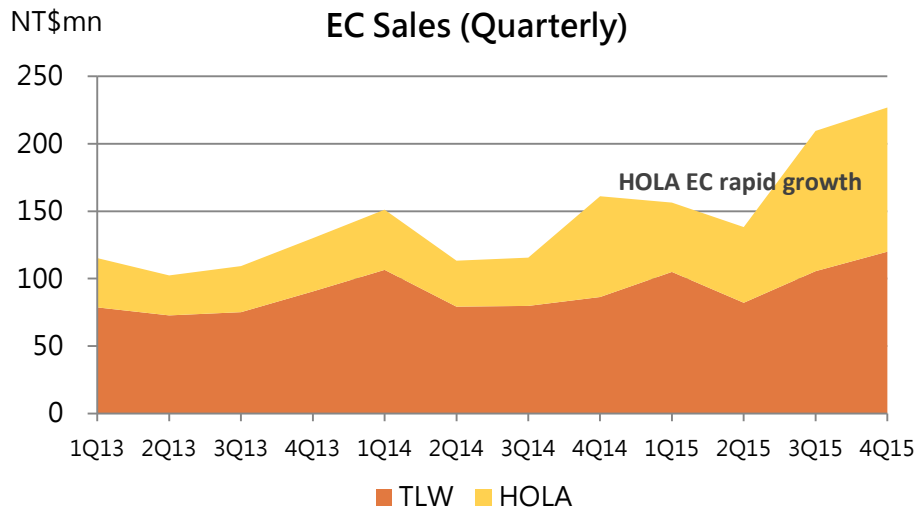
2015

TLW EC Sales mix 3.6%  
HOLA EC Sales mix 5.4%



2016 Goal

- Growth of EC traffics and product skus
- New version of EC platform
- Improve customers experiences in physical stores
- Transforming online traffic to offline shoppers



