

---

# Test Rite Group (2908:TT) 1Q17 IR Presentation

---

*2017 May*

# 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](mailto:daniel.liu@testritegroup.com)

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

# Agenda

---

- 1Q 2017 Snapshot.....4
- Financial Highlights 1Q17.....5
- Group Introduction.....12
- Retail Sector.....16
- Trading Sector..... 22
- Appendix.....26

# 1Q2017 Snapshot

## 1Q2017 GROUP OVERVIEW

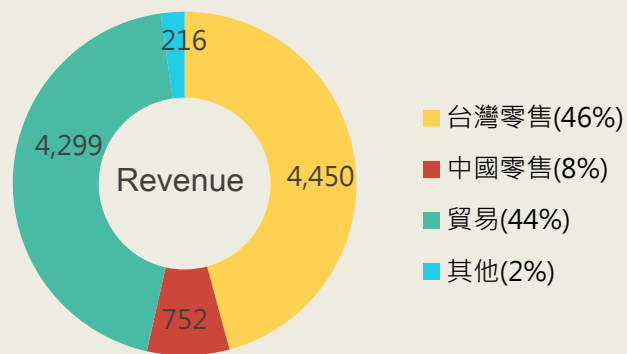
NT\$ 9,717M  
Revenue

NT\$ 2,937M  
Gross Profit

NT\$ 397M  
Operating Profit

NT\$ 307 M  
Net Profit

NT\$ 0.6  
EPS



TLW (TW)  
27 stores

HOLA (CN)  
30 stores

HOLA (TW)  
25 stores

Brand Agency  
23 brands

TLW Private Label  
14.5%

HOLA (TW) Private Label  
31.7%

Total Retail Revenue  
NT\$ 5,202M

Total Trading Shipment  
NT\$ 7,194M

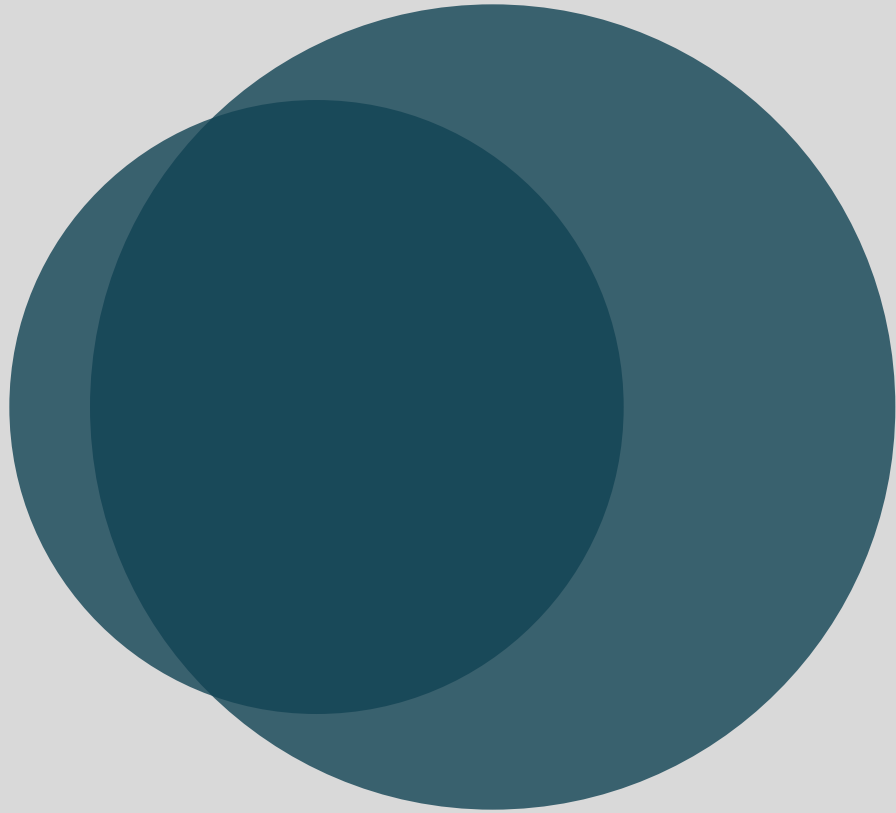
N. America Shipment  
81.7%

Europe Shipment  
11.5%

Global Presence  
11 countries/14 offices

Warehouse  
4 countries

Global Employees  
6,000 people



# FINANCIAL HIGHLIGHTS

# Financial Highlights 1Q17

## Revenue (YoY)

1Q17: 0.8 %

1Q16: -0.1%

## Gross Profit

1Q17: 30.2%

1Q16: 32.2%

Gross margin is decreased because most of the revenue growth result from trading which is lower margin.

## Operating Profit

1Q17: 4.1%

1Q16: 3.6%

Although trading is lower margin, however it greatly contributes to the operating profit in terms of the absolute amount. Hence, the operating profit has grown along with the revenue growth.

(NT\$ mn)	1Q17	1Q16	YoY% chg
Revenue	9,717	9,642	0.8%
COGS	(6,780)	(6,538)	3.7%
Gross profit	2,937	3,104	-5.4%
Operating Expense	(2,540)	(2,761)	-8.0%
Operating profit	397	343	16.0%
Non-operating income/loss	(15)	52	NA
Pre-tax profit	382	395	-3.2%
Net profit	307	306	0.4%
Other net profit	(105)	(9)	1066.7%
Total net profit	202	297	-31.9%
Net profit attribute to TRIC shareholders	307	306	0.4%
NT dollar (After Tax)			
Basic EPS	0.6	0.6	0.0%
Diluted EPS	0.6	0.6	0.0%
Gross margin	30.2%	32.2%	-2.0%
Operating margin	4.1%	3.6%	0.5%
Pretax margin	3.9%	4.1%	-0.2%
Net margin	3.2%	3.2%	0.0%

# 1Q17 by BU

## Revenue by BU

The growth of trading has been benefited from the orders of new customers. On the other hand, Taiwan retail is affected by the chill real-estate market. Besides, the comparable period is higher in the last year because of government subsidies in household electrical items.

## Net Profit by BU

Taiwanese dollar is relatively strong in the first quarter, therefore currency factor plays a part while currency conversion to the consolidated report. Volatile Taiwanese dollar also cause less gains on non-operating income of exchange.

Store closures and frugal in expenses has resulted in great saving of operating expenses of HOLA China. Losses has minimized 29% in comparison to the last year.

Sales by BU (NT\$ mn)	1Q17	1Q16	YoY% chg
Taiwan Retail ▲	4,450	4,838	-8.0%
HOLA China ^	752	944	-20.4%
Trading ◎	4,299	3,589	19.8%
Others #	216	271	-20.3%
<b>Consolidated Sales</b>	<b>9,717</b>	<b>9,642</b>	<b>0.8%</b>
Net Profit by BU (NT\$ mn)	1Q17	1Q16	YoY% chg
Taiwan Retail ▲	236	250	-5.8%
HOLA China ^	(69)	(97)	-29.0%
Trading ◎	200	203	-1.6%
Others #	(60)	(50)	18.7%
<b>Consolidated Net Profit</b>	<b>307</b>	<b>306</b>	<b>0.4%</b>

◎ 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.

