
Test Rite Group (2908:TT) 2Q16 IR Presentation

2016 August

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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

- 2Q2016 Snapshot.....4
- Financial Highlights 2Q16.....5
- Group Introduction.....12
- Retail Sector.....16
- Trading Sector.....22
- Appendix.....26

2Q2016 Snapshot

2Q2016 GROUP OVERVIEW

NT\$ 8,758M

Revenue

NT\$ 2,736M

Gross Profit

NT\$ 181M

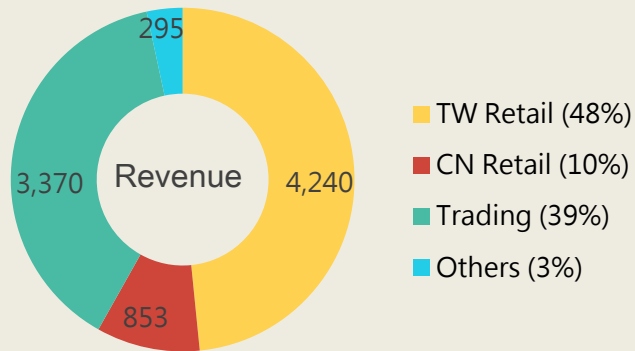
Operating Profit

NT\$ \$117M

Net Profit

NT\$ 0.23

EPS



TLW (TW)

27 stores

HOLA (CN)

33 stores

HOLA (TW)

25 stores

Brand Agency

23 brands

TLW Private Label

12.1%

HOLA (TW) Private Label

24.5%

Total Retail Revenue

NT\$ 5,093M

Total Trading Shipment

NT\$ 7,179M

N. & S. America Shipment

88%

Europe Shipment

8%

Global Presence

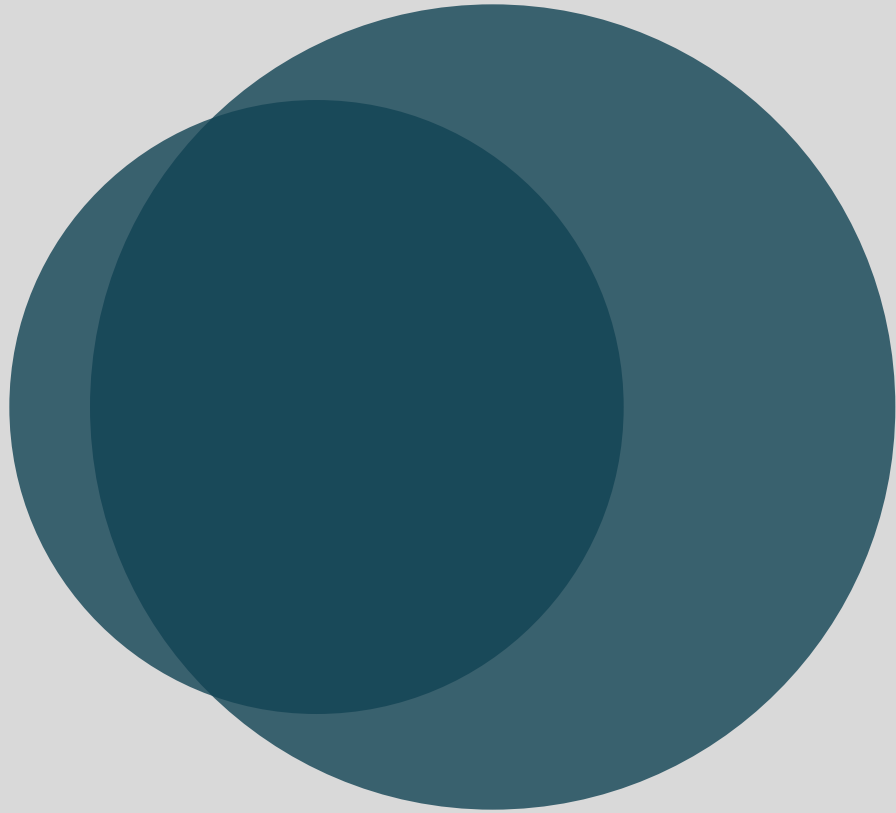
11 countries/14 offices

Warehouse

4 countries

Global Employees

6000+ people



FINANCIAL HIGHLIGHTS

Financial Highlights 2Q16

Revenue (YoY)

2Q16: -2.3%

2Q15: 1.0%

Gross Profit

2Q16: 31.2%

2Q15: 30.2%

By increasing the sales mix of private label and providing value-added services to trading customers. Both of the two major business units, Taiwan retail and trading businesses, achieve higher gross margin.

Operating Profit

2Q16: 2.1 %

2Q15: 1.8 %

Taiwan retail earning is stable. The growth of trading business has offset the increased loss of HOLA China, resulting in minimal growth of operating margin.

(NT\$ mn)	2Q16	2Q15	YoY% chg	FY2016	FY2015	YoY%chg
Revenue	8,758	8,968	-2.3%	18,400	18,623	-1.2%
COGS	(6,022)	(6,256)	-3.7%	(12,560)	(12,881)	-2.5%
Gross profit	2,736	2,712	0.9%	5,840	5,742	1.7%
Operating Expense	(2,555)	(2,550)	0.2%	(5,317)	(5,202)	2.2%
Operating profit	181	162	11.5%	523	540	-3.2%
Non-operating income/loss	32	5	597.9%	84	15	448.4%
Pre-tax profit	213	167	27.7%	607	555	9.3%
Net profit	117	110	6.7%	423	420	0.9%
Other net profit	(43)	4	NA	(52)	(58)	-11.7%
Total net profit	74	114	-34.3%	371	362	2.9%
Net profit attribute to TRIC shareholders	117	110	6.7%	423	420	0.9%
NT dollar (After Tax)						
Basic EPS	0.23	0.22	5.1%	0.83	0.83	0.5%
Diluted EPS	0.23	0.22	5.1%	0.83	0.83	0.5%
Gross margin	31.2%	30.2%	1.0%	31.7%	30.8%	0.9%
Operating margin	2.1%	1.8%	0.3%	2.8%	2.9%	-0.1%
Pretax margin	2.4%	1.9%	0.6%	3.3%	3.0%	0.3%
Net margin	1.3%	1.2%	0.1%	2.3%	2.3%	0.0%

2Q2016 by BU

Revenue by BU

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

Net Profit by BU

Strong growth of agency shipment contributes to the profit of trading business. Although agency business only recognized commission revenue in the consolidated revenue under IFRS, the bottom line of net profit is close to principal trading. 2Q16 trading net profit is NT\$198 mn, 30.4% growth YoY.