Doubling online skus in 2016

Current  
TLW online skus >15,000  
HOLA online skus >10,000



Online sales per ticket is about 1.5-2x times of physical stores

# Growth Driver – Brand Agency

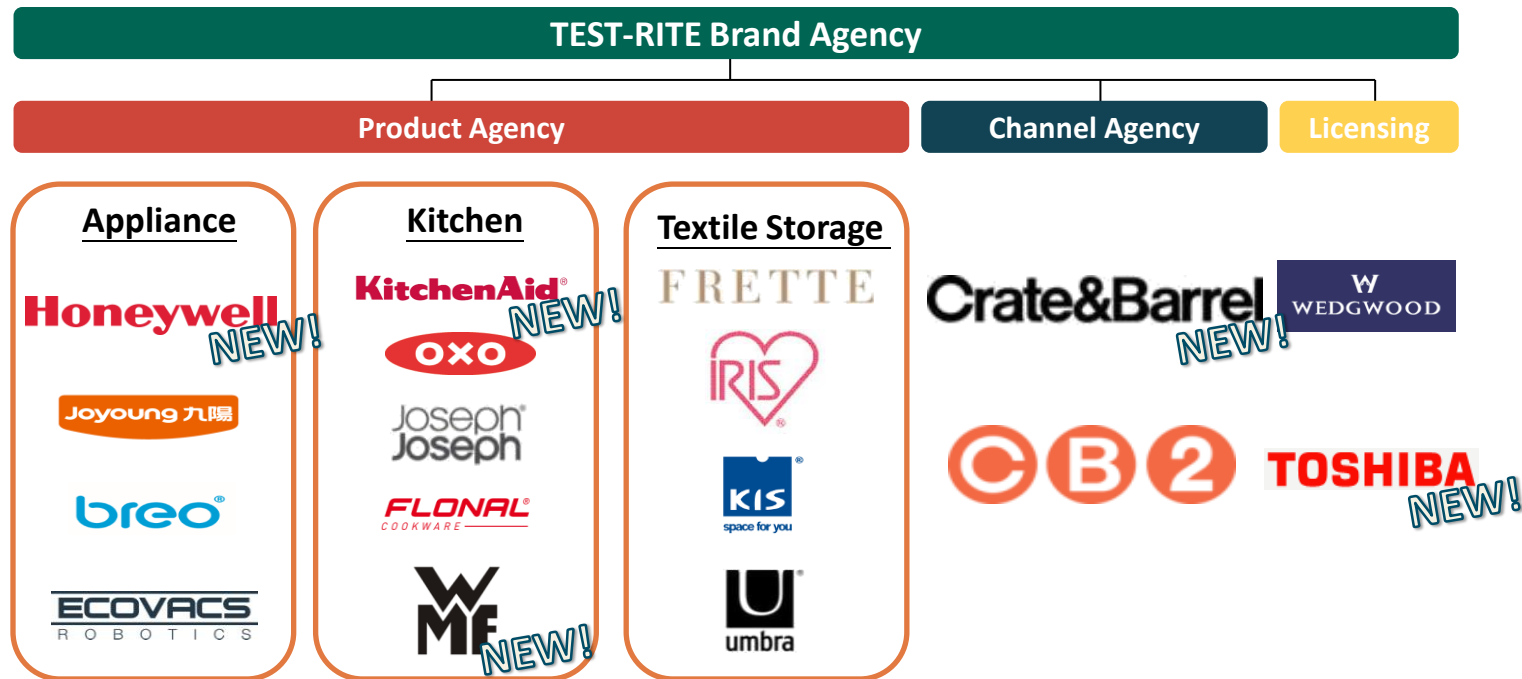
2015

Total of 22 brands agency



2016 Goal

- Being new agents of well-known brands in the market
- Increasing presences in department stores



# HOLA China Strategy

2015

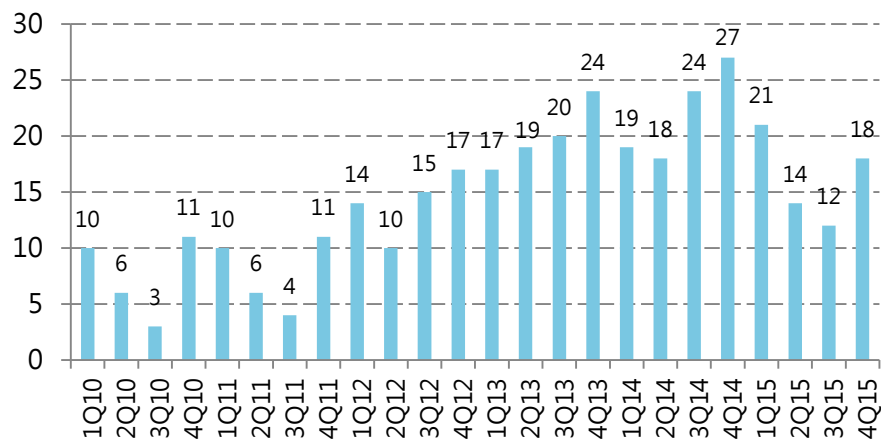
Private Label Sales mix: 10.9%  
EC Sales mix: 0.6%