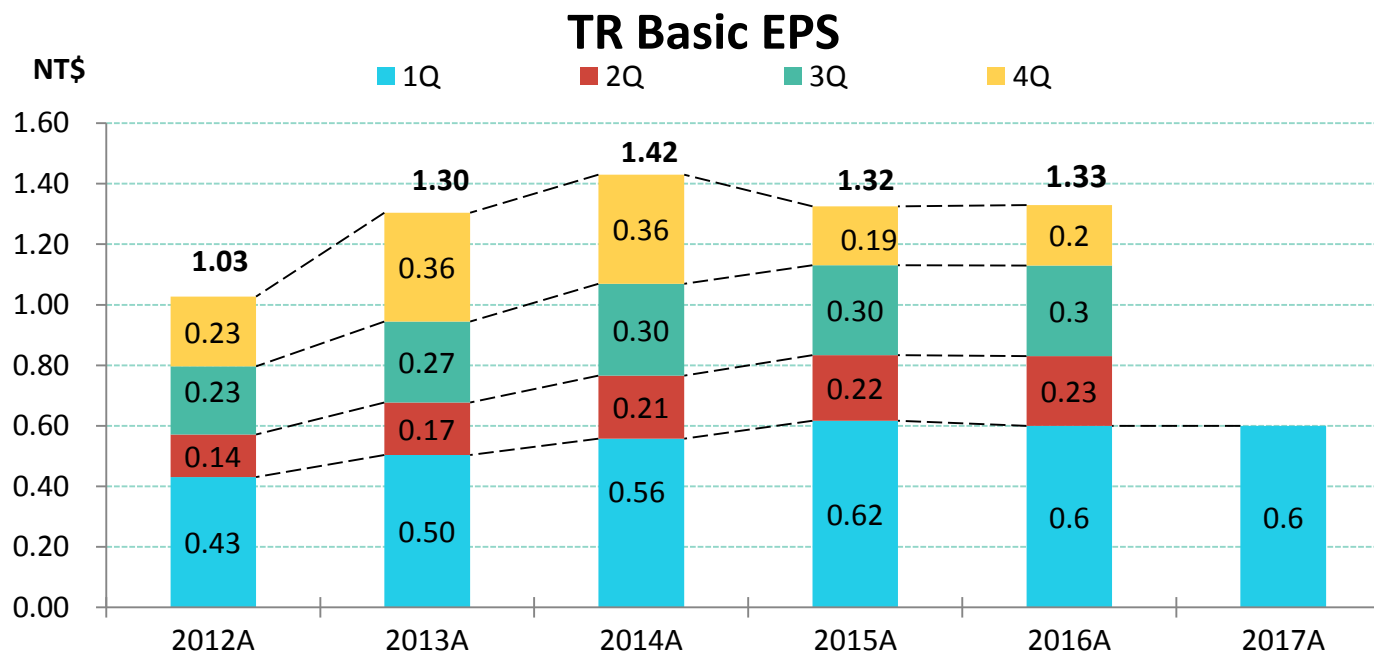
^ HOLA China only included HOLA China.

# 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	2017A
Cash dividend	1.08	1.00	1.13	0.95	1.08	-
Payout rate	77.1%*	76.9%	79.6%	72.0%	81.2%	-
Tax Deductable	20.48%	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
Taiwan Power Co.	1	1
China Telcom	2	6
China Airline Co.	3	10
Evergreen Marine Co.	4	12
YangMing Marine Co.	7	13
Taiwan Railway Admin.	8	55
Taiwan Water Co.	13	48
Far Eastern Dept. Store	14	32
HoTai Motor	17	9
CTCI Construction	33	22
Wan Hai Lines Co.	37	24
Test-Rite	43	41

In such a 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

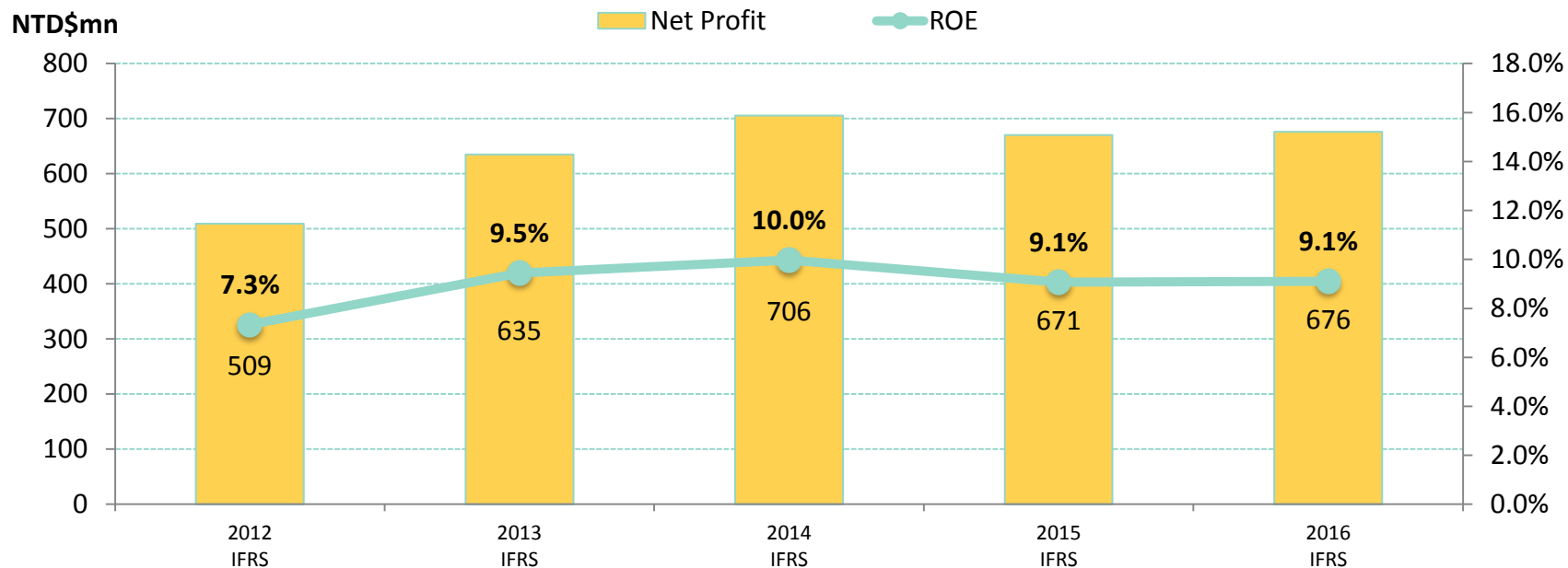
## Test Rite pursues best interests of shareholders

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.