Sales by BU (NT\$ mn)	2Q16	2Q15	YoY% chg	FY2016	FY2015	YoY%chg
Taiwan Retail ▲	4,240	4,152	2.1%	9,078	8,853	2.5%
HOLA China ^	853	931	-8.4%	1,797	2,011	-10.6%
Trading ©	3,370	3,401	-0.9%	6,959	6,840	1.7%
Others #	295	484	-39.0%	566	919	-38.4%
Consolidated Sales	8,758	8,968	-2.3%	18,400	18,623	-1.2%
Net Profit by BU (NT\$ mn)	2Q16	2Q15	YoY% chg	FY2016	FY2015	YoY%chg
Taiwan Retail ▲	91	86	6.4%	341	366	-6.8%
HOLA China ^	(130)	(84)	54.3%	(227)	(114)	98.6%
Trading ©	198	152	30.4%	401	293	36.7%
Others #	(42)	(44)	-3.7%	(92)	(125)	-26.9%
Consolidated Net Profit	117	110	6.7%	423	420	0.9%

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

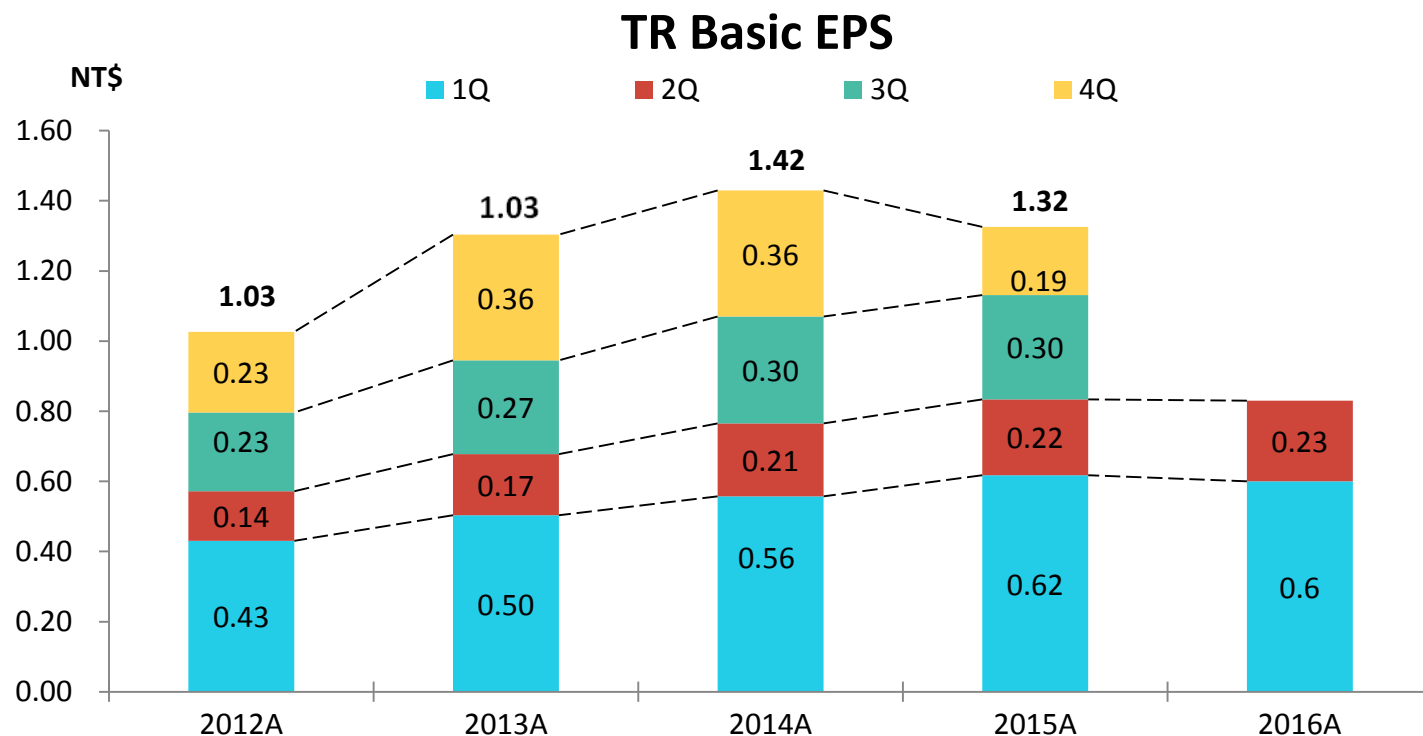
▲ Taiwan Retail included TLW, HOLA, Décor House, TLW Service, Testrite Brand Agency, and Test Rite C&B.

^ 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	2016A
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%	-



Long-term Investment Value



Only 12 companies in the service industry can keep up in the top 100 list for over 30 years.

Company Name	1986 Ranking	2016 Ranking
台灣電力	1	1
中華電信	2	6
中華航空	3	10
長榮海運	4	12
陽明海運	7	13
交通部鐵路管理局	8	55
台灣自來水	13	48
遠東百貨	14	32
和泰汽車	17	9
中鼎工程	33	22
萬海航運	37	24
特力 (Test-Rite)	43	41

In such rapidly changing environment of service industry, most of the survivors are state-owned companies.

It again proves our value of steady corporate management. Also showing our continuous efforts to **deliver long-term investment value for all investors.**

