
Test Rite Group (2908:TT) 3Q16 IR Presentation

2016 November

Legal Disclaimer

- The information contained in this presentation, including all forward-looking statements, is subject to change without notice, whether as a result of new information, future events or otherwise, and Test-Rite Int'l Ltd. (the "Company") undertakes no obligation to update or revise the information contained in this presentation.
- Actual results may differ materially from those expressed or implied in these forward-looking statements and no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is the information intended to be a complete statement of the Company, markets or developments referred to in this presentation.
- 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.

Sophia Tong
Group CEO
TEL: 886-2-8791-5888

Linda Lin
CFO & Spokesperson
TEL: 886-2-8791-5888

Daniel Liu *(Please contact for further information)*
Deputy Spokesperson
TEL: 886-2-8791-5888 ext. 6073
Email : daniel.liu@testritegroup.com

Judy Chen
Investor Relations Principal Specialist
TEL: 886-2-8791-5888 ext.5936
Email : investor@testritegroup.com

Agenda

- 3Q2016 Snapshot.....4
- Financial Highlights 3Q16.....5
- Group Introduction.....12
- Retail Sector.....16
- Trading Sector..... 22
- Appendix.....26

3Q2016 Snapshot

3Q2016 GROUP OVERVIEW

NT\$ 8,658M

Revenue

NT\$ 2,764M

Gross Profit

NT\$ 172M

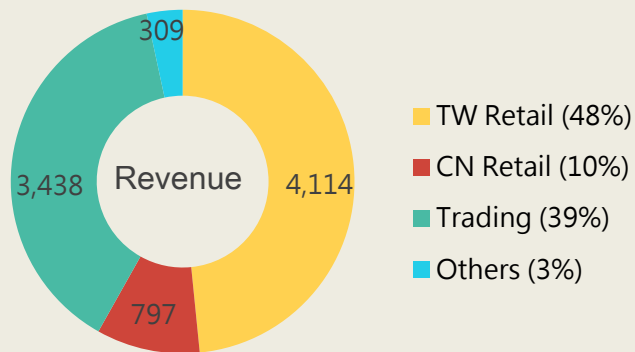
Operating Profit

NT\$ 152M

Net Profit

NT\$ 0.3

EPS



TLW (TW)

27 stores

HOLA (CN)

33 stores

HOLA (TW)

25 stores

Brand Agency

23 brands

TLW Private Label

12.5%

HOLA (TW) Private Label

25.9%

Total Retail Revenue

NT\$ 4,911M

Total Trading Shipment

NT\$ 7,242M

N. & S. America Shipment

90 %

Europe Shipment

7 %

Global Presence

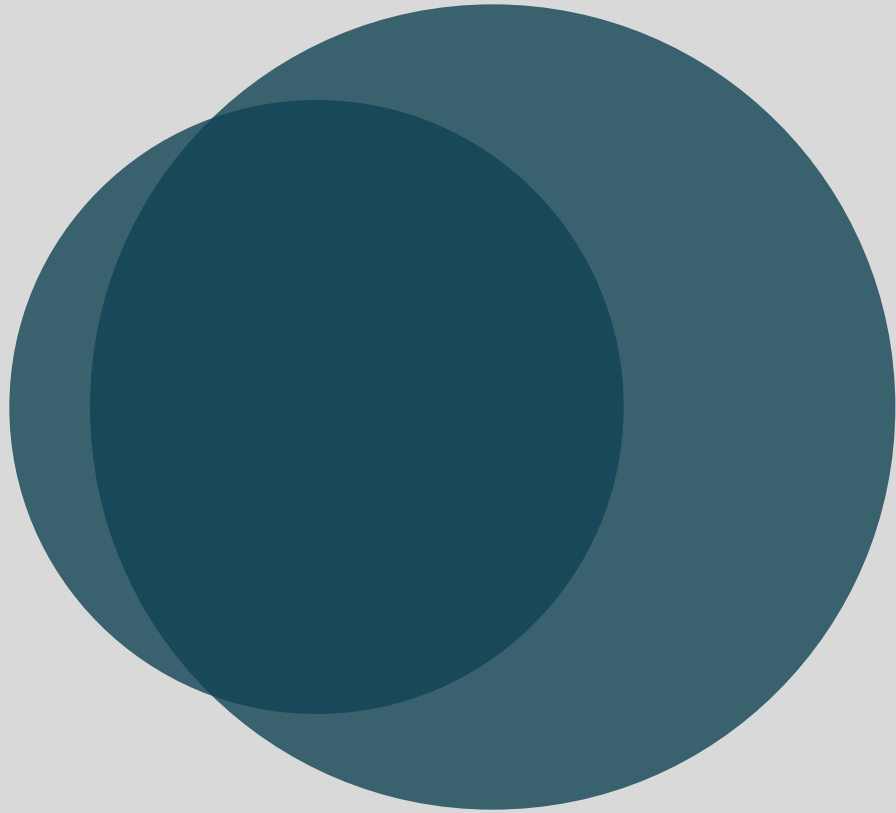
11 countries/14 offices

Warehouse

4 countries

Global Employees

6000+ people



FINANCIAL HIGHLIGHTS

Financial Highlights 3Q16

Revenue (YoY)

3Q16:-3.7%

3Q15:-2.3%

Gross Profit

3Q16:31.9%

3Q15:30.9%

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

3Q16:2.0%

3Q15:1.9%

The growth of trading business has offset retail profit, resulting in operating margin which is the similar to last year

(NT\$ mn)	3Q16	3Q15	YoY% chg	FY2016	FY2015	YoY%chg
Revenue	8,658	8,991	-3.7%	27,057	27,614	-2.0%
COGS	(5,894)	(6,211)	-5.1%	(18,454)	(19,092)	-3.3%
Gross profit	2,764	2,780	-0.6%	8,603	8,522	1.0%
Operating Expense	(2,592)	(2,607)	-0.6%	(7,908)	(7,808)	1.3%
Operating profit	172	173	-0.7%	695	714	-2.6%
Non-operating income/loss	11	26	-56.6%	96	42	129.2%
Pre-tax profit	183	200	-8.1%	791	755	4.7%
Net profit	152	152	0.5%	576	571	0.8%
Other net profit	(65)	44	NA	(117)	(14)	694.0%
Total net profit	87	195	-55.2%	459	557	-17.5%
Net profit attribute to TRIC shareholders	152	152	0.5%	576	571	0.8%
NT dollar (After Tax)						
Basic EPS	0.30	0.30	-1.1%	1.13	1.13	0.1%
Diluted EPS	0.30	0.30	-1.1%	1.13	1.13	0.1%
Gross margin	31.9%	30.9%	1.0%	31.8%	30.9%	0.9%
Operating margin	2.0%	1.9%	0.1%	2.6%	2.6%	0.0%
Pretax margin	2.1%	2.2%	-0.1%	2.9%	2.7%	0.2%
Net margin	1.8%	1.7%	0.1%	2.1%	2.1%	0.1%

3Q2016 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. 3Q16 trading net profit is NT\$195 mn, 7.7% growth YoY.