### TR Group ROE & Net profit



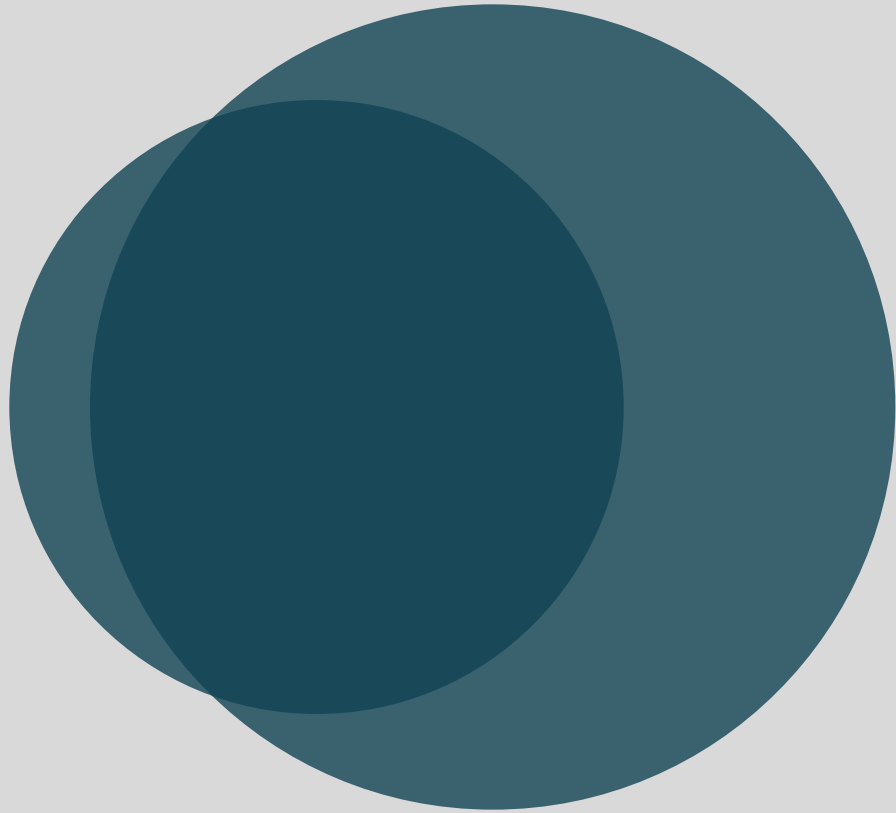
# 2017 Outlook

## 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) Strengthening strategic alliance with the trading partners to increase shipments.
- 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
- 7) Continuing to enhance customer relationships

## Retail Business

- 1) Store opening schedule in 2017
  - TLW, HOLA TW : no new store
  - Crate & Barrel: no new store ; online store will open in the first half year.
  - Brand agency will expand presences in department stores.
  - HOLA CN: no new store, but it will focus on reviewing profitability of each store and developing EC/Franchise model.
- 2) Enhancing customers experiences in physical store
- 3) Through the integration of POS system, we hope to fully eliminate the boundary in terms of product, payments, membership and marketing. Hence guiding our massive offline memberships to online.
- 4) Strengthening TLW Home services business unit to extend our services into customers' home, and cooperating with real-estate developers.
- 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."

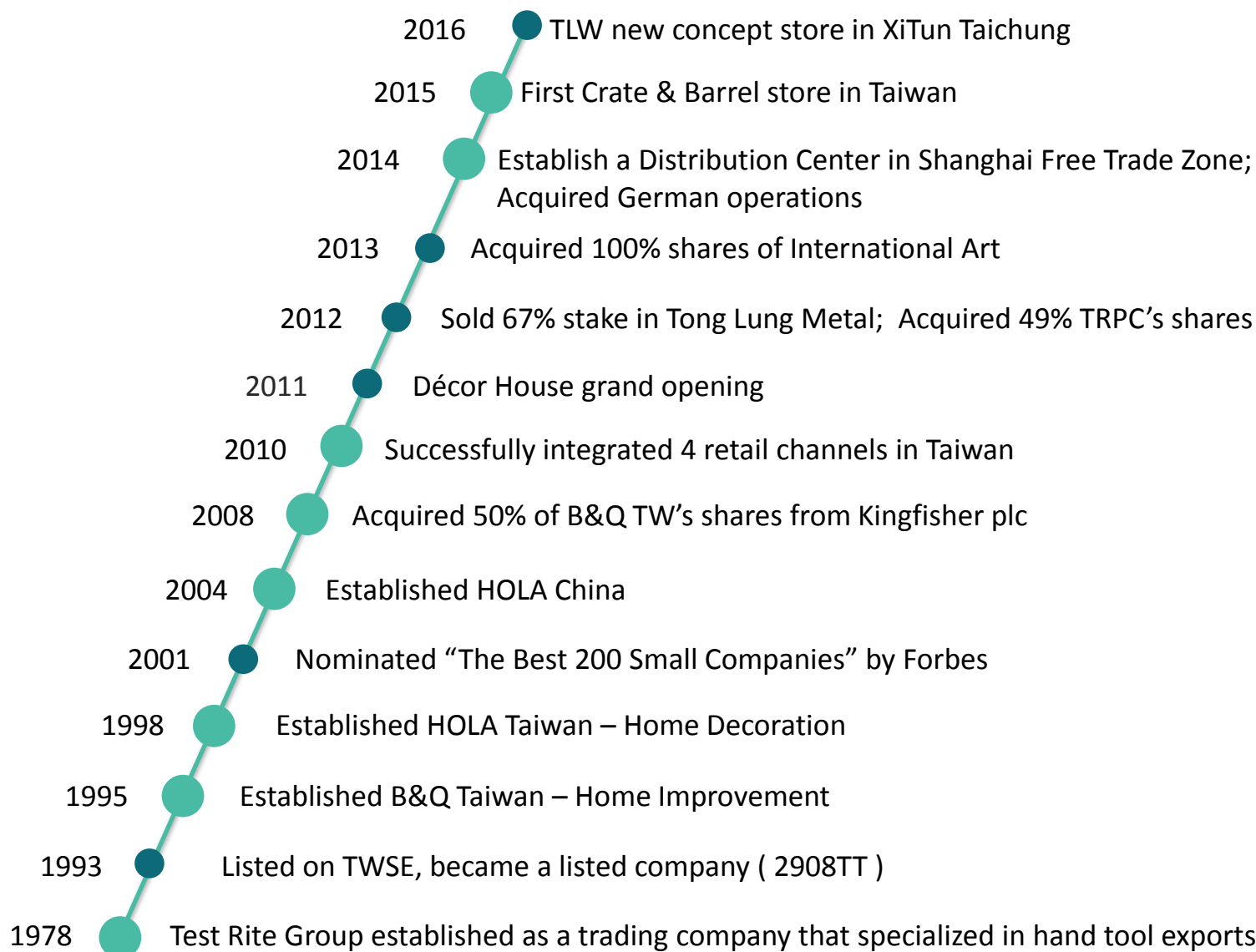


Judy Lee, Chairwoman, Test-Rite Int'l (2908 TT/2908 TW); Co Founder of Test-Rite Group. Best known as the "Queen of Hardline", Judy is a seasoned veteran of the import/export trading business. With Judy at the helm, Test-Rite Trading consistently provides outstanding services to retail customers globally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