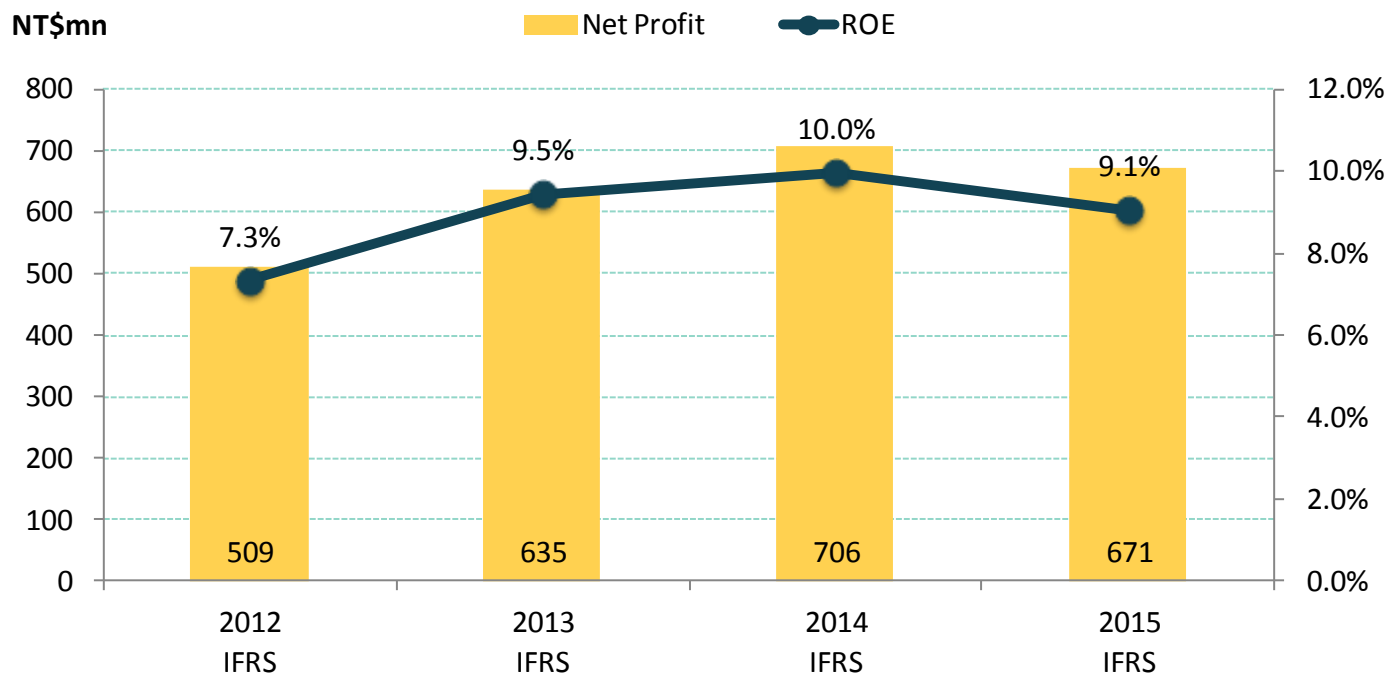
Best Interest of Shareholders

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.



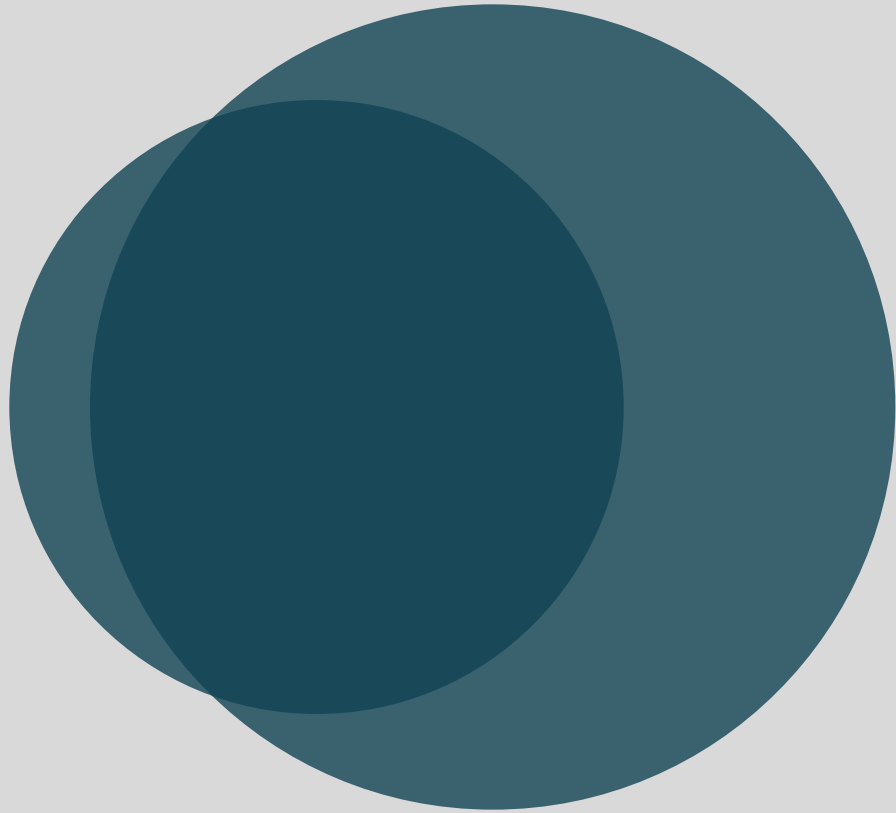
2016 Outlook

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 3rd party QA/QC business
- 5) Integrating the newly acquired German subsidiary to expand European business
- 6) Reaching synergies of group trading and retail business
- 7) Continuing to enhance customer relationships

Retail Business

- 1) Store opening schedule in 2016
 - TLW: Xitun store in Taichung opened in Jan
 - HOLA TW: no new store
 - Crate & Barrel: 2nd 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."

