

Test-Rite (2908:TT)

2022 H1 IR Presentation

September 2022

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

Presenter



Robin Ho

Test-Rite Group COO

As an important promoter of Test-Rite Group's successful digital transformation, she joined Test-Rite in 2000 to be responsible for project management, legal, human resources, trading operation management, digital commerce, etc. She led TLW retail business to establish ecommerce platforms based on each channel, which realized the online and offline integration, making a big step in the sustainable development of Test-Rite Group.

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EDUCATION :

- University of Southern California



EXPERIENCE:

- Director of Test-Rite
- Director of TLW
- COO of Test-Rite



SKILL :

- Enterprise Development Strategy
- Operations Management of Trading and Retail business
- Digit Commerce and Data mining
- Organizational Development and Adjustment

Agenda

- Introduction to Test Rite Group
- Financial Highlights
- Trading Business
- Retail Business
- Core capability and value creation

Introduction to Test Rite Group

The sustainable and tough Enterprise



Judy Lee
Chairwoman and
Chief Executive Officer

“

Standing tall in the home improvement business, Test Rite has always operated with stability, integrity, diligence, and prudence. While we seek healthy business growth, we set deep roots in our core competitiveness and culture of sustainability. Thus, for more than four decades, we have overcome trials from without and within. Looking forward, as the environment turns volatile and issues of sustainability become increasingly important, I believe only by working from the ground up and incorporating strategies of sustainability into our daily operations step by step can we fare in the challenges.

”

Focus on main Retail and Trading Business

Test Rite Retail Business Group		Test Rite Trading Business Group	
Home Decoration	HOLA (27) 、 HOLA Petite(5) 、 hoi!(10)	Hardline & Auto Hand tools, Hardware, Auto accessories, Auto parts, New business development	Home Furnishing Consumer electronics, Lighting, Kitchenware, Decoration, Christmas decoration, Sport equipment.
Home Improvement	TLW(27+32)		
Mattresses & Bedding	HOLA CASA(5) 、 WEDGWOOD (13) 、 FRETTE(1) 、 REVE(5)	Bath & Storage Storage, Bathroom products, Suitcase, Traveling utilities	Seasonal Outdoor furniture, BBQ rack/hearth, Gardening, North-East Asia projects
Comprehensive Home Integration Services	DÉCOR House	Stationery Indoor furniture, Office supplies , Stationery, PC peripherals	Agency
Brand Agency	Crate & Barrel (2)		



Market
Deployment

TAIWAN

The
Americas

Pan
Europe

New
Zealand &
Australia

Southeast
Asia

India

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; property management

Logistics/ Warehousing Services

Taiwan 、 USA 、 Europe

Note: store numbers updated as August 31th, 2022

Leading home industry

- 
- A vertical timeline on the left side of the slide, set against a background of a globe. The years are listed in yellow on the left, and the corresponding events are in black text on the right. The timeline starts at 1987 at the bottom and goes up to 2013 at the top.
- 2013** Acquired 100% shares of International Art
 - 2012** Sold 69% stake in Tong Lung Metal; Acquired 49% TRPC's shares
 - 2011** Décor House grand opening
 - 2010** Successfully integrated 4 retail channels in Taiwan
 - 2008** Acquired 50% of B&Q TW's shares from Kingfisher plc
 - 2004** Established HOLA China
 - 2001** Nominated "The Best 200 Small Companies" by Forbes
 - 1998** Established HOLA Taiwan – Home Decoration
 - 1995** Established B&Q Taiwan – Home Improvement
 - 1993** Listed on TWSE, became a listed company (2908TT)
 - 1987** Test Rite Group established as a trading company that specialized in tool products

2022

Expanding the investment and procurement resources in Vietnam

New opportunity

2021

TLW channel moved into the offshore islands firstly

2020

Open TLW community stores

2019

HOLA China withdrew China, layout supply chain of South Asia strength layout of logistics in USA.