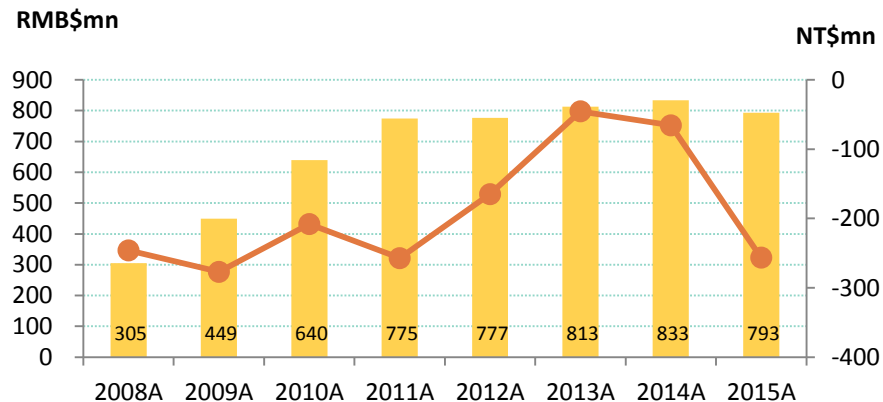
2016 Goal

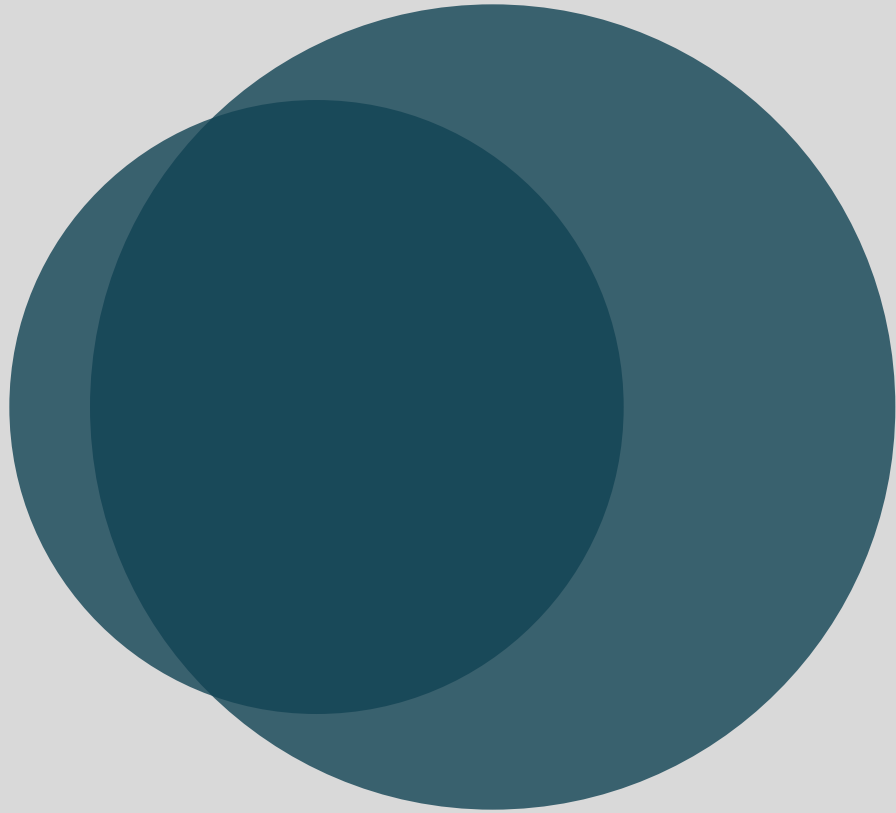
- Increase PL sales and joint merchandise
- Develop EC/ Franchise model
- Improve store level profit and decrease headquarter costs to reach breakeven point

HOLA CN Breakeven store numbers



HOLA CN Net Sales & Profit





# TRADING SECTOR

# Partner with Global Retail Giants

Provide value-added services and supply chain management in Principal Trading



Growth of Agency Trading



# N. America drives the growth

## 2015

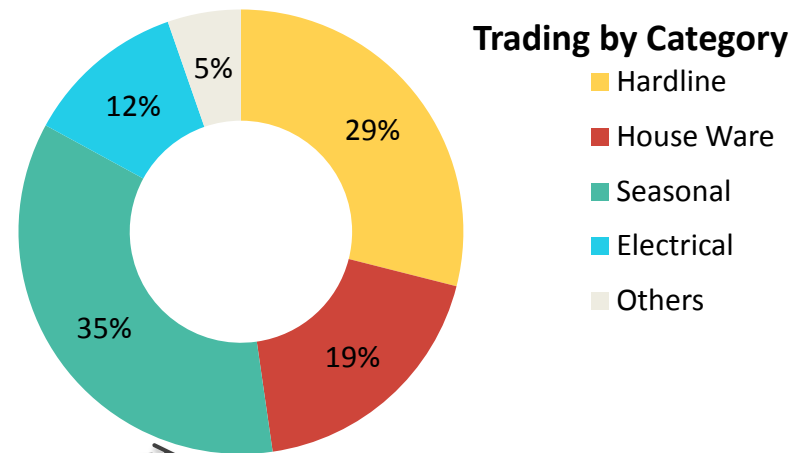
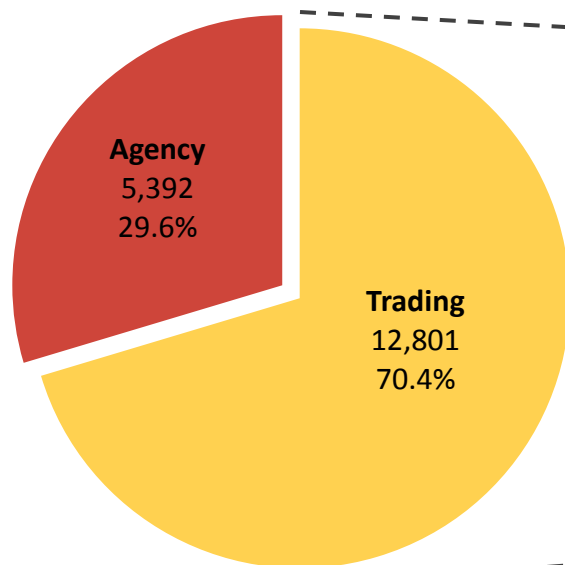
- Hardline, House Ware increases 7-10%
- Seasonal products growth is over 30%, benefited from merging German subsidiary.
- N. America and Europe are the major market