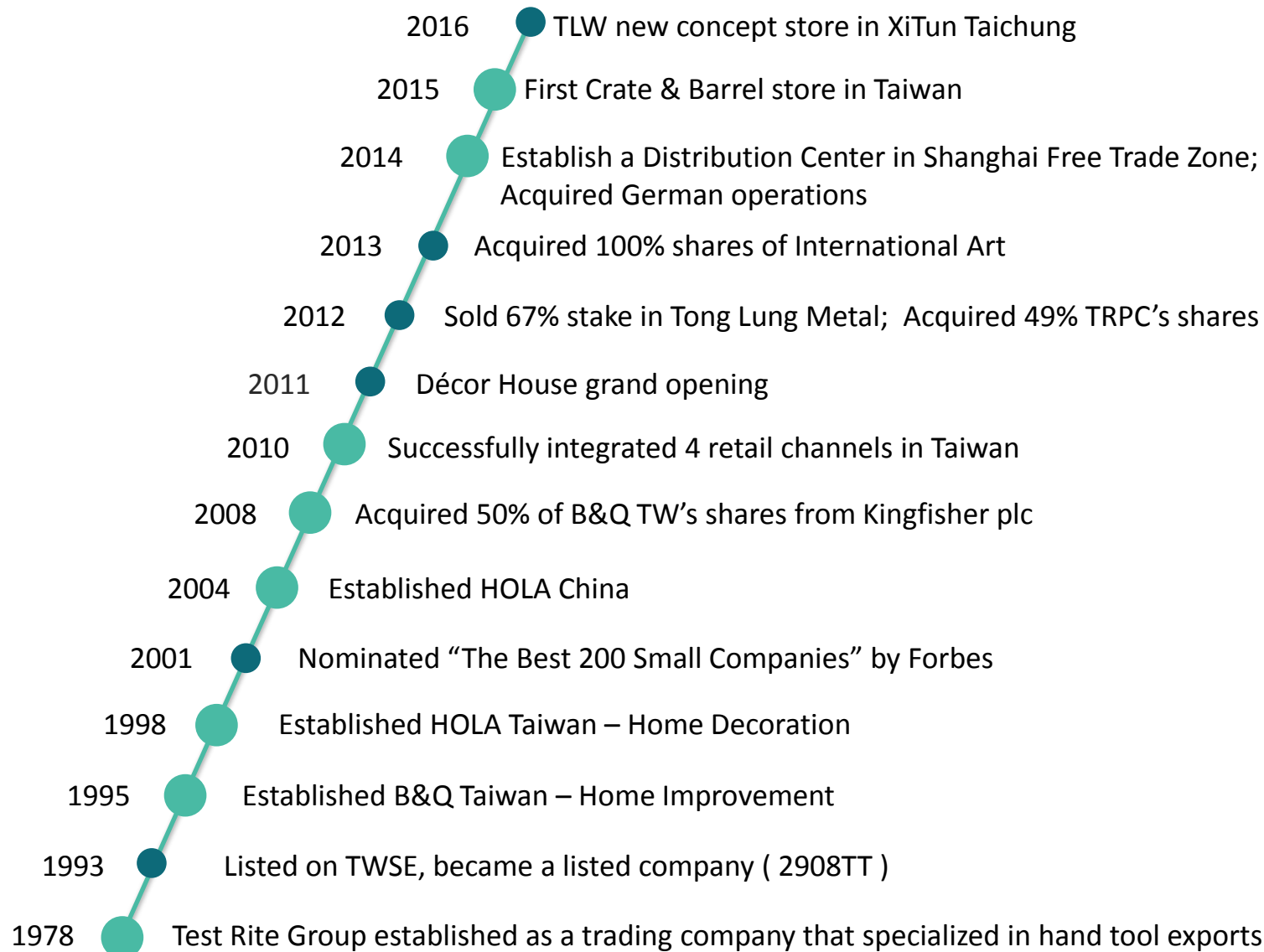


Judy Lee, Chairwoman, Test-Rite Int'l (2908 TT/2908 TW); Co Founder of Test-Rite Group. Best known as the "Queen of Hardline", Judy is a seasoned veteran of the import/export trading business. With Judy at the helm, Test-Rite Trading consistently provides outstanding services to retail customers globally 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

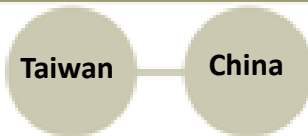


Group Structure

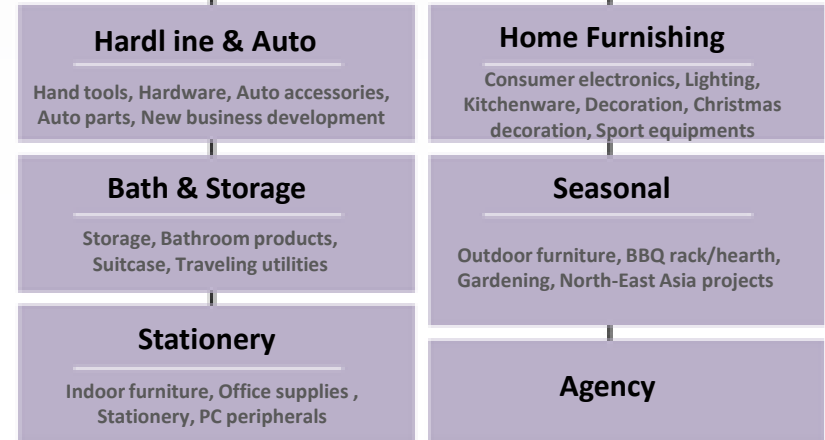
Test Rite Retail Business Group (2Q2016 Revenues: ~NTD\$ 5093 bn)

Home decoration	HOLA	Taiwan (25) China (33)
Home Improvement	TLW 特力屋 (27), TLW PLUS (1), HISU(2)	
Mattresses & Bedding	HOLA CASA (22), HOLA Petite(10), WEDGWOOD(14), FRETTE(6), Zucchi (3)	
Comprehensive home integration services	DÉCOR House	
Brand Agency	Crate & Barrel (1)	

Market deployment



Test Rite Trading Business Group (2Q2016 Shipment Value: ~NT\$7179 bn)



Market deployment



Other investment holdings

Creative Design/ Product Development

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

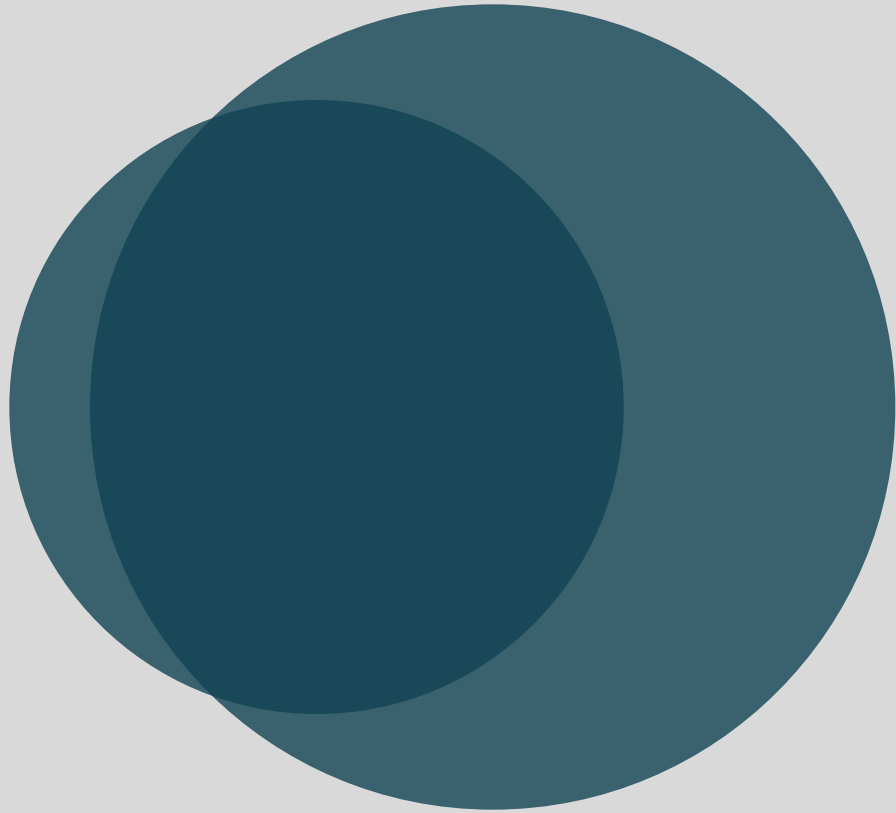
Chung Cin Corp.