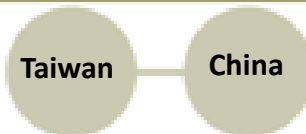


# Group Structure

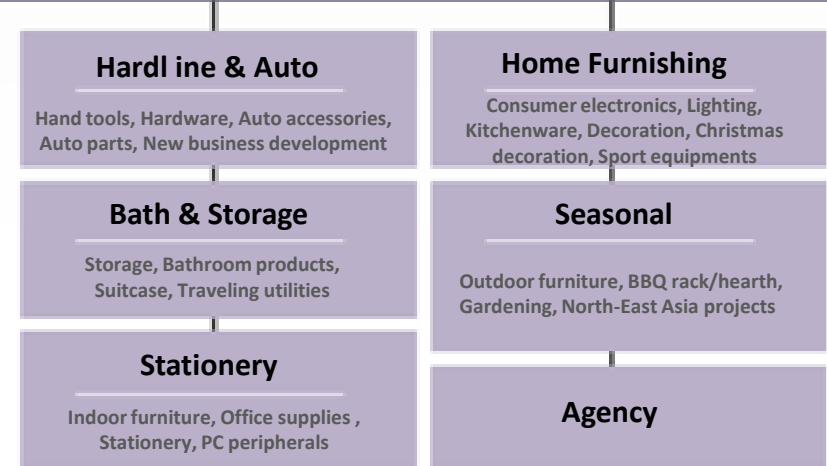
## Test Rite Retail Business Group (1Q2017 Revenues: ~NTD\$ 5.2bn)

<b>Home decoration</b>	HOLA	Taiwan (25) China (30)
<b>Home Improvement</b>	TLW 特力屋 (27), TLW PLUS (1), HISU(2)	
<b>Mattresses &amp; Bedding</b>	HOLA CASA (23), HOLA Petite(6), WEDGWOOD(14), FRETTE(6), Zucchi (3)	
<b>Comprehensive home integration services</b>	DÉCOR House	
<b>Brand Agency</b>	Crate & Barrel (2)	

### Market deployment



## Test Rite Trading Business Group (1Q2017 Shipment Value: ~NT\$7.2 bn)



### Market deployment



## Other investment holdings

### Creative Design/ Product Development

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

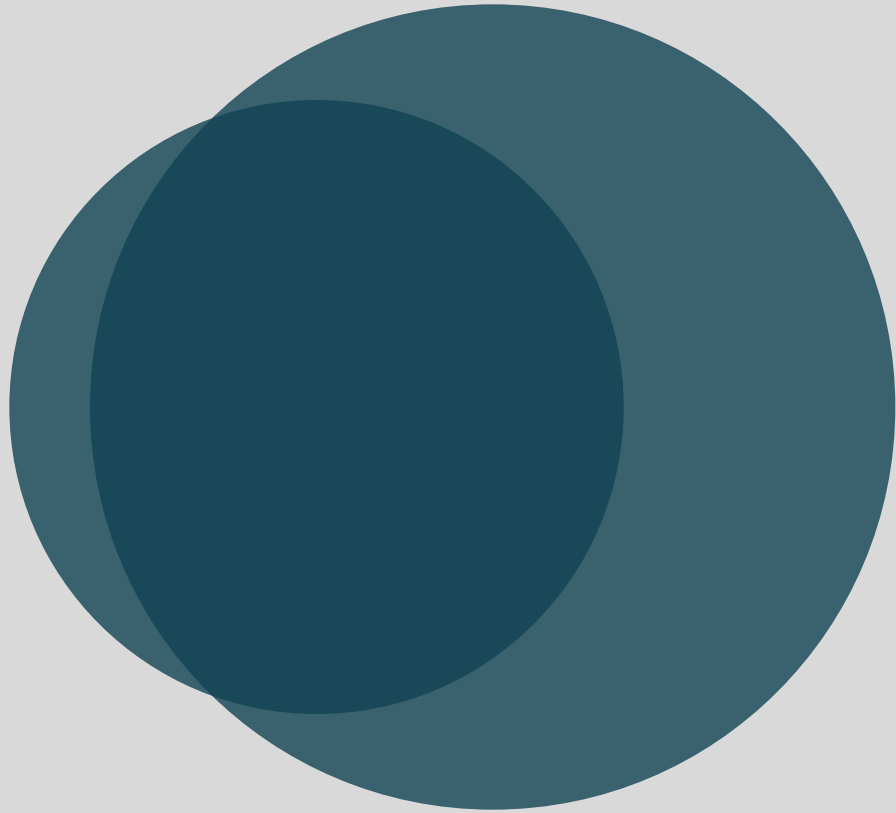
### Chung Cin Corp.

Shopping mall construction; Office building construction; Booth recruitment

### Logistics/ warehousing services

China  
USA  
Taiwan  
Europe

Note: store numbers updated on March 31<sup>th</sup>, 2017

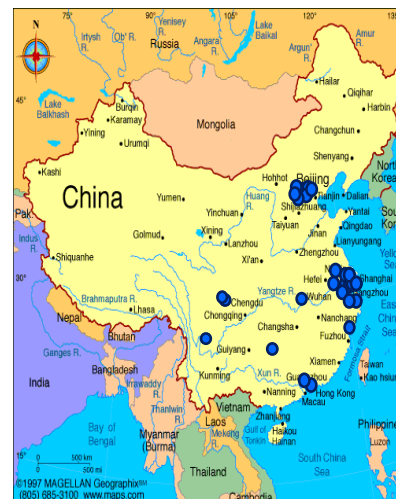


# RETAIL SECTOR



# Building the best “Home-related” channel

Store #	2012A	2013A	2014A	2015A	2016A	1Q2017
TLW	24	26	26	26	27	27
HOLA TW	21	22	23	25	25	25
HOLA CN	31	33	35	38	33	30
Avg. selling space(m <sup>2</sup> )	2012A	2013A	2014A	2015A	2016A	1Q2017
TLW	3,696	3,541	3,541	3,410	3,727	3,634
HOLA TW	2,466	2,414	2,311	2,179	2,218	2,233
HOLA CN	2,054	1,904	1,853	1,867	1,881	1,894