## 2016 Goal

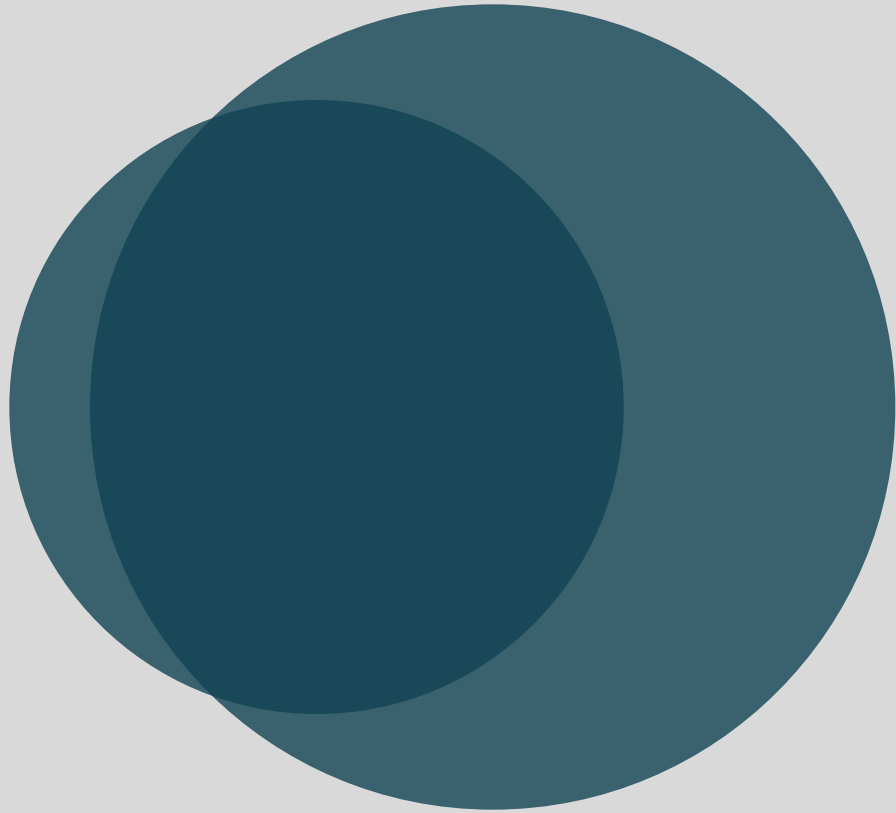
- Hardline, House Ware, Seasonal keeps growing
- Acquiring new customers in Agency
- Transforming to product company and strengthening product design ability
- Focus on profitability

Total Trading Shipment NT\$18,193M



### Trading by Category

- Hardline
- House Ware
- Seasonal
- Electrical
- Others



# APPENDIX



# Private Label - Designing & Branding ability

HOLA Spring/Summer and Autumn/Winter style is leading the trend of Home décor each year

## 2016 Spring/Summer trend - Bohemianism Style



Lake Blue + Pink color  
with Oliver Green



# Private Label - TLW Kitchen Cabinet

TLW private label kitchen cabinet products improve core ability by Integrating supply chain and establishing professional installment team. Private label kitchen cabinet sales mix reaches **39%**



**Simple Style**



**Avignon Style**



**Monaco Style**



**Provence Style**



**Paris Style**



# Improve Traffic by Product Differentiation

New HOLA Petite store opened in Zhonghe in Apr-2015.  
Presenting new concepts of **Bedding/ Bath/ Glasses** categories.