Sales by BU (NT\$ mn)	3Q16	3Q15	YoY% chg	FY2016	FY2015	YoY%chg
Taiwan Retail ▲	4,114	4,144	-0.7%	13,192	12,997	1.5%
HOLA China ^	797	902	-11.6%	2,594	2,913	-10.9%
Trading ☉	3,438	3,573	-3.8%	10,397	10,414	-0.2%
Others #	309	372	-16.8%	874	1,290	-32.3%
Consolidated Sales	8,658	8,991	-3.7%	27,057	27,614	-2.0%
Net Profit by BU (NT\$ mn)	3Q16	3Q15	YoY% chg	FY2016	FY2015	YoY%chg
Taiwan Retail ▲	73	105	-30.8%	414	471	-12.1%
HOLA China ^	(92)	(87)	5.6%	(319)	(202)	58.3%
Trading ☉	195	181	7.7%	596	481	23.9%
Others #	(24)	(47)	-50.7%	(115)	(179)	-36.0%
Consolidated Net Profit	152	152	0.5%	576	571	0.8%

☉ 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.

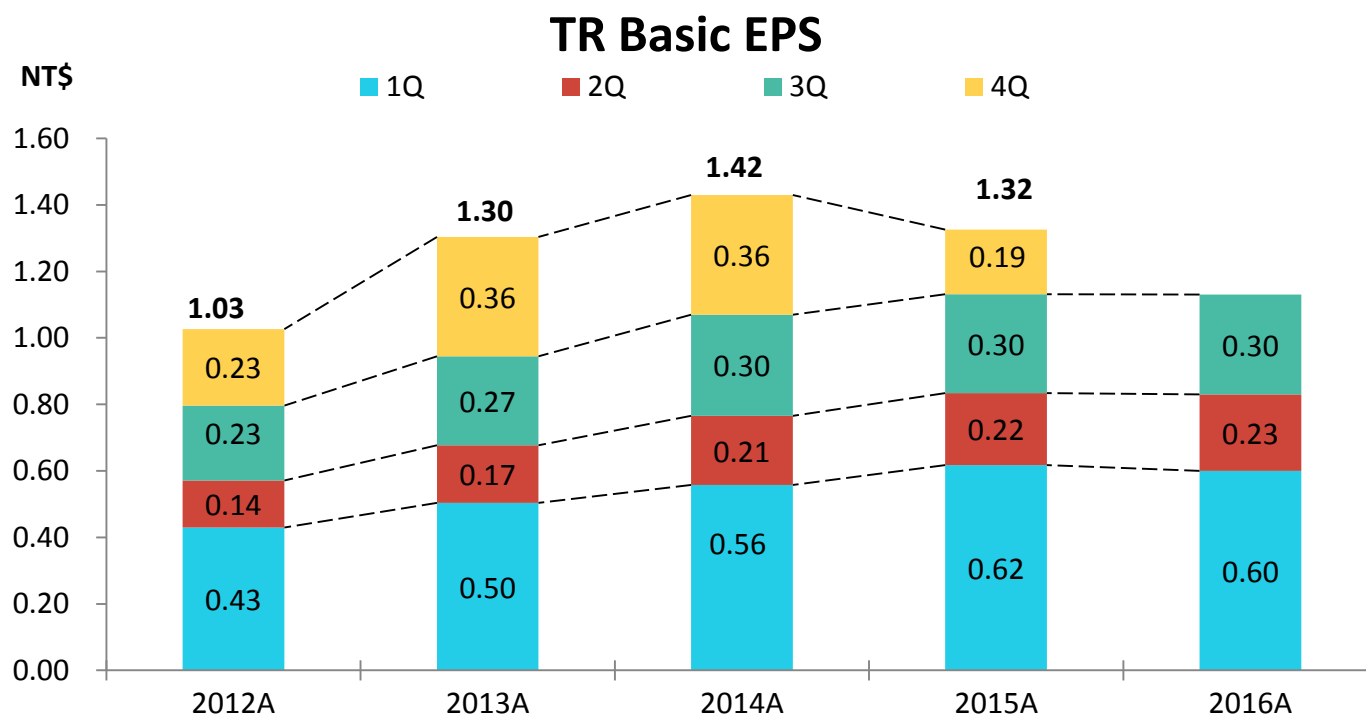
^ HOLA China only included HOLA China.