2018

Launched new retail brand, hoi! good living

2017

Launched TR Plus website, combining all our retail channels

2016

TLW new concept store in XiTun Taichung

2015

First Crate & Barrel store in Taiwan

2014

Establish a Distribution Center in Shanghai Free Trading Zone ;
Acquired German operations

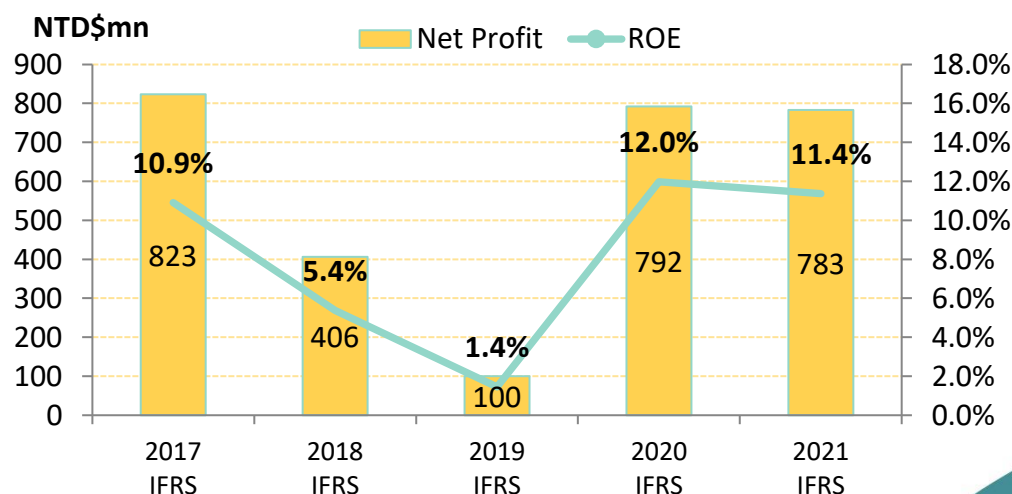
Financial Performance

Best Interests of Shareholders

The stable ROE of our shareholders

- Test-Rite group's profitability is stable for the best interest of shareholders in the long term.
- Although the profitability was affected by the HOLA withdrawal from China in 2018 and 2019, we continued to invest in our own industry to respond to shareholders' expectations.

TR Group ROE & Net profit



Strengthen the corporate governance and elevate the transparency of information disclosure.

- Test Rite is ranked by the TWSE in the 21%-35% of public companies with best corporate governance practices in 2021.
- We prepare the ESG Report in accordance with GRI and SASB Standards.
- We echoing the UN Sustainable Development Goals (SDGs), disclose strategic plans and important actions.
- Test-Rite 's CSR report obtains the external assurance in 2021.
- Test-Rite establishes the ESG Committee in 2022.

All employees and suppliers of Trading and retail business completed to sign the Letter of Undertaking of Integrity to carry out Ethical Corporate Management in 2021.

Long-term Investment Value



In a fast-changing market, customers' preference shifts greatly. Those who can rank the top 100 service industries over 36 years are state-run people's livelihood business. Our endurance is a reflection of our stability and sustainable corporate management. It also reflects our continuous efforts to deliver long-term investment value to our investors.

In the top 100 list for over 30 years. Our trading business was topped in Trading industry.

	1986 ranking	2017 ranking	2018 ranking	2019 ranking	2020 ranking	2021 ranking
Taiwan Power Company	1	1	1	1	2	2
Chunghwa Telecom Co	2	8	10	11	11	13
China Airlines	3	13	13	14	17	18
Evergreen Marine Corporation	4	14	14	12	12	4
YangMing Marine Transport Corp	7	15	16	15	13	8
Taiwan Railways Administration	8	59	62	62	72	104
Taiwan Water Corporation	13	53	56	55	54	62
Far Eastern Department Stores	14	38	41	44	45	54
Hotai Motor Co	17	11	11	10	9	11
CTCI Co	33	25	28	30	33	32
Wan Hai Lines, Ltd	37	29	25	22	22	12
Test-Rite	43	41	40	43	40	39

2021 stable and brilliant performance

Revenue (YoY)

2021: 4.7%

2020: 9.8%

With the benefits of the flexible procurement strategies and rigid demand in the post-pandemic era, revenue increase continuously.

Gross Margin Rate

2021: 24.5%

2020: 25.1%

Gross margin rate decline compared to the same period last year due to higher raw material costs.

Pretax Margin

2021: 2.3%

2020: 2.3%

Due to the good performance of revenue, pretax margin in 2021 is the same 2020.