## Store Locations



# Improve Margin by Private Label

1Q2017

TLW Sales mix 14.5%  
HOLA Sales mix 31.7%



## Mid-term Goal

TLW: reaches 15%  
HOLA: reaches 30%

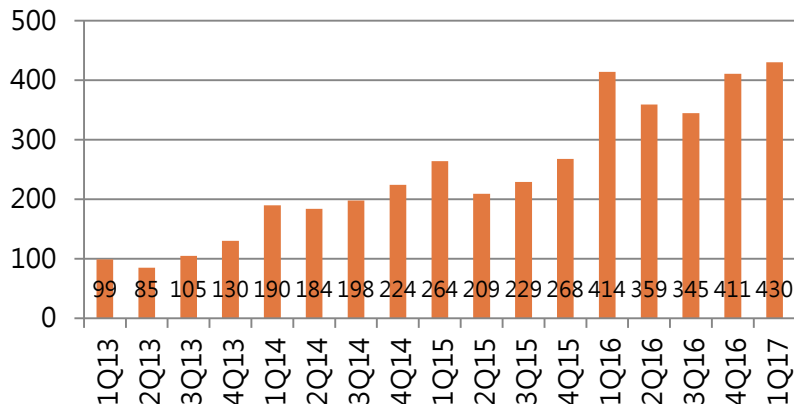
## Long-term Goal

TLW: reaches 30%  
HOLA: reaches 50%

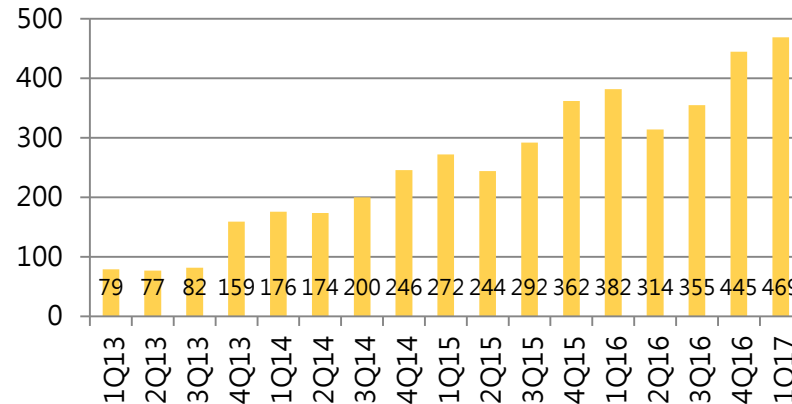
- Save costs by joint-merchandise
- Leading home décor trend by strengthening PL designing ability



TLW PL Sales(Quarterly)



HOLA PL Sales(Quarterly)



# Omni-Channel Development

## 1Q2017

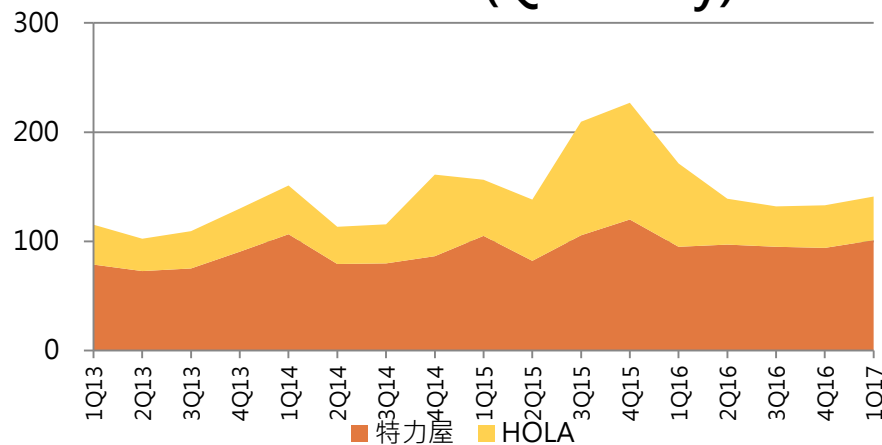
- TLW EC Sales mix 3.4%
- HOLA EC Sales mix 2.7%
- The double 11 EC sales season has created more than NT\$30 mn sales.



## 2017 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

## 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

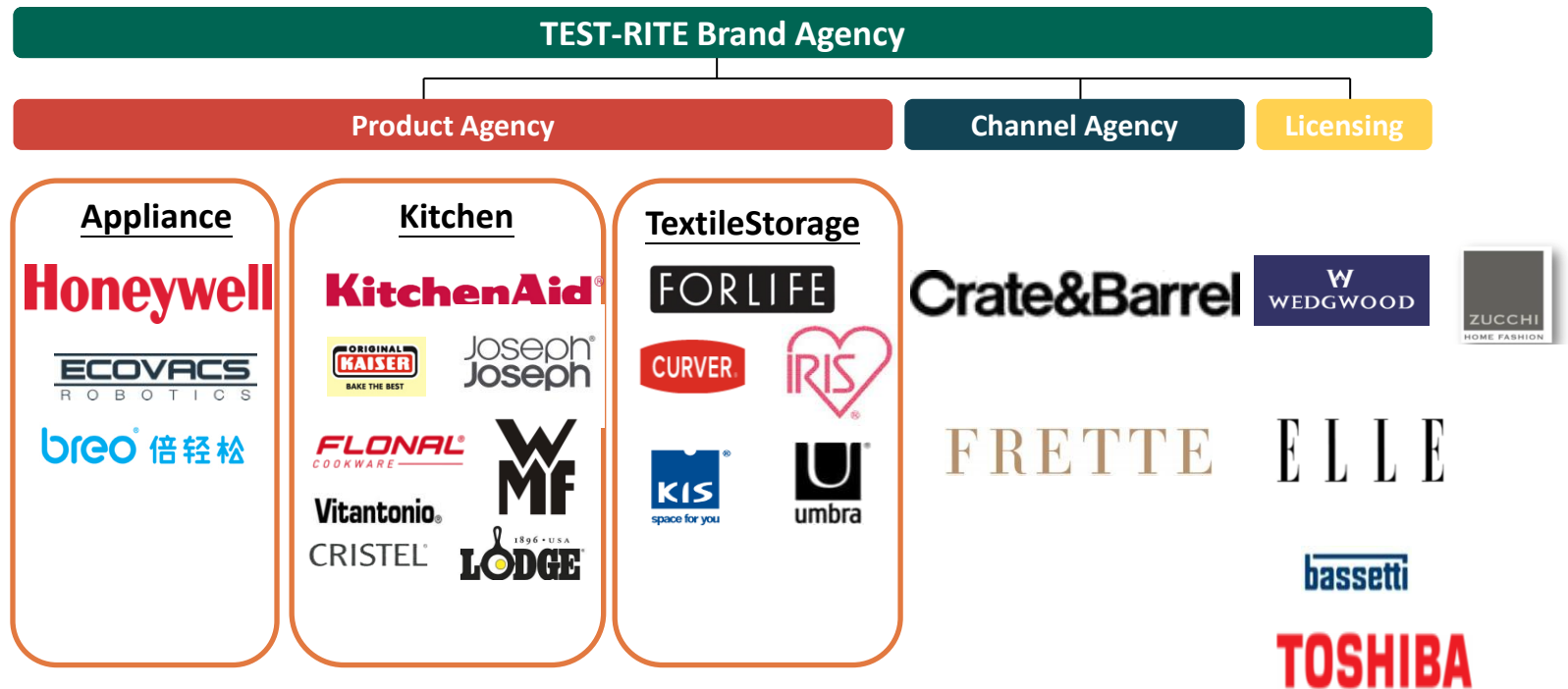
1Q2017

Total of 23 brands agency



2017 Goal

- Increase the brand awareness in the market
- Increase channels in department stores