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%	-

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



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.**

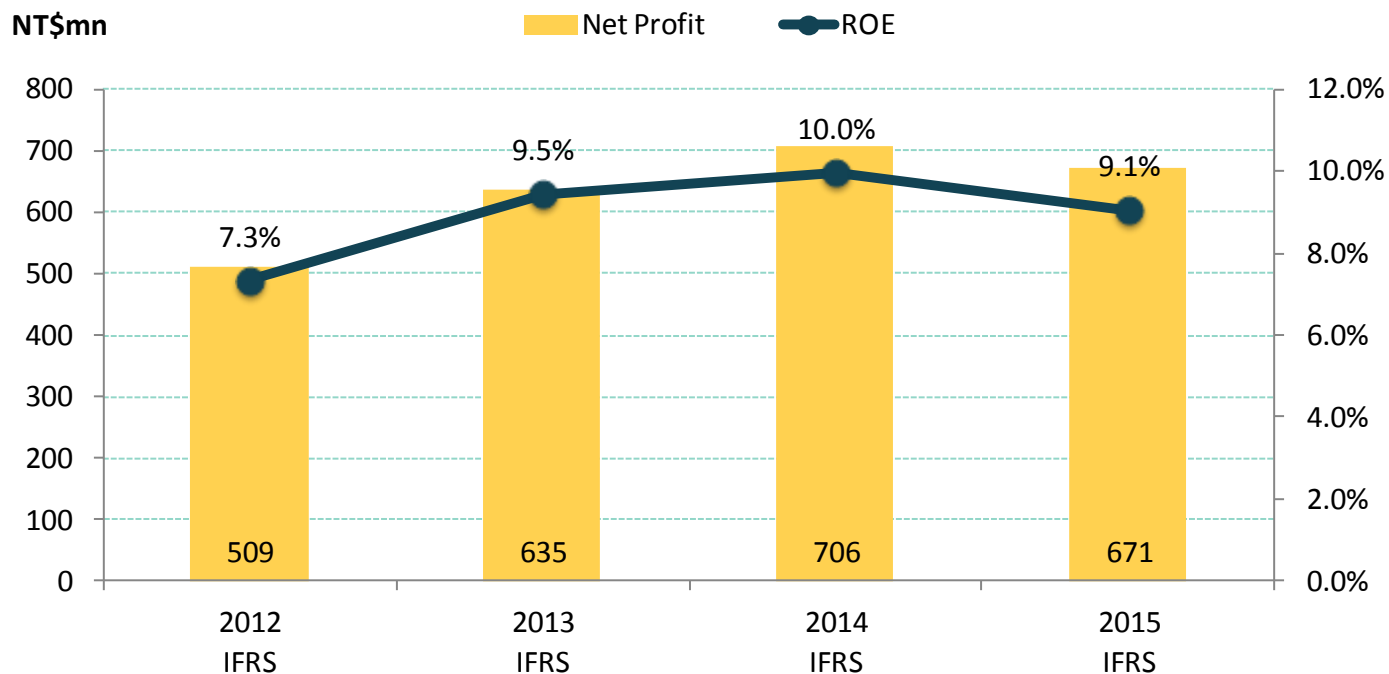
Best Interest of Shareholders

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.



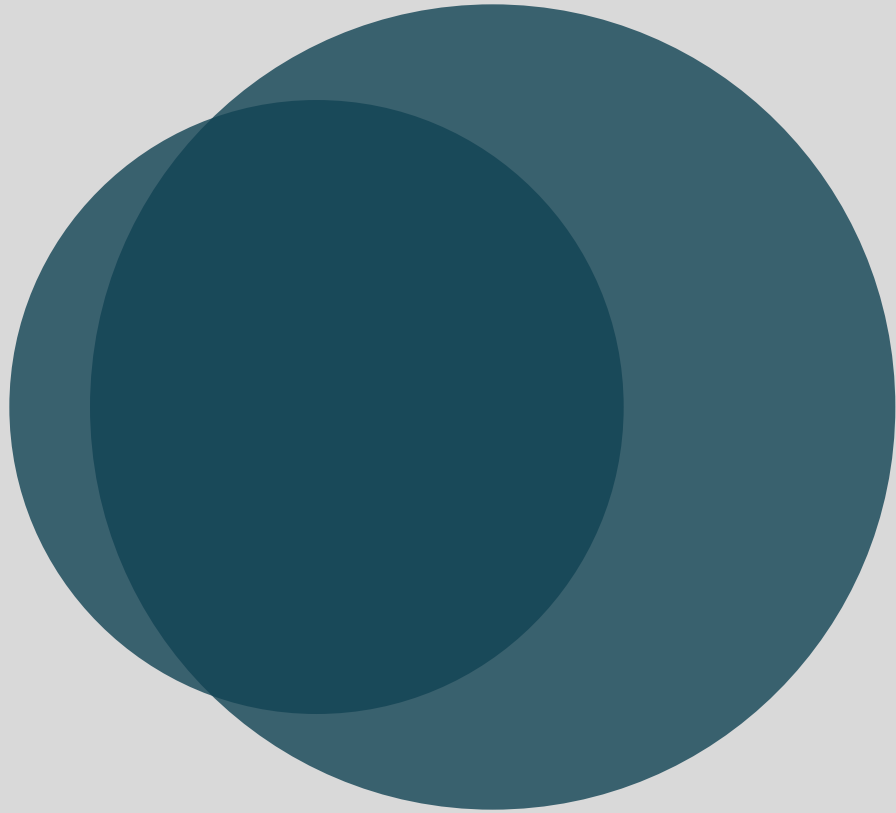
2016 Outlook

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."