(NT\$ mn)	4Q21	4Q20	YoY% chg	2021	2020	YoY% chg
Revenue	11,233	10,997	2.1%	43,757	41,791	4.7%
COGS	(8,523)	(8,417)	1.3%	(33,051)	(31,130)	6.2%
Gross profit	2,710	2,580	5.0%	10,706	10,661	0.4%
Operating Expense	(2,618)	(2,391)	9.5%	(9,946)	(9,512)	4.6%
Operating profit	92	189	-51.3%	760	1,149	-33.9%
Non-operating income/loss	118	(93)	226.9%	252	(190)	232.6%
Pre-tax profit	210	96	118.8%	1,012	959	5.5%
Net profit	142	163	-12.9%	818	807	1.4%
Other net profit	7	(26)	126.9%	(71)	(99)	28.3%
Total net profit	149	137	8.8%	747	708	5.5%
Net profit attribute to TRIC shareholders	135	221	-38.9%	783	792	-1.1%
(NT dollar) (After Tax)						
Basic EPS	0.27	0.32	-15.6%	1.58	1.6	-1.3%
Diluted EPS	0.27	0.32	-15.6%	1.58	1.6	-1.3%
Gross margin	24.1%	23.5%	0.7%	24.5%	25.5%	-1.0%
Operating margin	0.8%	1.7%	-0.9%	1.7%	2.7%	-1.0%
Pretax margin	1.9%	0.9%	1.0%	2.3%	2.3%	0.0%
Net margin	1.2%	2.0%	-0.8%	1.8%	1.9%	-0.1%

Financial Highlights 2022 H1- Be overcome difficulties is victory

Revenue (YoY)

1H22: -8.3%

1H21: 9.6%

Due to the adjustment of shipping schedules and a high base period of shipments, revenue decrease compared to the same period a year ago.

Gross Margin Rate

1H22: 23.4%

1H21: 22.8%

Thanks to product mix optimization, the gross margin increased 0.6% compare with 2021H1.

Pretax Margin

1H22: 1.9%

1H21: 2.9%

Due to the decrease in the revenue, pretax margin decrease 1.1% compared with 2021H1.

(NT\$m)	2Q22	2Q21	YoY% chg	2022H1	2021H1	YoY% chg
Consolidated sales	10,193	10,215	-0.2%	19,975	21,792	-8.3%
COGS	(7,767)	(7,915)	-1.9%	(15,301)	(16,834)	-9.1%
Gross profit	2,426	2,300	5.5%	4,674	4,958	-5.7%
Operating expense	(2,355)	(2,069)	13.9%	(4,548)	(4,419)	2.9%
Operating profit	71	231	-69.3%	126	540	-76.6%
Non-operating income/loss	23	30	-22.8%	244	94	158.3%
Pre-tax profit	94	261	-64.0%	370	634	-41.6%
Net profit	94	205	-54.1%	358	490	-27.0%
Other net profit	8	(54)	-114.8%	131	(48)	-372.9%
Total net profit	102	151	-32.3%	489	442	10.6%
Net profit attributable to TRIC shareholders	88	194	-54.9%	346	472	-26.7%
NT Dollar (After Tax)						
Basic EPS	0.18	0.39	-53.8%	0.70	0.95	-26.3%
Diluted EPS	0.18	0.39	-53.8%	0.70	0.95	-26.3%
Gross margin	23.8%	22.5%	1.3%	23.4%	22.8%	0.6%
Operating margin	0.7%	2.3%	-1.6%	0.6%	2.5%	-1.8%
Pretax margin	0.9%	2.6%	-1.6%	1.9%	2.9%	-1.1%
Net margin	0.9%	1.9%	-1.0%	1.7%	2.2%	-0.4%