Shopping mall construction; Office building construction; Booth recruitment

Logistics/ warehousing services

China
USA
Taiwan
Europe

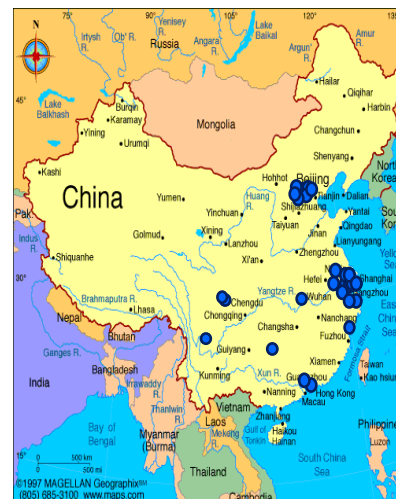
Note: store numbers updated on June 30th, 2016



RETAIL SECTOR

Building the best “Home-related” channel

Store#	2011A	2012A	2013A	2014A	2015A	1Q2016	2Q2016
TLW	23	24	26	26	26	27	27
HOLATW	20	21	22	23	25	25	25
HOLACN	28	31	33	35	38	36	33
Avg.selling space(m ²)	2011A	2012A	2013A	2014A	2015A	1Q2016	2Q2016
TLW	3,824	3,696	3,541	3,541	3,410	3,634	3,634
HOLATW	2,700	2,466	2,414	2,311	2,179	2,233	2,233
HOLACN	2,147	2,054	1,904	1,853	1,867	1,880	1751



Store Locations



Improve Margin by Private Label

2Q2016

TLW Sales mix 12.1%
HOLA Sales mix 24.5%



Mid-term Goal

TLW: reaches 15%
HOLA: reaches 30%

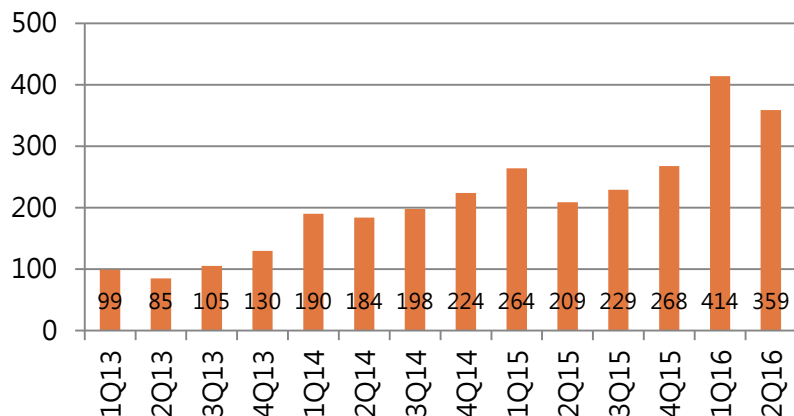
Long-term Goal

TLW: reaches 30%
HOLA: reaches 50%

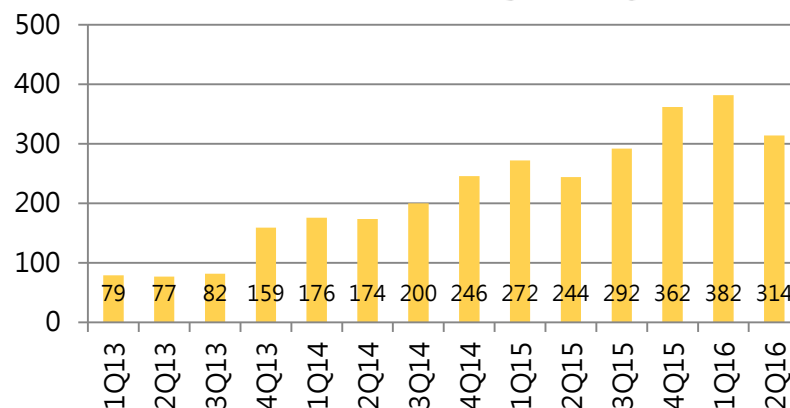
- Save costs by joint-merchandise
- Leading home décor trend by strengthening PL designing ability



TLW PL Sales(Quarterly)



HOLA PL Sales(Quarterly)