# Product Development Achievement

2016 iF Designing Awards



2014 Red Dot Designing Awards



Kitchen and furniture for our retail channel



Motion sensor light/Trash bin designed for Costco



# Global Worldwide Network



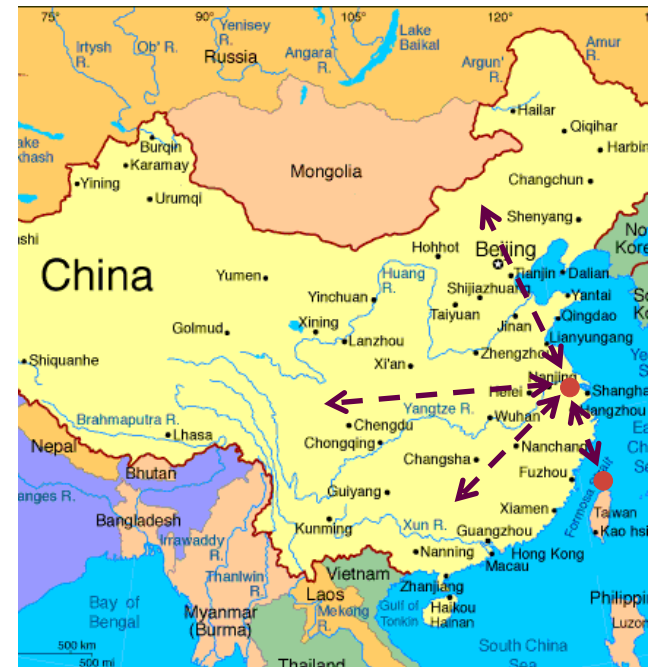
- With local service of 14 offices in 11 countries/region, 4 warehouses in China, Taiwan, Germany, and U.S.
- US warehouse provides logistics/ warehousing service to customers of principal trading