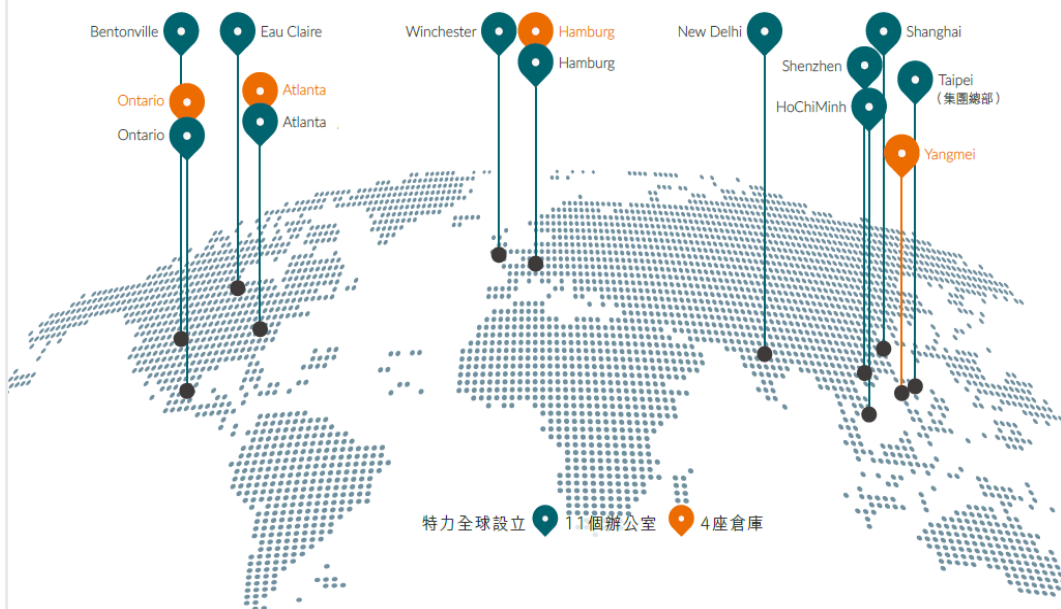
Trading Business

Global Layout and strengthen the supply chain



Supply chain layout crosses Europe, America and Asia and with the flexible and stable shipping capabilities

- 11 offices in 8 countries/regions, logistic centers in China, Taiwan, Germany, and the U.S.
- We have devoted more 40 years in America and 30 years in Europe.
- We have established the logistic center in China, Europe and USA to provide the services for our group customers.
- Supply chain head southward to strength our global sourcing.

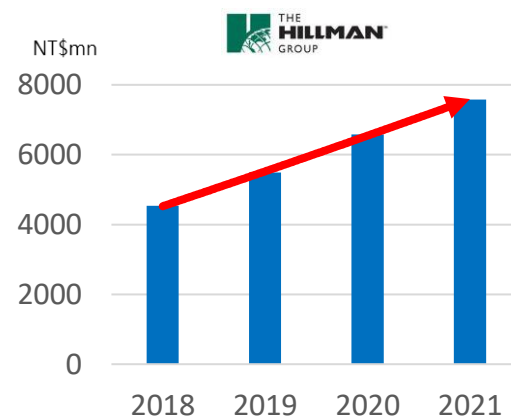
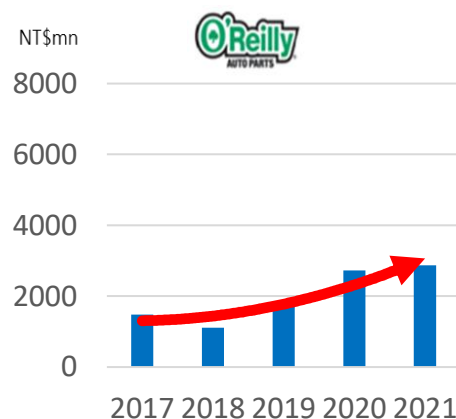
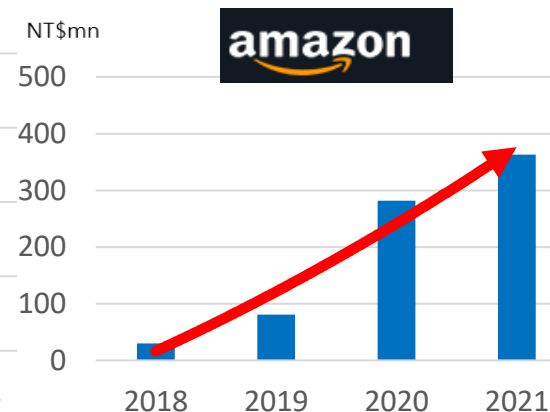
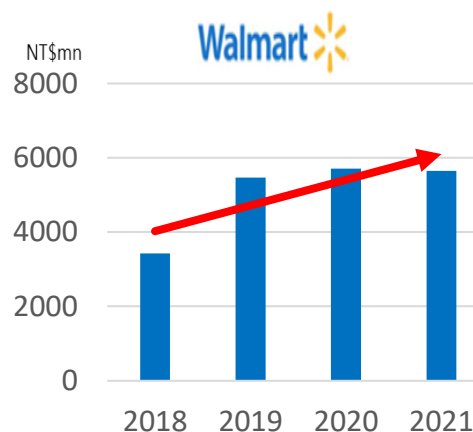
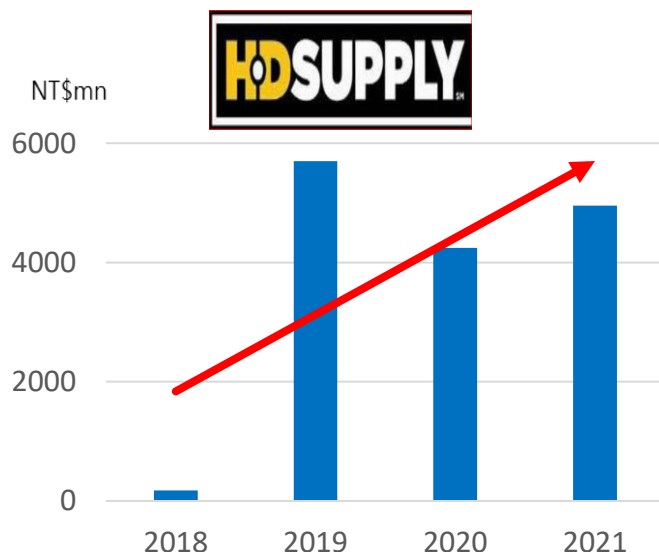