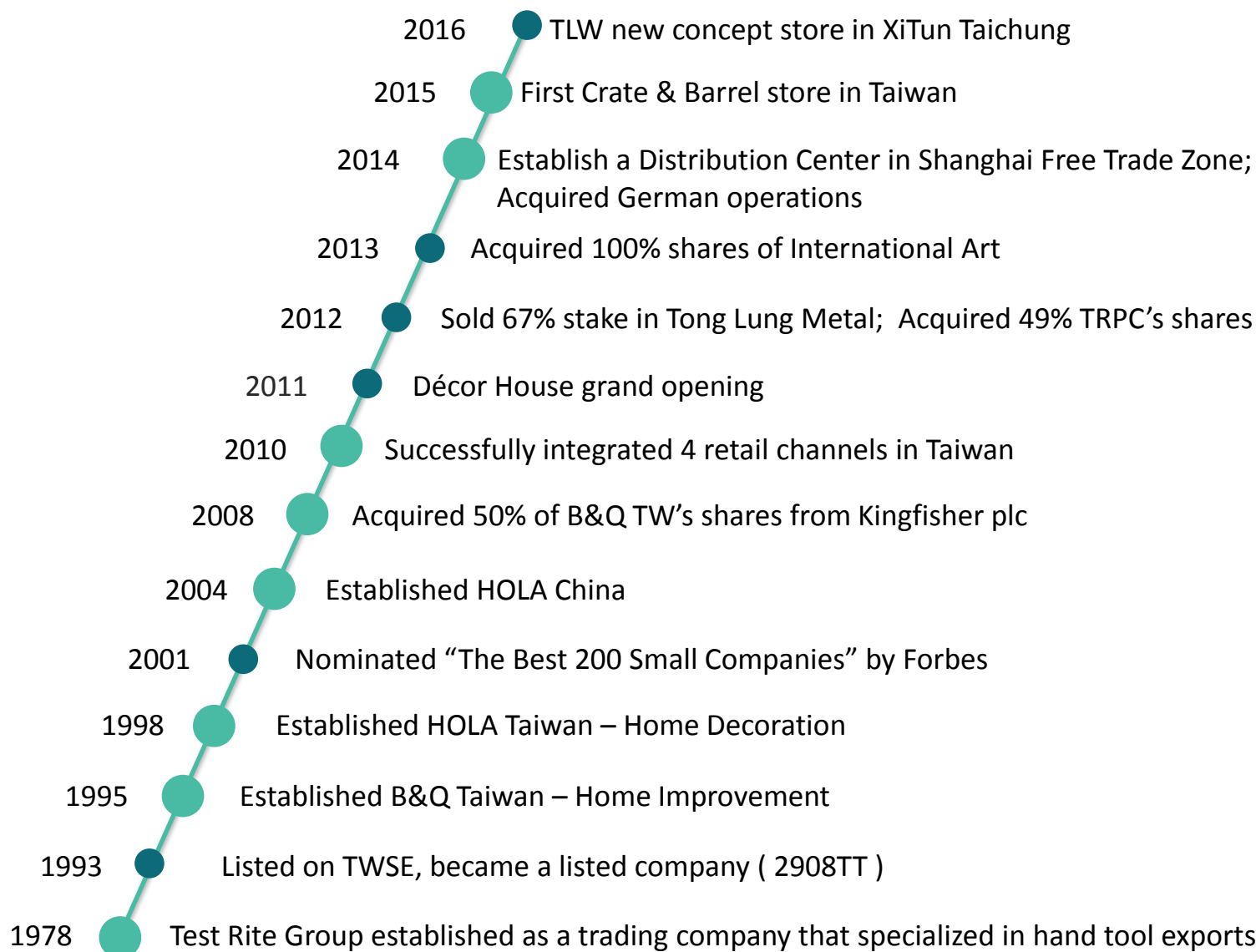


Judy Lee, Chairwoman, Test-Rite Int'l (2908 TT/2908 TW); Co Founder of Test-Rite Group. Best known as the "Queen of Hardline", Judy is a seasoned veteran of the import/export trading business. With Judy at the helm, Test-Rite Trading consistently provides outstanding services to retail customers globally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

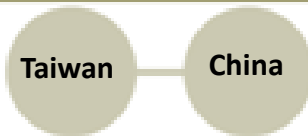


Group Structure

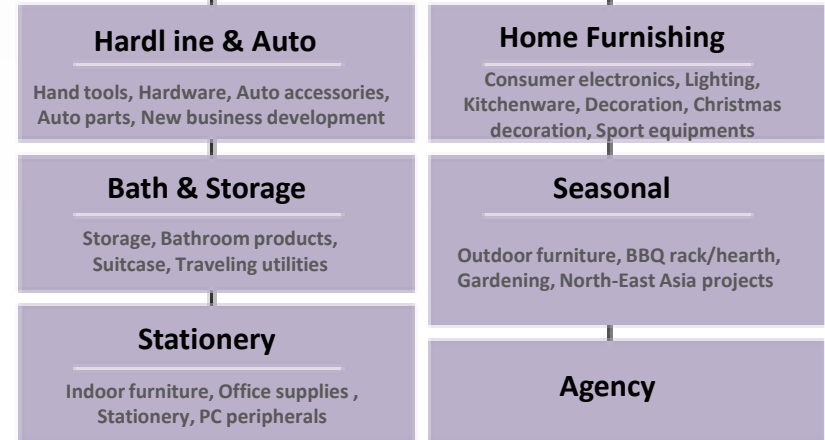
Test Rite Retail Business Group (3Q2016 Revenues: ~NTD\$ 4911bn)

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(9), WEDGWOOD(14), FRETTE(6), Zucchi (3)	
Comprehensive home integration services	DÉCOR House	
Brand Agency	Crate & Barrel (2)	

Market deployment



Test Rite Trading Business Group (3Q2016 Shipment Value: ~NT\$7242 bn)



Market deployment



Other investment holdings

Creative Design/ Product Development

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

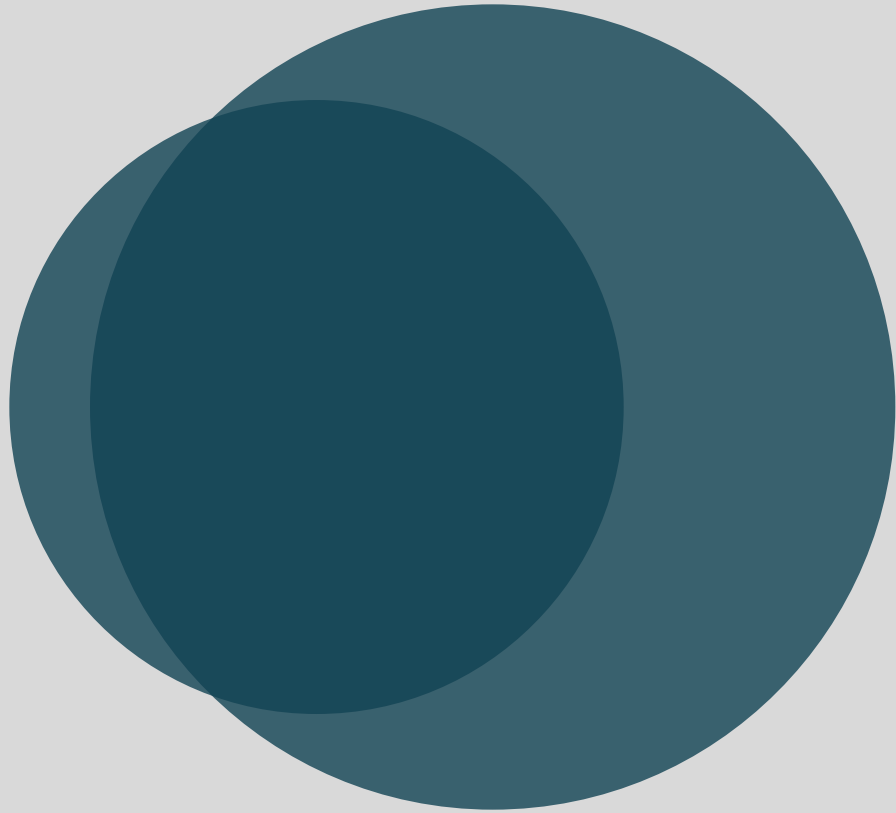
Chung Cin Corp.

Shopping mall construction; Office building construction; Booth recruitment

Logistics/ warehousing services

China
USA
Taiwan
Europe

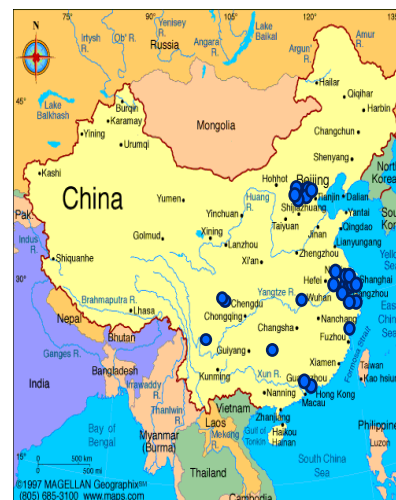
Note: store numbers updated on September 30th, 2016



RETAIL SECTOR

Building the best “Home-related” channel

Store#	2011A	2012A	2013A	2014A	2015A	1Q2016	2Q2016	3Q2016
TLW	23	24	26	26	26	27	27	27
HOLATW	20	21	22	23	25	25	25	25
HOLACN	28	33	33	35	38	36	33	33
Avg. selling space(m ²)	2011A	2012A	2013A	2014A	2015A	1Q2016	2Q2016	3Q2016
TLW	3,824	3,696	3,541	3,541	3,410	3,634	3,634	3,634
HOLATW	2,700	2,466	2,414	2,311	2,179	2,233	2,233	2,233
HOLACN	2,147	2,054	1,904	1,853	1,867	1,868	1903	1876