Omni-Channel Development

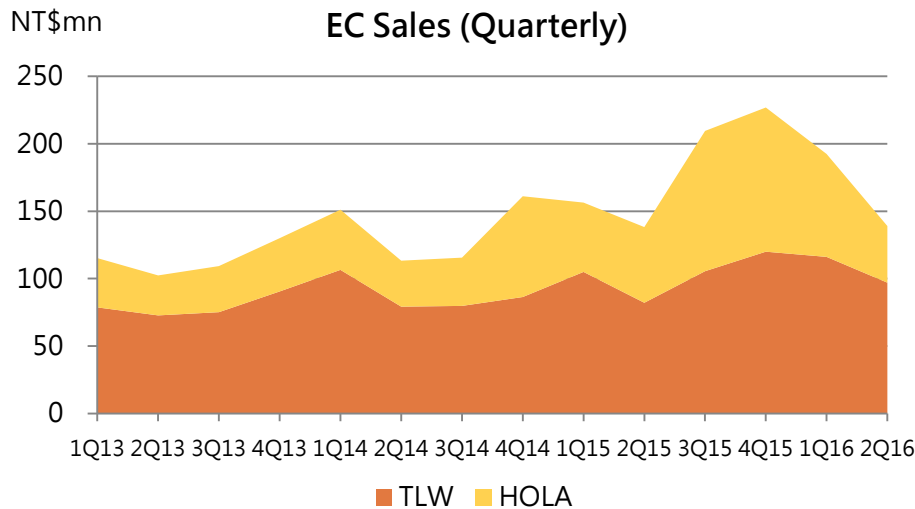
2Q2016

TLW EC Sales mix 3.3%
HOLA EC Sales mix 3.3%



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

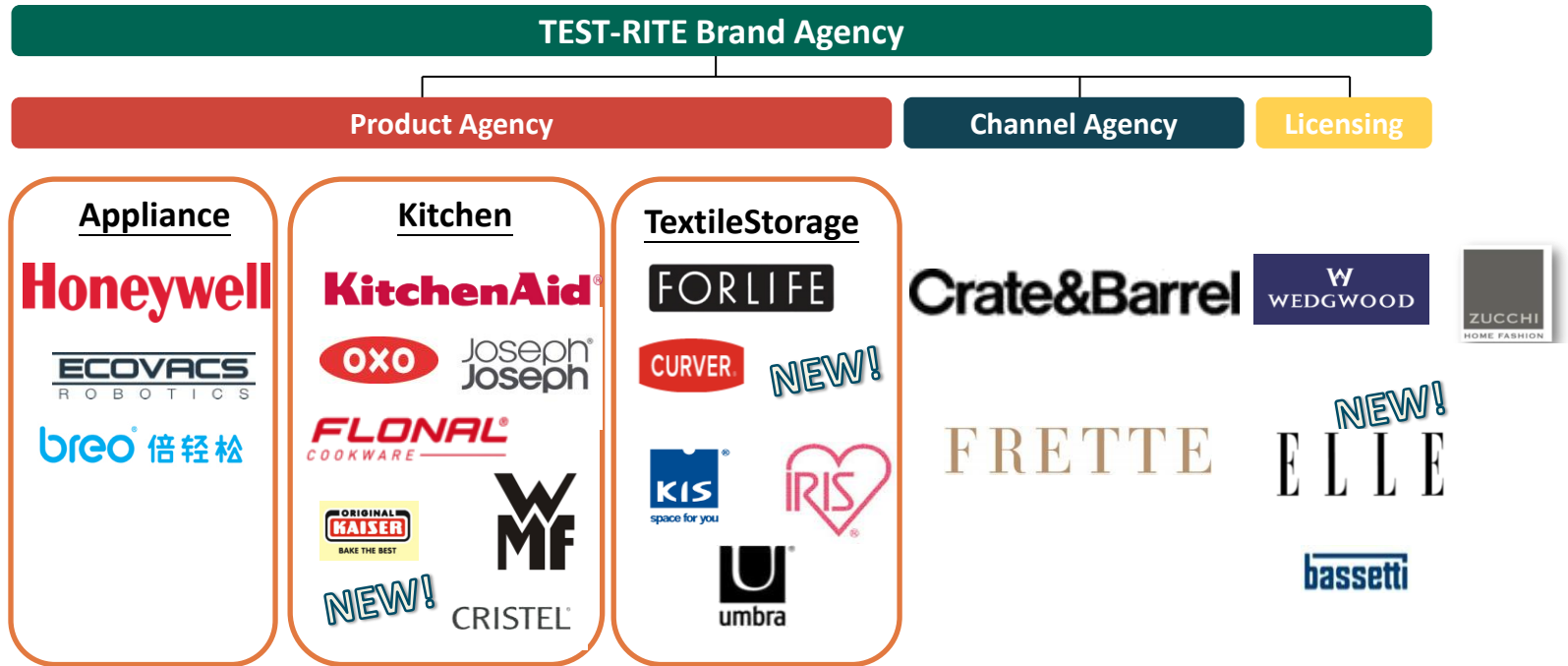
2Q2016

Total of 23 brands agency



2016 Goal

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



HOLA China Strategy

2Q2016

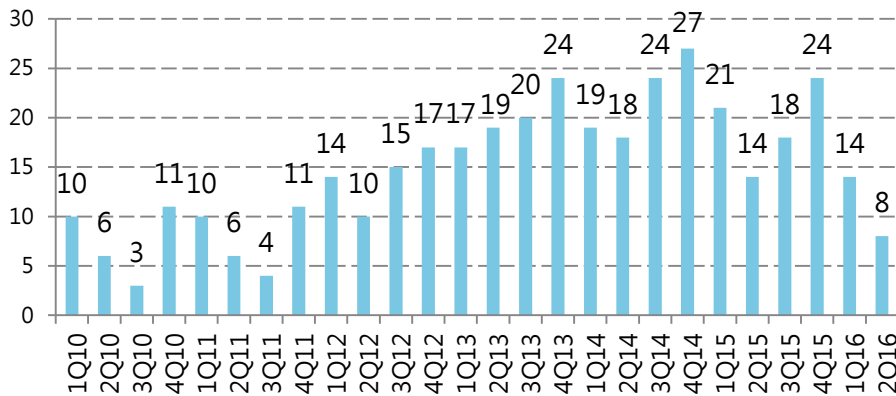
Private Label Sales mix: 15.2%
 EC Sales mix: 0.61%
 Self-Supported Sales mix: 52.43%



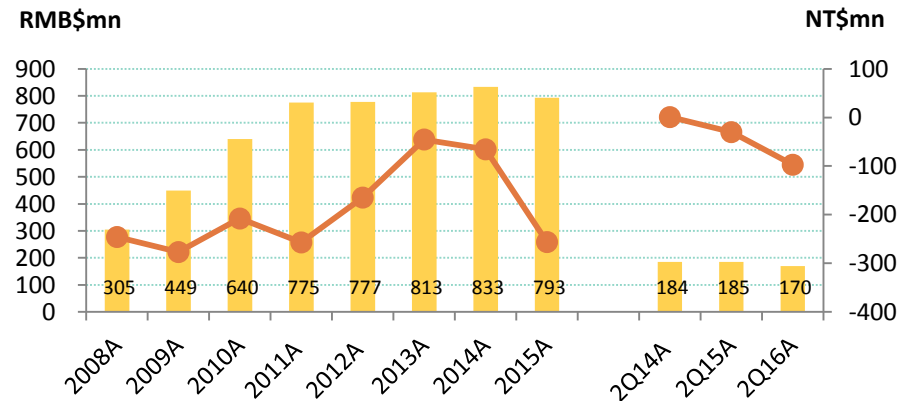
2016 Goal

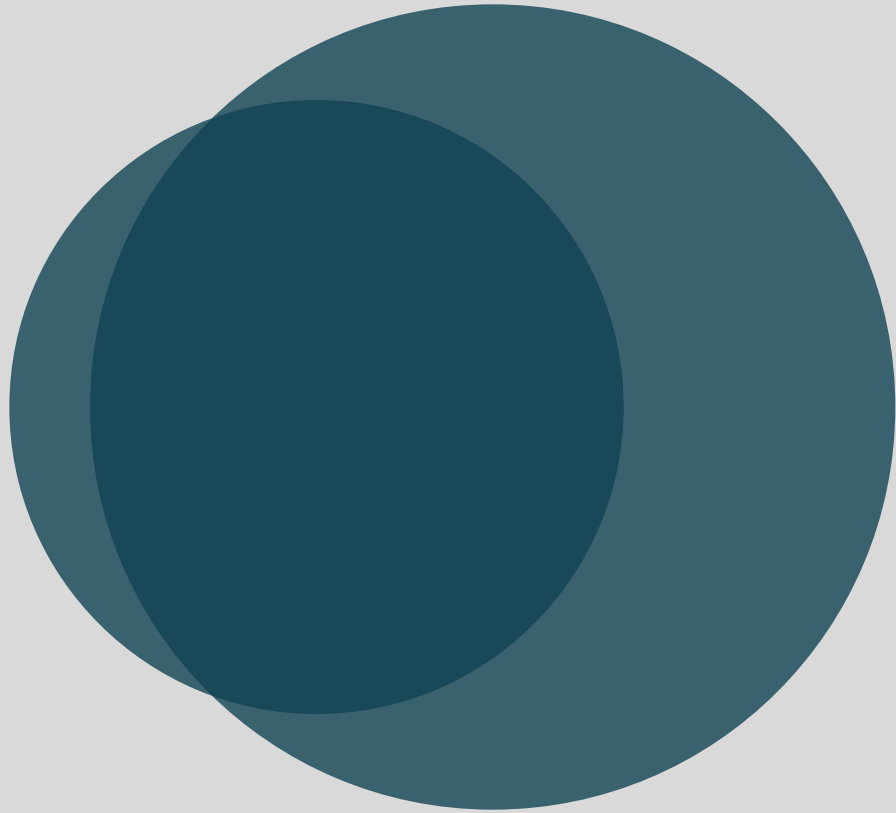
- Increase Self-Supported sales \ PL sales and joint merchandise
- Develop EC/ Franchise model
- Improve store level profit and decrease headquarter costs to reach breakeven point
- Making structural adjustment by actively shut down those stores which can't achieve profitability goals.