Serving the global retailer

Establish the long-term and stable service relationship to provide all-around service to conclude the strategic partnerships with our customers.

Trading business

- Based on the professional procurement strategies, our shipment remain stable and smooth. We continue to be a trustworthy partner of our customers even though the external environment is severe.
- The shipment amounts of existing customers continue to grow steadily and the shipment growth momentum of new customers will be activated.
- We became the Walmart sales consultant.
- We have the Strategic alliance with Hillman.
- We were selected as Supplier of the Year by O'Reilly.



Retail Business

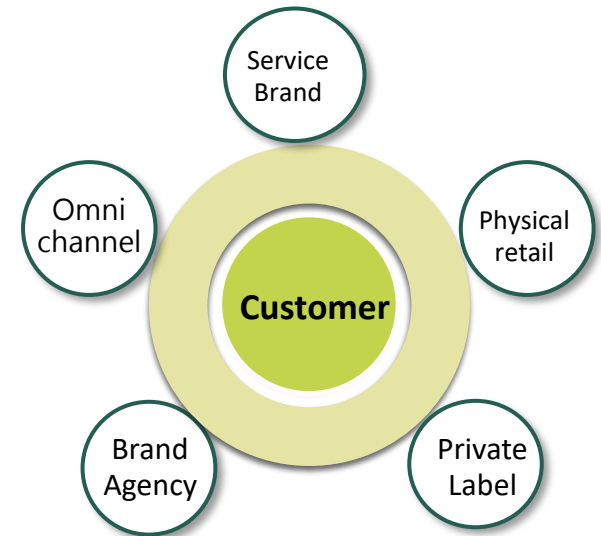
Retail's layout based home

We'll always be here to take care of you and your home.

Store #	2018A	2019A	2020A	2021A	2022A
TLW	27	27	27	26	27
HOLA TW	26	26	26	26	27
TLW-community store			15	25	32
hoi!		9	11	8	10

Development Strategy

- ▶ Develop the community store to approach customers' life.
- ▶ Enhance customer's experience and promote healthy home life.
- ▶ Integrate online and offline and develop channel brands.
- ▶ Introduce the global brands and explore the CO-branding business.



Develop the community stores and service products

Developing community stores actively with 32 stores and expanding sales performance.



Renovation

- Tools rental.
- New paint.
- Coloring palette

Convenience for oneself

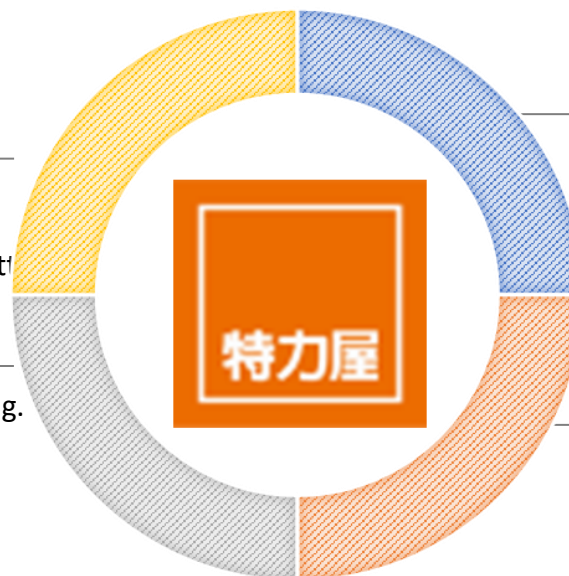
- Free shipping.
- installation.