Store Locations



Improve Margin by Private Label

3Q2016

TLW Sales mix 12.5%
HOLA Sales mix 25.9%



Mid-term Goal

TLW: reaches 15%
HOLA: reaches 30%

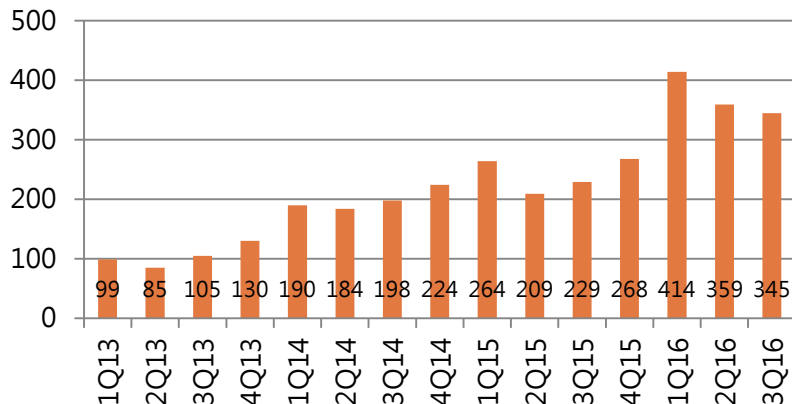
Long-term Goal

TLW: reaches 30%
HOLA: reaches 50%

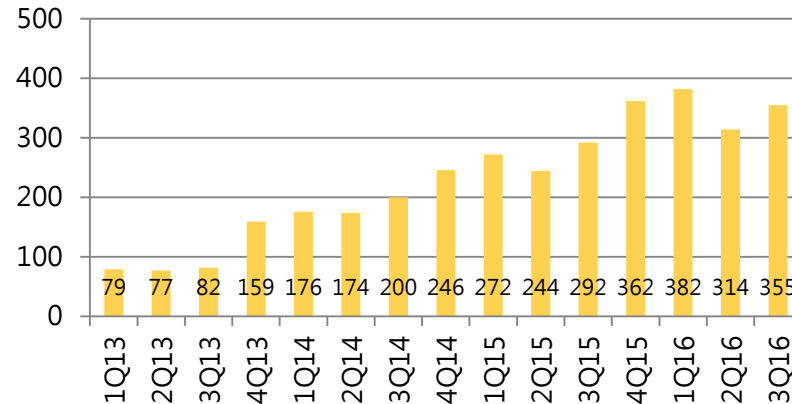
- Save costs by joint-merchandise
- Leading home décor trend by strengthening PL designing ability



TLW PL Sales(Quarterly)



HOLA PL Sales(Quarterly)



Omni-Channel Development

3Q2016

- TLW EC Sales mix 3.4%
- HOLA EC Sales mix 3.3%
- Doubling online skus in 2016

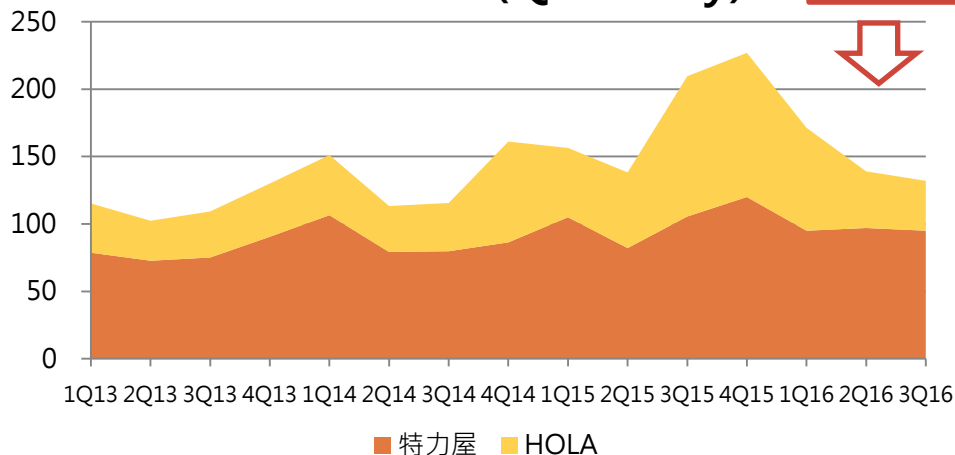


2016 Goal

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

The decrease is mainly due to the reduction of online discount coupons issued by HOLA. Actually, the EC sales has grown comparing to the last year.

EC Sales (Quarterly)