## Worldwide Trading Service



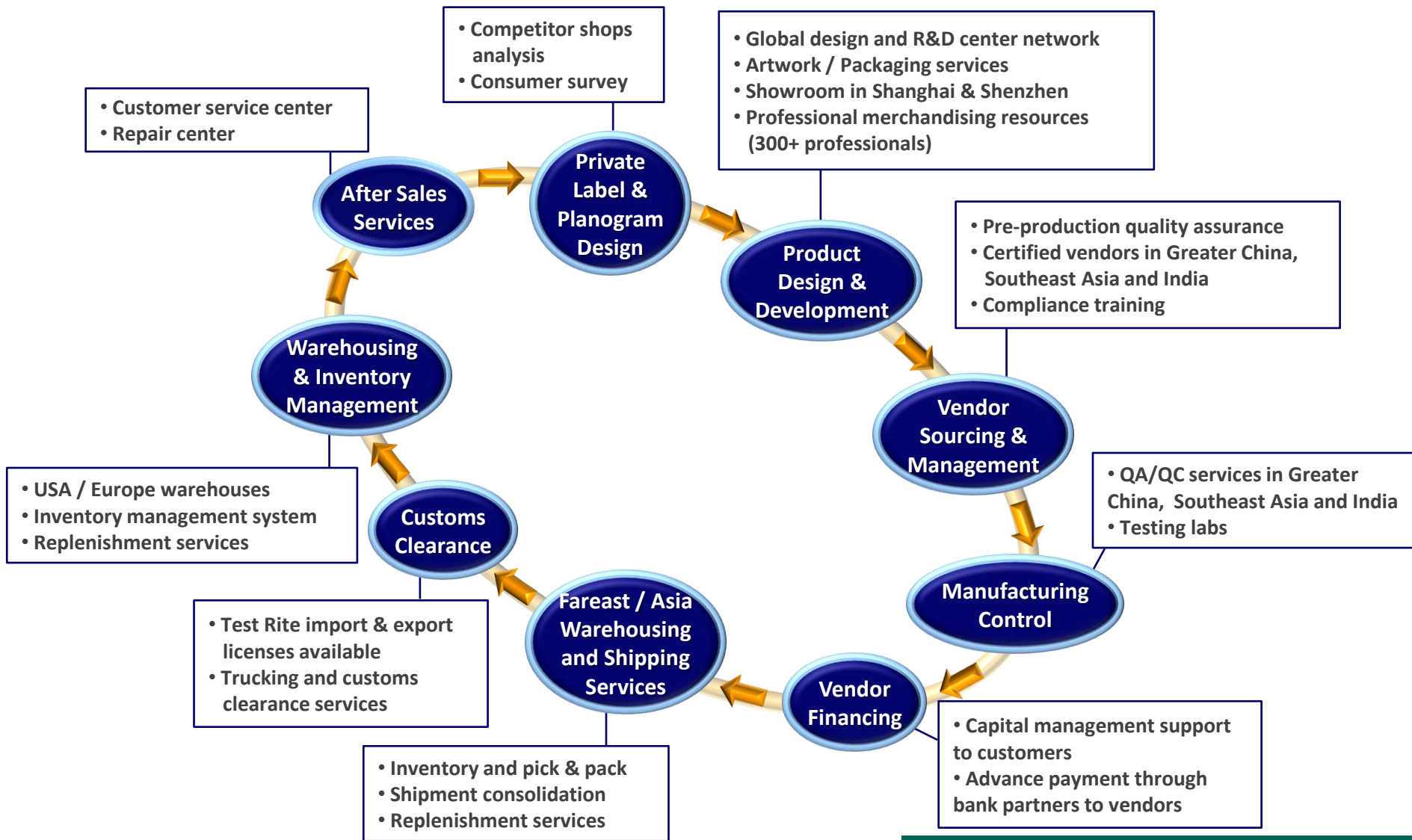
● TESTRITE's Warehouse

## Greater China Retail Service





# Repositioning-Total Solution Provider



# Consolidated Balance Sheet

(NT\$ mn)	2015	2014		2015	2014
Cash and cash equivalents	1,903	2,316	Short-term borrowings	2,283	2,750
Financial assets at fair value through profit or loss - current	939	1,054	Short-term notes bills payable	50	80
Debt investments with no active market - current	297	159	Accounts and notes payable	5,825	5,896
Accounts & notes receivable	2,473	3,110	Other payable	1,475	1,382
Other receivable	257	411	Current tax liabilities	163	87
Inventories	6,719	5,696	Advance receipts	503	465
Prepayments	381	385	Current portion of long-term borrowings	1,604	500
Other current financial assets	30	2	Other current liabilities	191	208
Other current assets	24	61			
<b>Total current assets</b>	<b>13,023</b>	<b>13,194</b>	<b>Total current liabilities</b>	<b>12,094</b>	<b>11,368</b>

# Consolidated Balance Sheet

(NT\$ mn)	2015	2014		2015	2014
Financial assets measured at cost - non-current	94	71	Long-term borrowings	5,107	5,662
Debt investments with no active market - non-current	50	50	Total non-current provisions	189	125
Prepayments for investment	0	45	Net defined benefit liability	376	405
Property, plant and equipment	6,411	6,048	<b>Other non-current Liability</b>	<b>5,672</b>	<b>6,192</b>
Goodwill and intangible assets	2,613	2,473	<b>Total non-current liabilities</b>	<b>17,766</b>	<b>17,560</b>
Deferred tax assets	1,249	1,182			
Other non-current assets	1,755	1,858	Share capital	5,099	5,139
<b>Total non-current assets</b>	<b>12,172</b>	<b>11,727</b>	Capital surplus	673	679
			Retained earnings	1,683	1,733
			Other equity	-29	30
			Treasury shares	0	-248
			Total equity attributable to owners of the Company	7,426	7,333
			Non-controlling interests	3	28
			<b>Total equity</b>	<b>7,429</b>	<b>7,361</b>
<b>Total assets</b>	<b>25,195</b>	<b>24,921</b>	<b>Total liabilities &amp; equity</b>	<b>25,195</b>	<b>24,921</b>



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THANK YOU

For Watching

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