Differentiated to local conditions

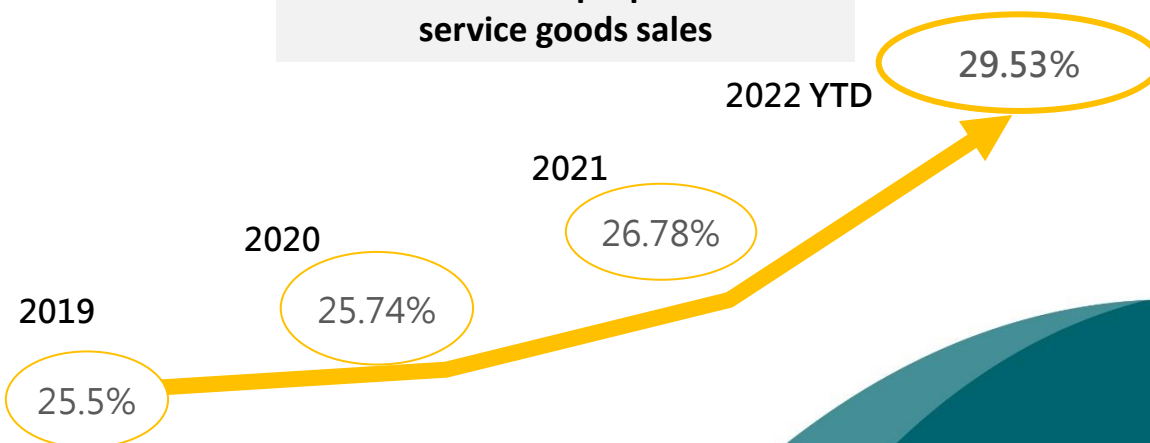
- Low-touch measurement services.
- Adjustment of the products based on the area.
- Site master.

Outreach the community

- Service of residence management.
- Service of the cleaning.
- Renewal of Kitchen and bathroom space.



The rise of the proportion of service goods sales



- ▶ With the rapid expansion of community stores, the penetration rate of neighborhoods has increased rapidly
- ▶ The significant rise of the proportion of service goods sales

Enhance customer's experience and promote healthy home life

TLW : Fun and creative DIY

- **Learning firstly then buy :**

Create a "bathroom, paint, curtains, tool hardware" DIY experience zone and guide consumers to personally operate.



- **Optimized in-store display with smart life :**

Expand the home display area and combine smart accessories to make the home smarter.



- **DIY HOME ACTIVITY:**

To meet people's requirements for the quality of life at home, the core of DIY is promoted. the experience value and sense of achievement are strengthened.

HOLA : Design life, experience firstly

- **Differentiated shopping experience:**

Provide a shopping experience, meet the them needs of life proposals, and bring consumers a sense of ritual.



- **Creating a moving moment :**

A surprise private kitchen service and HOLA class continuing to develop and manage.