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

2Q2016

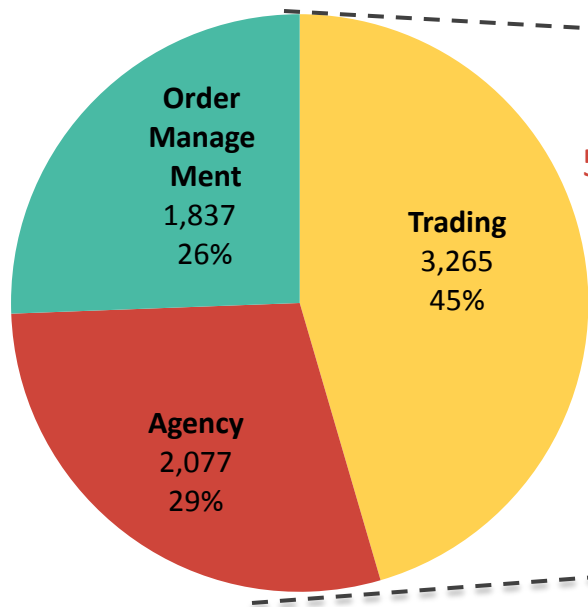
- The prosperous U.S. housing and auto market has driven the demand of hand tools and power tools.
- Agency Business has big jump at 49% growth YoY.



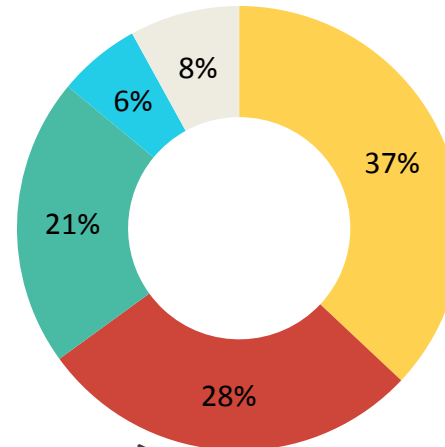
2016 Goal

- Hardline, House Ware, Seasonal keeps growing
- Acquiring new customers in Agency
- Transforming to product company and strengthening product design ability
- Focus on profitability
- Seeking foreign strategic partners to develop local markets and expand economic scale

Total Trading Shipment NT\$7,179M



Total Shipment
51.7% growth YoY



Trading by Category

- Hardline
- House Ware
- Seasonal
- Electrical
- Others

Shipment growing

2Q2016

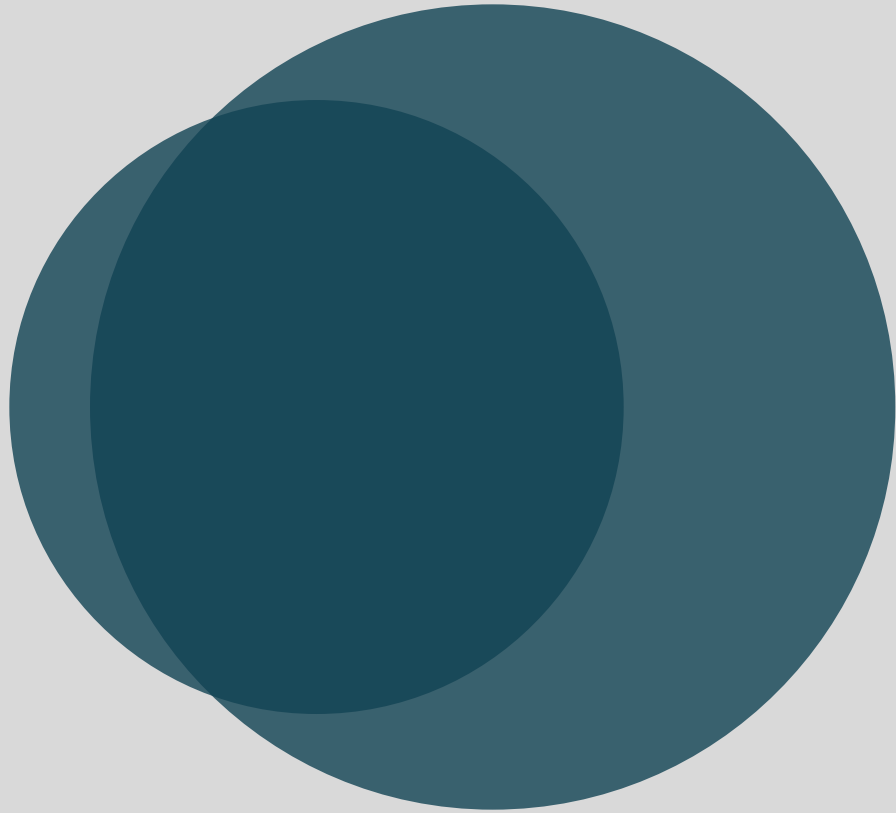
- New customers and new products in auto and building materials drive the growth of Agency shipments. 49% YoY in the 2Q and 42% YoY YTD.
- Launch the new business of providing order management services. The demand is huge. It has rapidly accounted for 26% of total trading shipment in the 2Q.



2016 Goal

- New customers in Agency
- New products in Agency
- Develop the order management business

Shipment Volume	2016	2015	YoY % chg
Principal trading shipment – 2Q16	3,264,902	3,342,328	-2.3%
Agency business shipment – 2Q16	3,914,384	1,391,142	181.4%
- Agency shipments	2,077,351	1,391,142	49.33%
- Order management shipments	1,837,033	-	NA
Total Shipment – 2Q16	7,179,286	4,733,470	51.7%
Principal trading shipment – Accumulated	6,790,572	6,734,791	0.8%
Agency business shipment – Accumulated	5,335,077	2,468,953	116.1%
- Agency shipments	3,498,044	2,462,973	42.03%
- Order management shipments	1,837,033	5,980	NA
Total Shipment – Accumulated	12,125,649	9,203,744	31.8%



APPENDIX

Private Label - Designing & Branding ability

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

2016 Autumn /Winter trend - North Africa Exotic Style

Brick Red + Lime White
With Copper



Private Label – TLW Lighting

1Q2016 private label of lighting products has **785% YoY** growth
86 million sales for the first quarter, exceeding the annual sales of 2015.