Current

TLW online skus >40,000

HOLA online skus >30,000

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

Growth Driver – Brand Agency

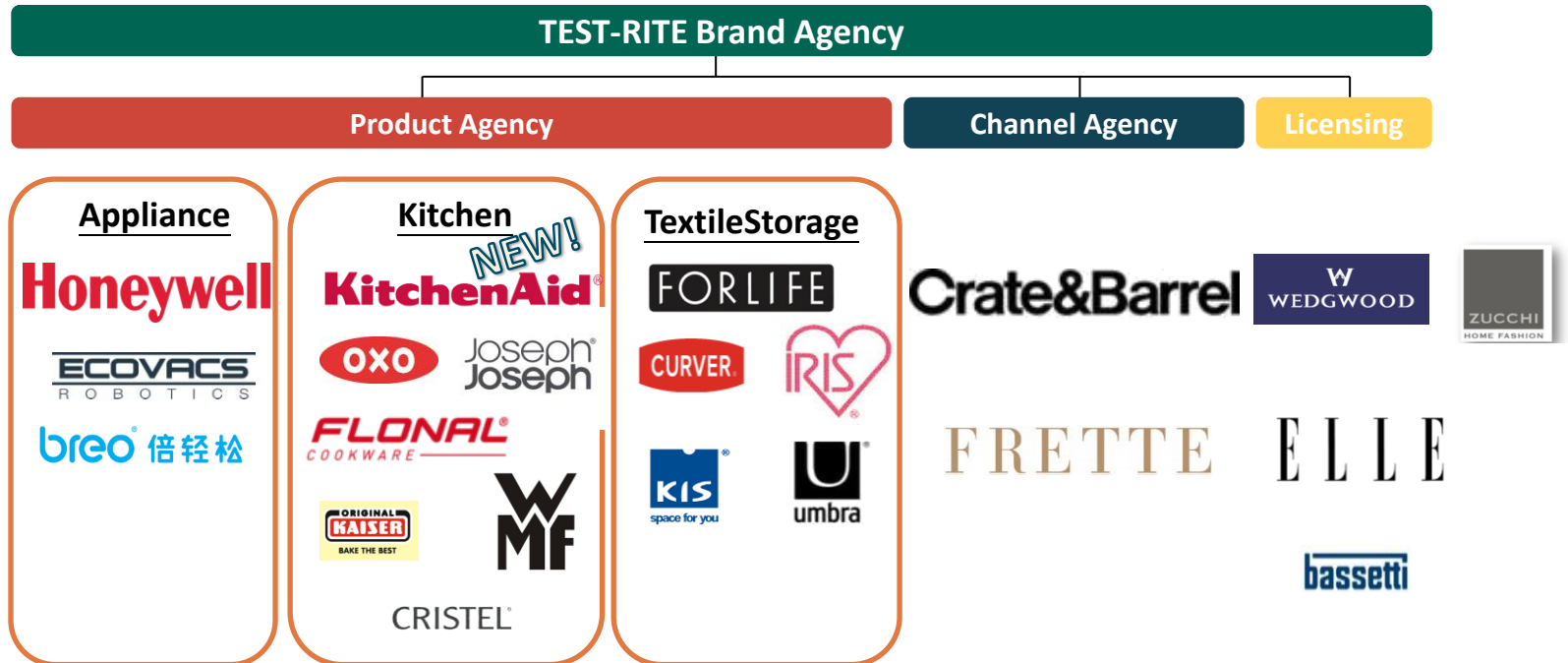
3Q2016

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

3Q2016

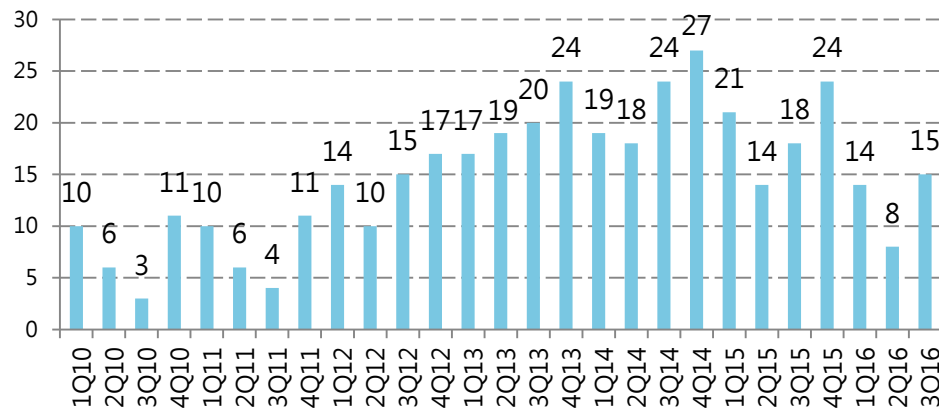
Private Label Sales mix: 17.8%
 EC Sales mix: 1.63%
 Self-Supported Sales mix: 51.86%



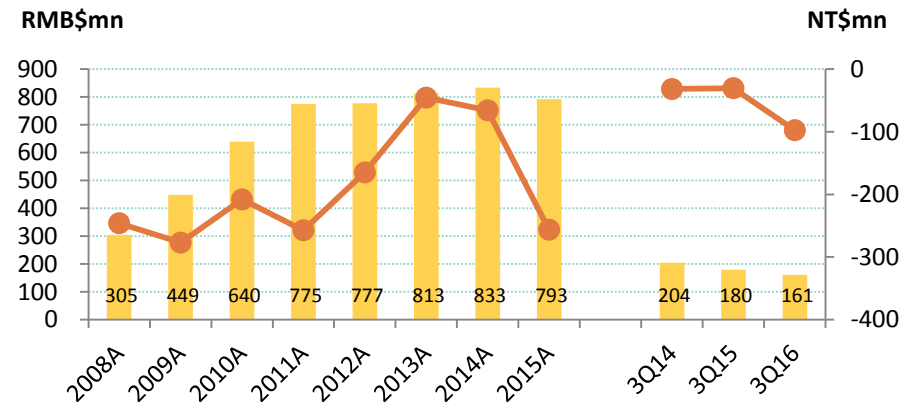
2016 Goal

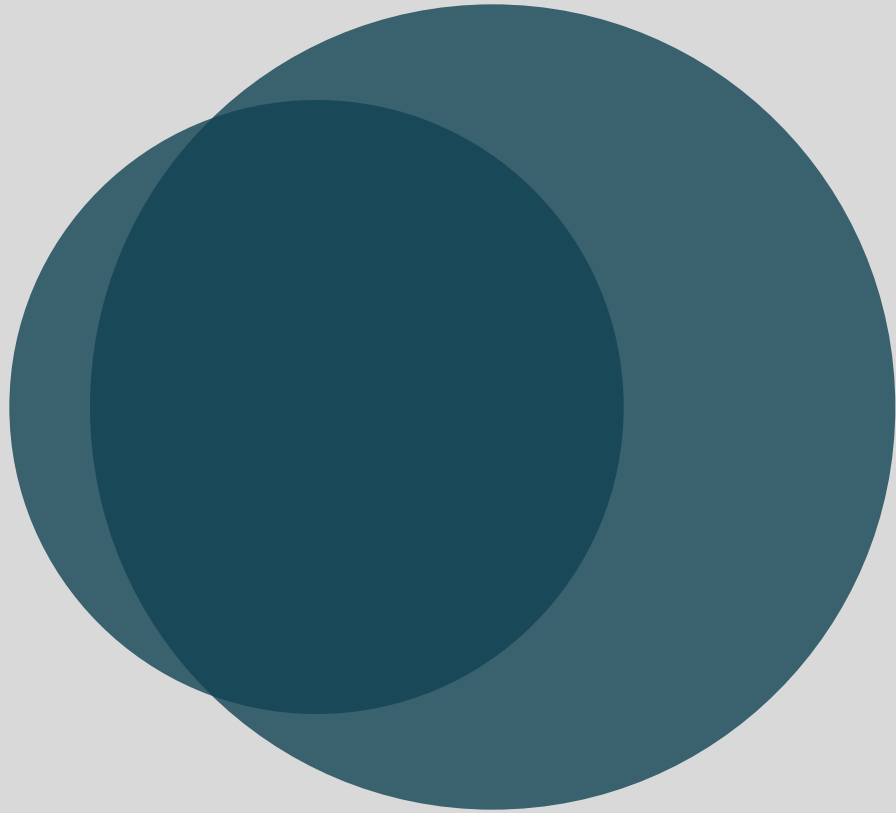
- Increase Self-Supported sales \ PL sales and joint merchandise
- Develop EC/ Franchise model
- Improve store level profit and decrease headquarter costs to reach breakeven point
- Making structural adjustment by actively shut down those stores which can't achieve profitability goals.