- **Smart pillow selection:**

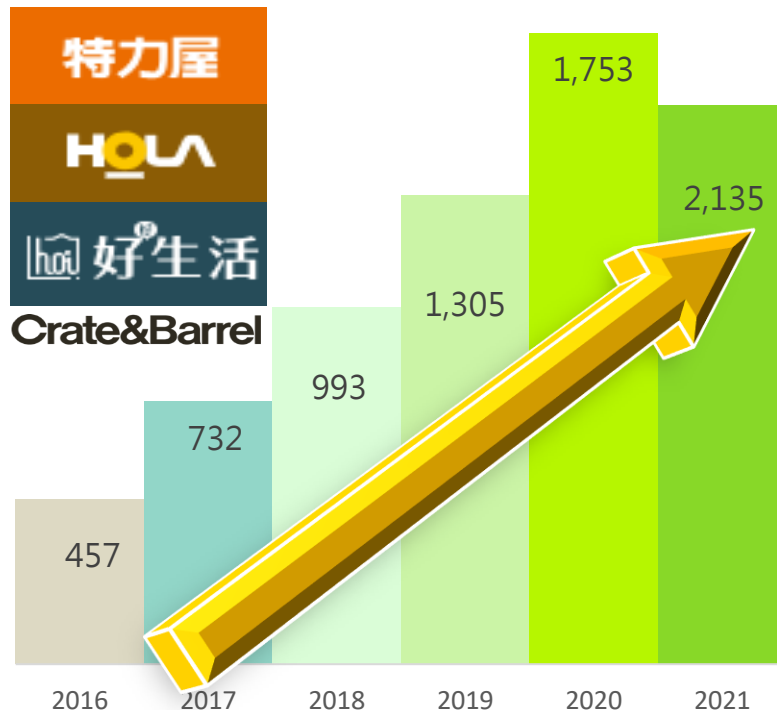
Provide completed products for customers' requirement, strengthen the professional image of the brand and deepen the memory of consumers.

Integrate online and offline and develop channel brands

Integration of superior services, Our online sales in excess of NT\$2.14 billion in 2021, up by 22% YoY.

- Improve group's digit strength and the home furnishing platform meets market demand.
- Integrate the resources and requirement of each retail department to improve the digital synergy.

Four major home retail channels
online sales growth remained steady



digital experience and synergy-hoi

- The online store is the largest store, covering all products, and serves as an extended shelf for recommended products in the physical store. **The sales mix reached 40%.**
- Development of the channel is toward the dual lines of furniture + daily groceries. The development of local cultural products has received enthusiastic responses from the community.
- Continue to promote the co-brand development strategy and cooperate with CAFE ACME to launch the first store CAFE ACME" x "hoi! Good life".



cross-border innovation, Create the co-branding business and expand X power

Cross-border joint efforts to break through the stratosphere, tap new customer segments, and expand influence.

Through cross-industry joint names, such as image role, blessing co-brands and public welfare joint names, etc., it opened new markets, found new customers momentum successfully and expand the influence of the group's home life profession.



TR HOME Introduce the global brands

The growth rate of TR HOME's sales reached 16% in 2021.

- Strengthen online platform and TV shopping sales.
- The overall digital channel layout is successful.
- Focus on kitchen and electric cookware, introduce different prices with brands, and expand synergy.



Core capability & Value creation

Continuing to design and develop new products

Combining both trade and retail industries and continuing to invest in new product design to provide innovative and differentiated value.

Test-Rite started to participate since 2014 and win International Design Awards. It has won 32 international design awards, including 24 packaging design awards and 8 product design awards.

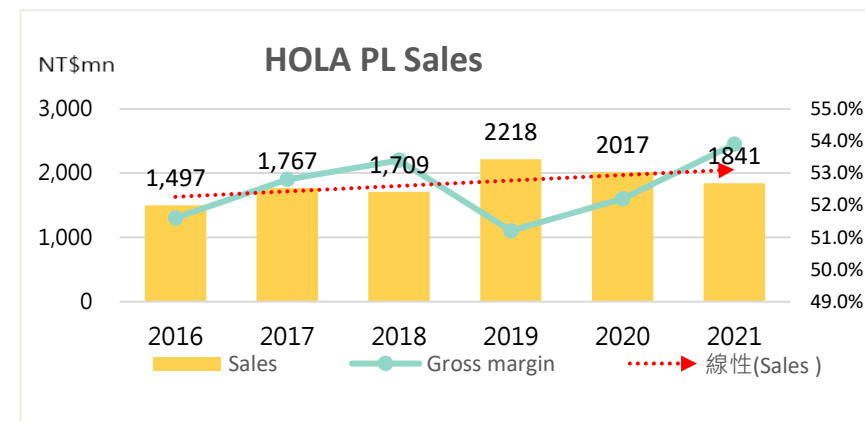
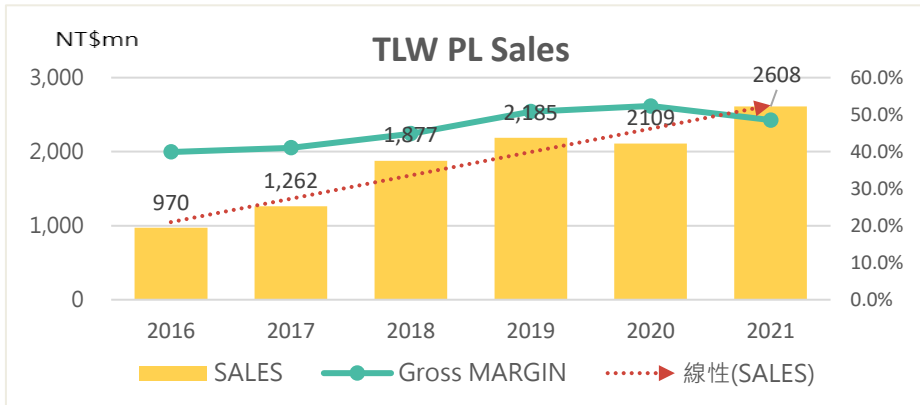