# HOLA China Strategy

## 1Q2017

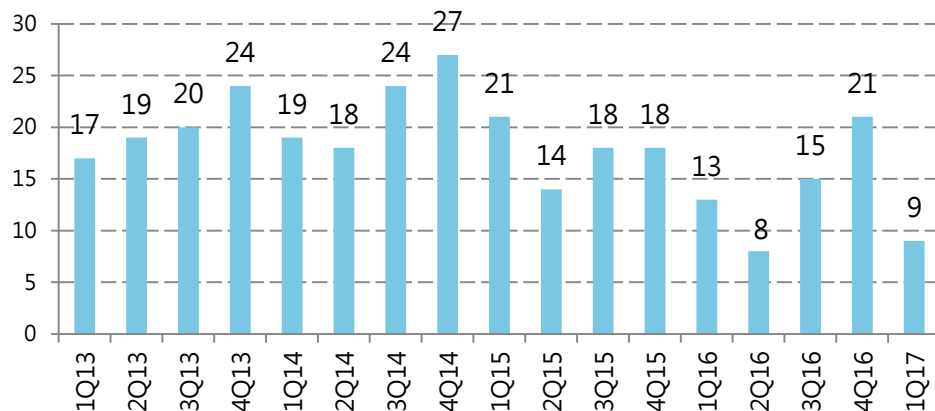
- Private Label Sales mix: 21.8%
- EC Sales mix: 2.17%
- Self-Supported Sales mix 55.4%



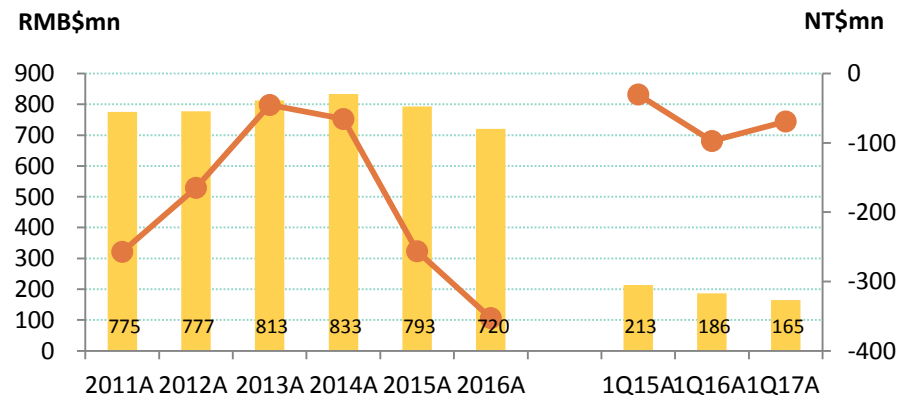
## 2017 Goal

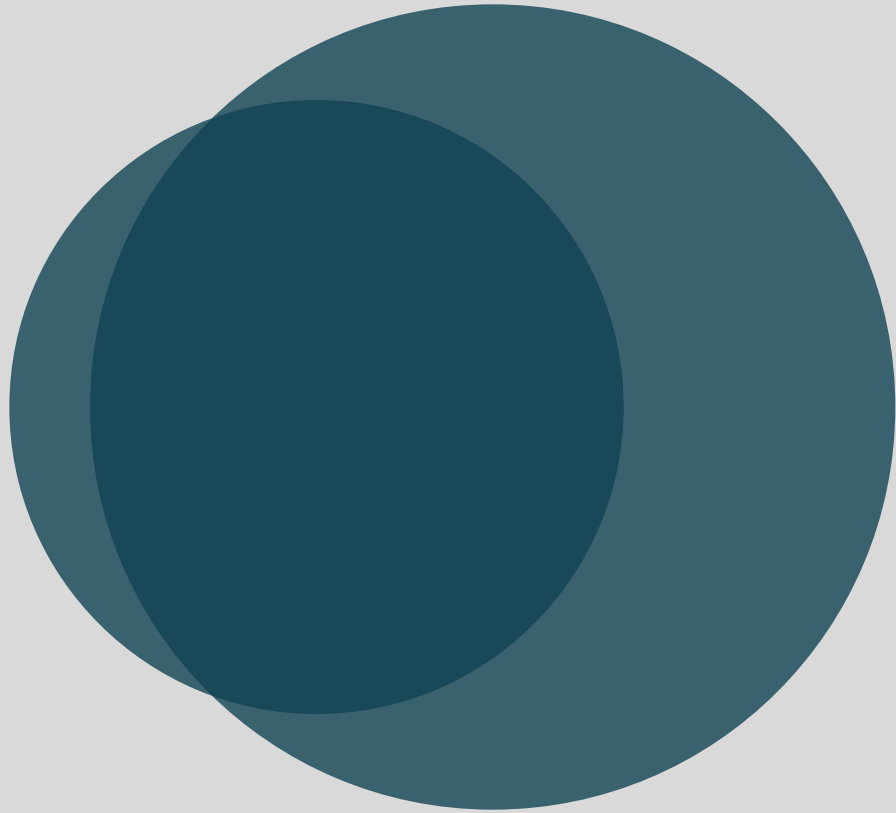
- Increase Self-Supported sales, PL sales and joint merchandise
- Improve store level profit and decrease headquarter costs to reach breakeven point
- Making structural adjustment by actively shut down those stores which can't achieve profitability goals.