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

3Q2016

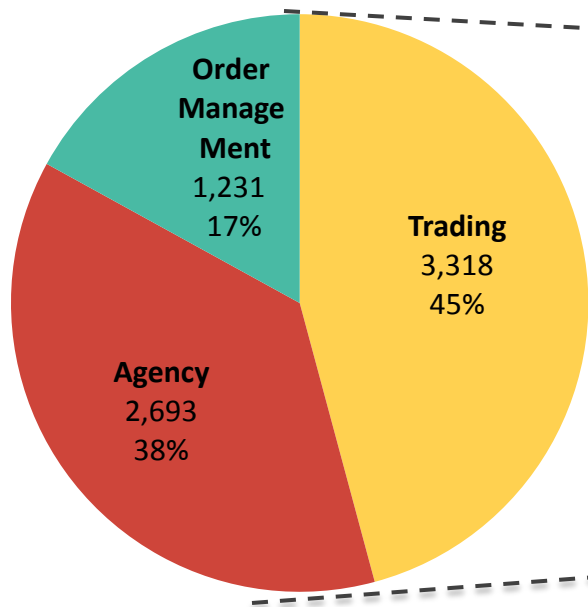
- The prosperous U.S. housing and auto market has driven the demand of hand tools and power tools.
- Agency Business has big YoY. jump at 42% growth



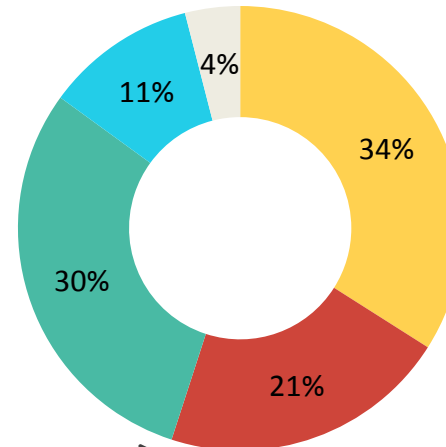
2016 Goal

- 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\$7,242M



Total Shipment
42% growth YoY



Trading by Category

- Hardline
- House Ware
- Seasonal
- Electrical
- Others

Shipment growing

3Q2016

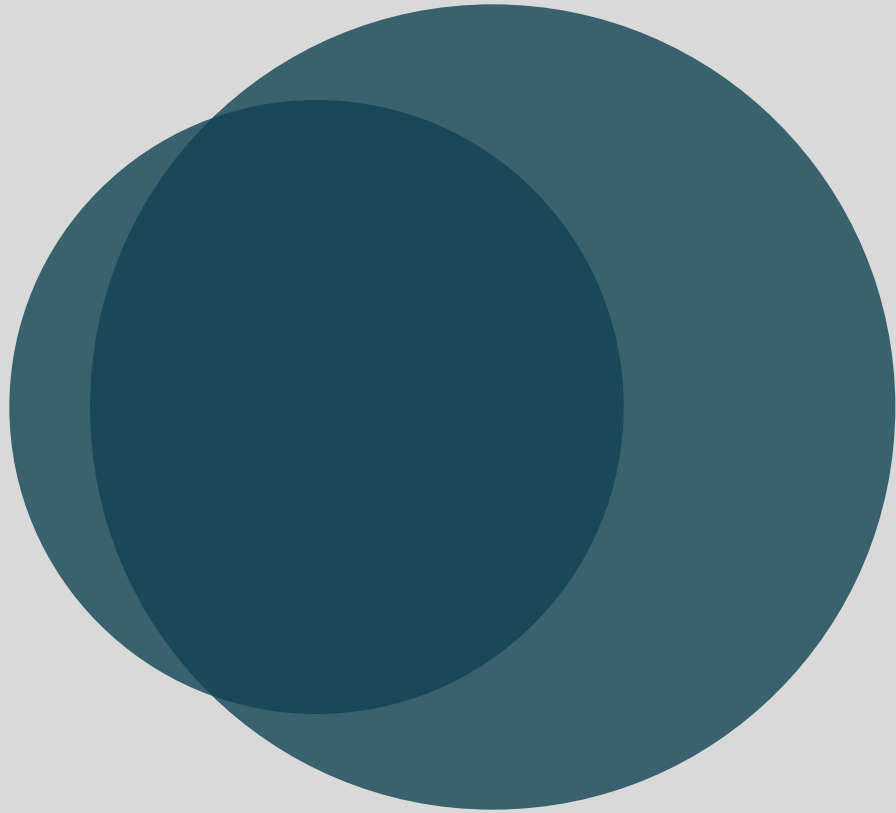
- New customers and new products in auto and building materials drive the growth of Agency shipments. 42% YoY in the 3Q and 35% YoY YTD.
- Launch the new business of providing order management services.



2016 Goal

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

Shipment Volume	2016	2015	YoY % chg
Principal trading shipment – 3Q16	3,317,801	3,502,172	-5.3%
Agency business shipment – 3Q16	3,923,943	1,596,940	145.7%
- Agency shipments	2,693,103	1,596,940	68.6%
- Order management shipments	1,230,840	-	NA
Total Shipment – 3Q16	7,241,744	5,099,112	42%
Principal trading shipment – Accumulated	10,108,373	10,236,963	-1.3%
Agency business shipment – Accumulated	9,259,020	4,065,893	127.7%
- Agency shipments	6,191,147	4,059,913	52.5%
- Order management shipments	3,067,873	5,980	51202.0%
Total Shipment – Accumulated	19,367,393	14,302,856	35.4%



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



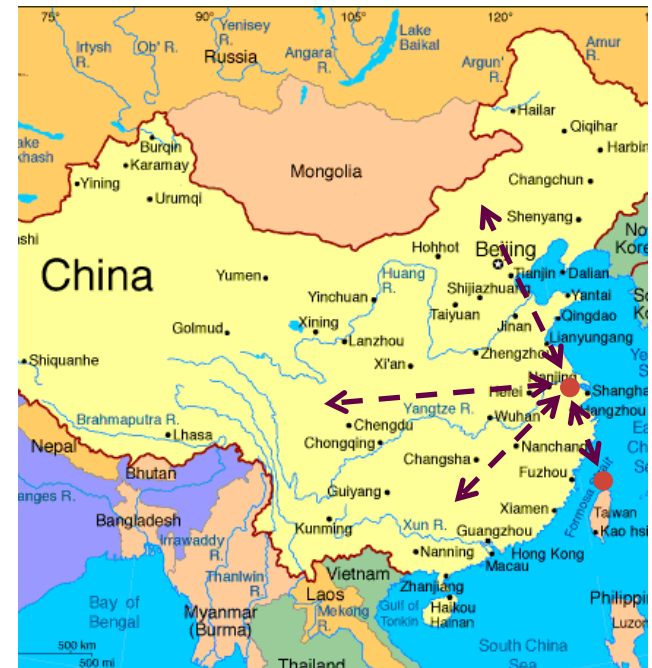
- With local service of 14 offices in 11 countries/region, 4 warehouses in China, Taiwan, Germany, and U.S.
- US warehouse provides logistics/ warehousing service to customers of principal trading