- Top 100 among companies in Greater China
- Top 50 among companies in Taiwan
- Top 25 among companies with Dieline Awards

Use the advantages of the group to develop exclusive products

With the Group's abundant resources and professional development capabilities

- **Continuing to develop TLW's Private label** : The main products are lighting, bathroom, storage furniture, and will continue to develop its own brand of water purification.
- **Continuing to develop HOLA's Private label** : The main products are bedding, home furnishings, and tea glass, and the uniqueness of the products is improved through joint cooperation.
- **Introduce exclusive products and integrate internal and external resources** : Providing one-stop service of sales, installation and maintenance; expand the category and channel layout of kitchen and bedroom.



Protect the environment, cultivate talents, and implement ESG responsibilities

Promote environmental protection, carbon reduction and green consumption

Green products +20.5%

Increase in TLW Retail's Green Label items in 2021

Green products
NT\$970million
TLW Retail's 2021 green goods purchases

Green products
100% FSC
Test Rite Trading's Europe-bound wood products

Green products
PVC
TLW works toward PVC reduction

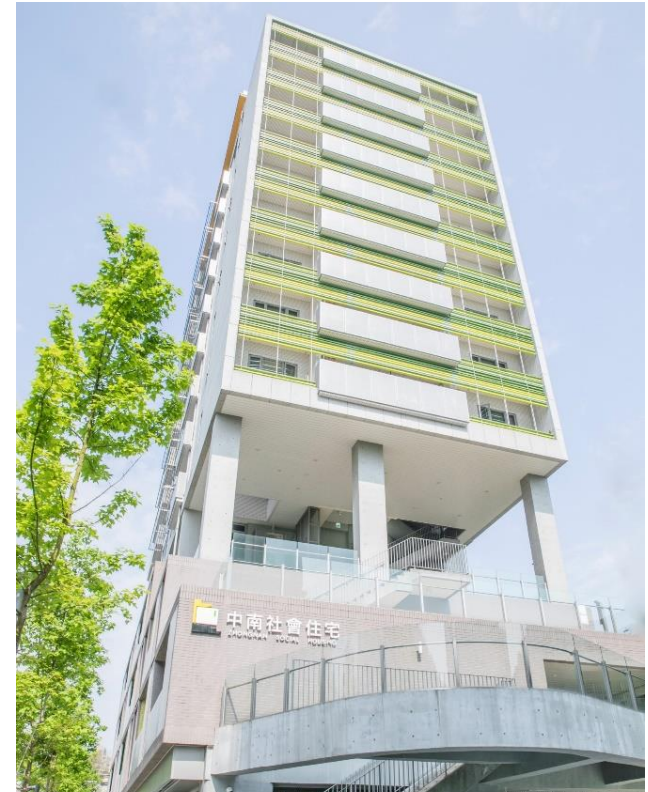
Green transport
2,370.8 metric tons of emissions were reduced from cross-docking (XD) operations

Green operation
-4.6%
were saved in power use and carbon emissions from 2020

TLW community stores opened pre-2021 and large stores nation-wide were certified as Green Stores

Green operation
14.4%
spent on energy-saving expenses/investments

Persistence in Diversified and Equal Development Opportunities



Promote the green buildings

The Zhongnan Public Housing Project in Nangang District, Taipei, undertaken by Tony Construction under Chung Cin Group, an affiliated company of Test Rite, garnered Green Building Silver Grade Certification in December 2021

- the managerial roles were held by women are 40.8%
- Growth in employee training hours offered digitally +117%

THANK YOU