HOLA CN Breakeven store numbers



HOLA CN Net Sales & Profit





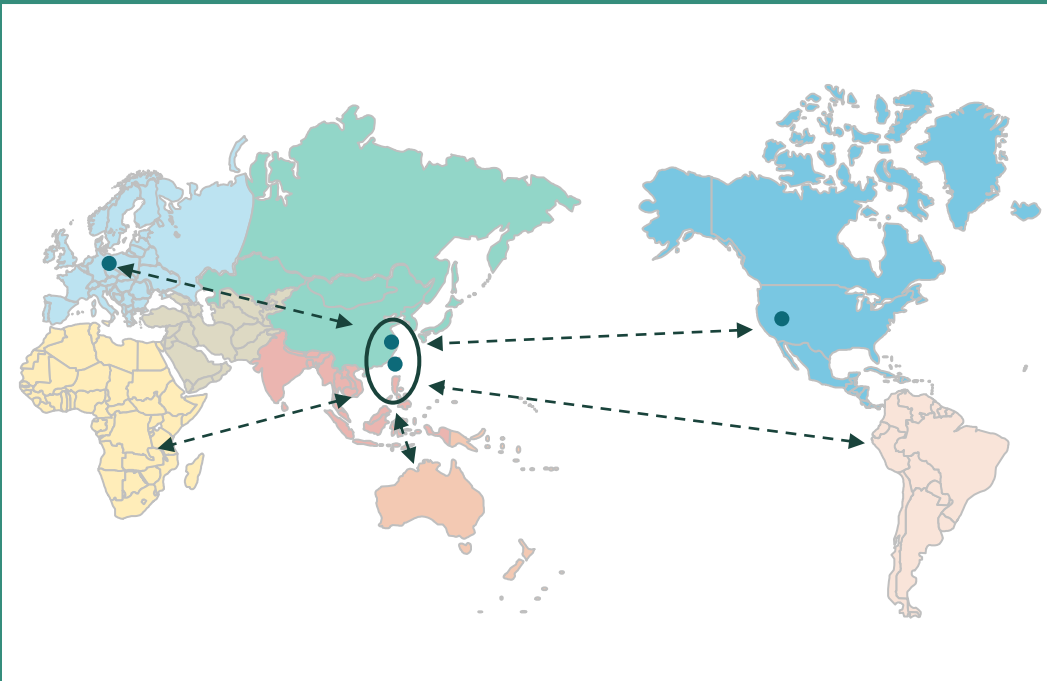
# TRADING SECTOR

# Global Worldwide Network

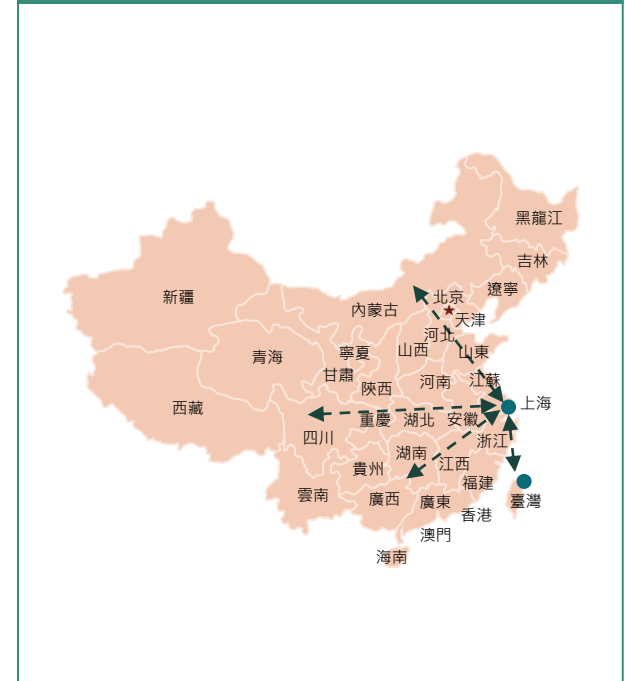


- With local service of 14 offices in 11 countries/region, 4 warehouses in China, Taiwan, Germany, and U.S separately.
- US warehouse provides logistics/ warehousing service to customers of principal trading

## Worldwide Trading Service



## China Trading Service



● TESTRITE's Warehouse

# 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

## 1Q2017

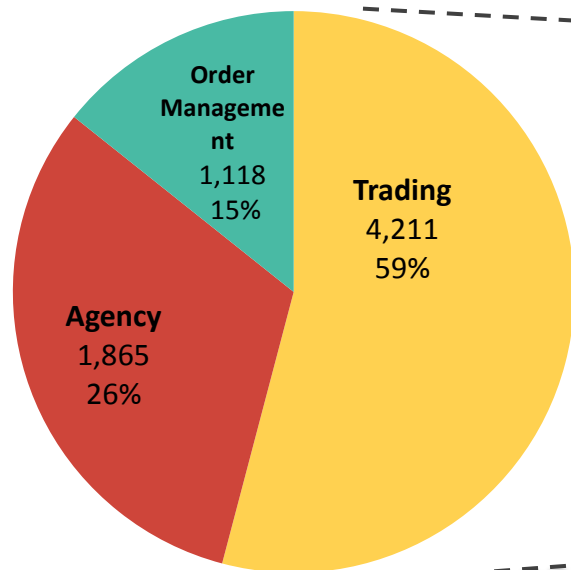
- Most of the product categories has double digit growth than the last year, benefited from the prosperous North America market.
- Seasonal/ outdoor category has decreased a bit because of the weather issue.
- Agency Business and order management keeps growing strongly with 110% YoY.



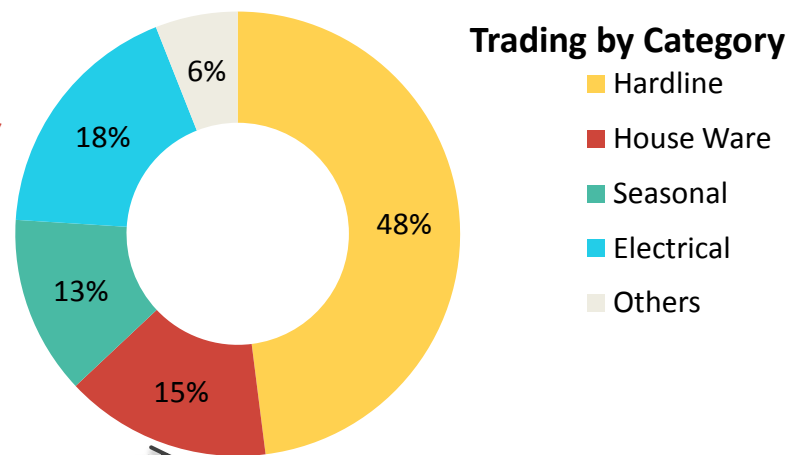
## 2017 Goal

- Hardline and House Ware keep growing
- Closely work with the strategic alliances to further boost trading shipments.
- Transforming to product company and strengthening product design ability
- Acquiring new customers in Agency