Worldwide Trading Service

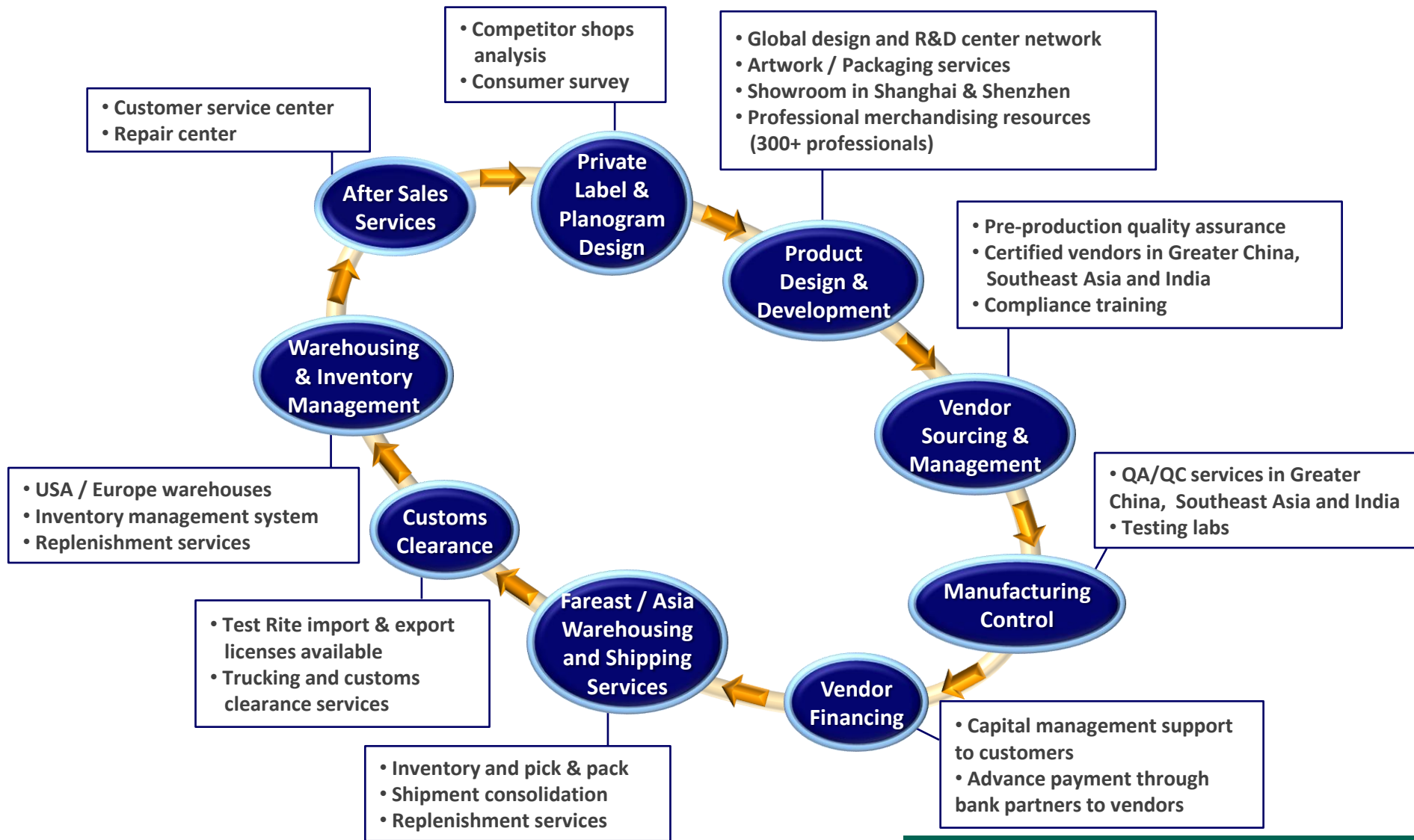


● TESTRITE's Warehouse

Greater China Retail Service



Repositioning-Total Solution Provider



3Q2016 Consolidated Balance Sheet

(NT\$ mn)	3Q2016	3Q2015		3Q2016	3Q2015
Cash and cash equivalents	2,127	2,214	Short-term borrowings	6,128	2,837
Financial assets at fair value through profit or loss - current	2,733	1,472	Short-term notes bills payable	0	80
Debt investments with no active market - current	169	289	Financial liabilities at fair value through profit or loss – current	126	0
Accounts & notes receivable	2,759	3,153	Accounts and notes payable	5,365	5,795
Other receivable	328	342	Other payable	1,652	1,499
Inventories	6,013	6,109	Current tax liabilities	212	147
Prepayments	435	385	Advance receipts	556	539
Other current financial assets	29	32	Current portion of long-term borrowings	1,150	1,787
Other current assets	4	9	Other current liabilities	78	77
Total current assets	14,597	14,005	Total current liabilities	15,267	12,761

3Q2016 Consolidated Balance Sheet

(NT\$ mn)	3Q2016	3Q2015		3Q2016	3Q2015
Financial assets measured at cost - non-current	94	72	Long-term borrowings	3,255	5,312
Debt investments with no active market - non-current	177	50	Total non-current provisions	33	-
Property, plant and equipment	5,869	6,429	Net defined benefit liability	465	529
Goodwill and intangible assets	2,570	2,616	Other non-current Liability	3,753	5,841
Deferred tax assets	1,257	1,276	Total non-current liabilities	19,020	18,602
Other non-current assets	1,860	1,631			
Total non-current assets	11,827	12,044	Share capital	5,099	5,099
			Capital surplus	673	673
			Retained earnings	1,774	1,654
			Other equity	(145)	17
			Treasury shares	0	0
			Total equity attributable to owners of the Company	7,401	7,443
			Non-controlling interests	3	4
			Total equity	7,404	7,447
Total assets	26,424	26,049	Total liabilities & equity	26,424	26,049

THANK YOU

For Watching