Killer Products

99 NTD

3y Warranty

Exclusive Brand – Toshiba



TOSHIBA
Leading Innovation >>>

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



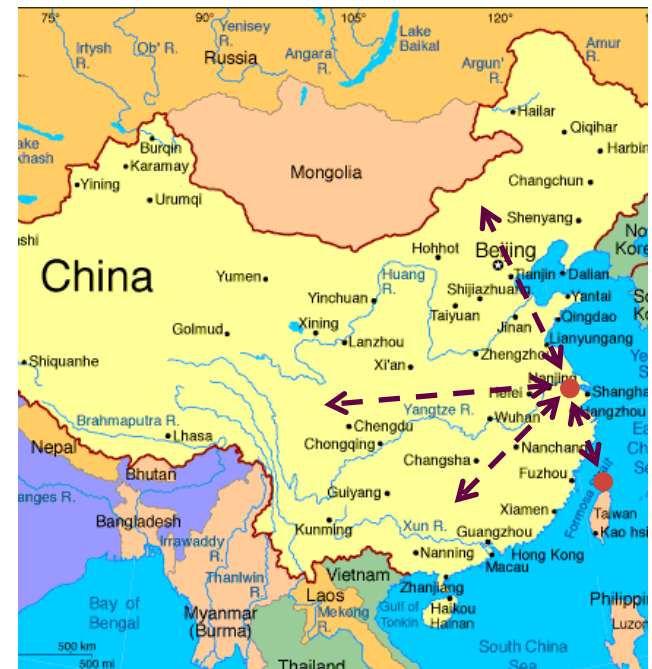
- With local service of 14 offices in 11 countries/region, 4 warehouses in China, Taiwan, Germany, and U.S.
- US warehouse provides logistics/ warehousing service to customers of principal trading

Worldwide Trading Service

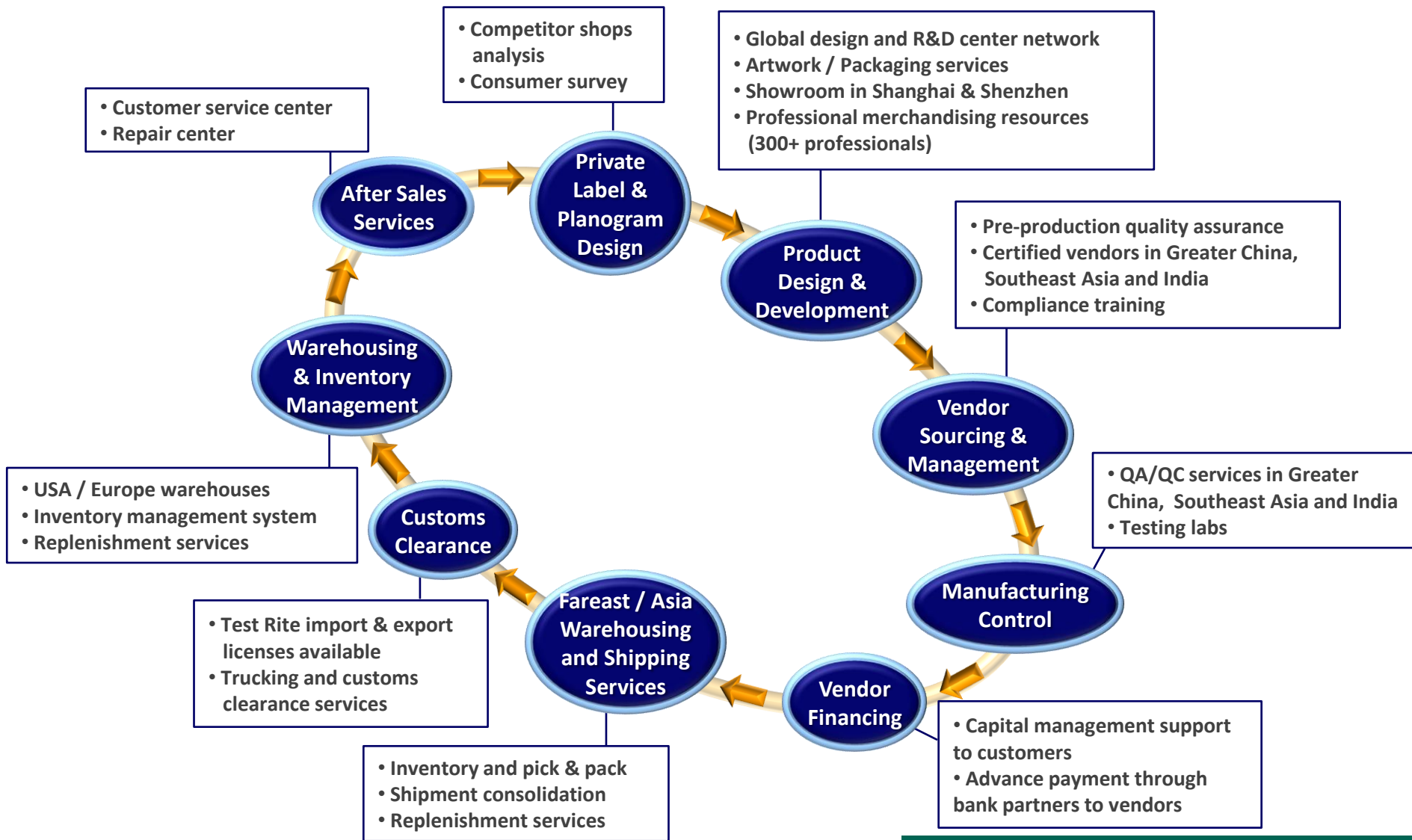


● TESTRITE's Warehouse

Greater China Retail Service



Repositioning-Total Solution Provider



1Q2016 Consolidated Balance Sheet

(NT\$ mn)	2Q2016	2Q2015		2Q2016	2Q2015
Cash and cash equivalents	2,085	2,739	Short-term borrowings	2,325	2,130
Financial assets at fair value through profit or loss - current	815	763	Short-term notes bills payable	20	80
Debt investments with no active market - current	0	207	Financial liabilities at fair value through profit or loss – current	0	0
Accounts & notes receivable	2,626	2,615	Accounts and notes payable	5,368	5,500
Other receivable	348	241	Other payable	2,129	1,696
Inventories	6,132	5,773	Current tax liabilities	237	181
Prepayments	429	371	Advance receipts	575	534
Other current financial assets	23	2	Current portion of long-term borrowings	1,522	1,192
Other current assets	4	25	Other current liabilities	78	271
Total current assets	12,462	12,736	Total current liabilities	12,254	11,584

2Q2016 Consolidated Balance Sheet

(NT\$ mn)	2Q2016	2Q2015		2Q2016	2Q2015
Financial assets measured at cost - non-current	94	70	Long-term borrowings	4,535	5,262
Debt investments with no active market - non-current	283	50	Total non-current provisions	34	0
Property, plant and equipment	5,994	6,132	Net defined benefit liability	494	519
Goodwill and intangible assets	2,595	2,599	Other non-current Liability	5,063	5,781
Deferred tax assets	1,258	1,208	Total non-current liabilities	17,317	17,365
Other non-current assets	1,947	1,822			
Total non-current assets	12,171	11,881	Share capital	5,099	5,139
			Capital surplus	673	679
			Retained earnings	1,621	1,542
			Other equity	(80)	(28)
			Treasury shares	0	(85)
			Total equity attributable to owners of the Company	7,313	7,248
			Non-controlling interests	3	5
			Total equity	7,316	7,252
Total assets	24,633	24,617	Total liabilities & equity	24,633	24,617

THANK YOU

For Watching