Total Shipment NT\$7,194M



Total Shipment  
45.4% growth YoY



### Trading by Category

- Hardline
- House Ware
- Seasonal
- Electrical
- Others

# Shipment growing

## 1Q2017

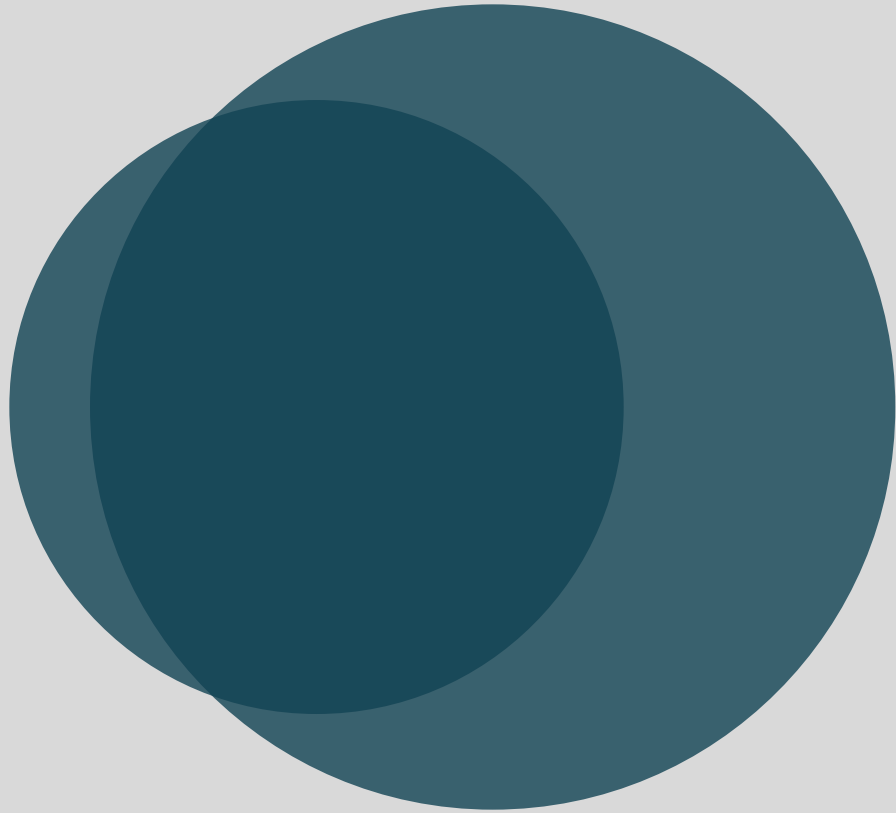
- Both of traditional trading and agency business has double digit growth in the first quarter, consolidated of 45% growth YoY. We are optimistic for the year coming.



## 2017 Goal

- Principal trading aims to grow 10% more by working closely with strategic alliance
- Agency business aims to have double-digit growth in shipment.
- Order management aims to grow furthermore.

Shipment Volume	2017	2016	YoY % chg
Principal trading shipment – 1Q17	4,210,628	3,525,670	19.4%
Agency business shipment – 1Q17	2,983,815	1,420,693	110.0%
- Agency shipments	1,865,337	1,420,693	31.3%
- Order management shipments	1,118,478	-	NA
<b>Total Shipment – 4Q16</b>	<b>7,194,443</b>	<b>4,946,363</b>	<b>45.4%</b>



# APPENDIX

# Private Label - Designing & Branding ability

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

## 2017 Spring/Summer 「Paris after the rain」 Home Style The Beauty of watercolor ● Rain washed blending colors



# New Private Label - Cookware

Price Competitive / Higher Margin

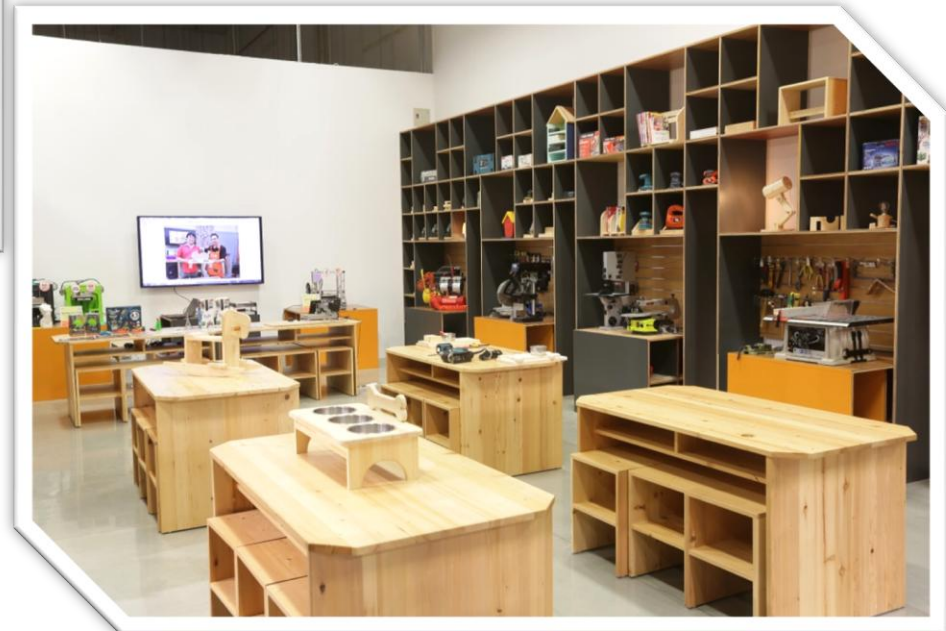
Launched on Nov-2016 / sold **15,000pcs** in **1Q2017**  
"Stainless Steel Series, Non-Stick Series, and Cast-Iron Series"



# TLW2.0 – Buy after you experience it

## New Concept Store

TLW Shihlin store includes the 400m<sup>2</sup> “**Service Center for the real scene of home**”, and The largest “**DIY Classroom**” in Taiwan with the area of 100m<sup>2</sup>.



# Product Development Achievement

## 2014-2017 International Design Award

### 2017 iF Designing Awards



Arcadia Set 1



Chandler Set 1



Richmond Bar Set 1



Richmond Set Smoked glass with etching



# Repositioning-Total Solution Provider





# 1Q2017 Consolidated Balance Sheet

(NT\$ mn)	2017	2016		2017	2016
Cash and cash equivalents	2,647	2,285	Short-term borrowings	4,746	2,923
Financial assets at fair value through profit or loss - current	735	936	Financial liabilities at fair value through profit or loss – current	48	10
Debt investments with no active market - current	150	159	Accounts and notes payable	5,752	6,067
Accounts & notes receivable	3,173	2,871	Other payable	1,359	1,356
Other receivable	282	282	Current tax liabilities	299	246
Inventories	6,119	6,435	Advance receipts	496	460
Prepayments	357	386	Current portion of long-term borrowings	750	1,032
Other current financial assets	19	62	Other current liabilities	90	68
Other current assets	3	4			
<b>Total current assets</b>	<b>13,485</b>	<b>13,420</b>	<b>Total current liabilities</b>	<b>15,430</b>	<b>12,162</b>

# 1Q2017 Consolidated Balance Sheet

(NT\$ mn)	2017	2016		2017	2016
Financial assets measured at cost - non-current	94	94	Long-term borrowings	3,233	5,228
Debt investments with no active market - non-current	99	124	Total non-current provisions	32	34
Property, plant and equipment	5,654	6,524	Net defined benefit liability	476	511
Goodwill and intangible assets	2,565	2,611	<b>Other non-current Liability</b>	<b>3,741</b>	<b>5,773</b>
Deferred tax assets	1,279	1,259	<b>Total non-current liabilities</b>	<b>17,281</b>	<b>17,935</b>
Other non-current assets	1,720	1,631			
<b>Total non-current assets</b>	<b>11,411</b>	<b>12,242</b>	Share capital	5,099	5,099
			Capital surplus	673	673
			Retained earnings	2,114	1,989
			Other equity	-271	-38
			Treasury shares	0	0
			Total equity attributable to owners of the Company	7,615	7,723
			Non-controlling interests	0	4
			<b>Total equity</b>	<b>7,615</b>	<b>7,727</b>
<b>Total assets</b>	<b>24,896</b>	<b>25,662</b>	<b>Total liabilities &amp; equity</b>	<b>24,896</b>	<b>25,662</b>

---

THANK YOU

For Watching

---