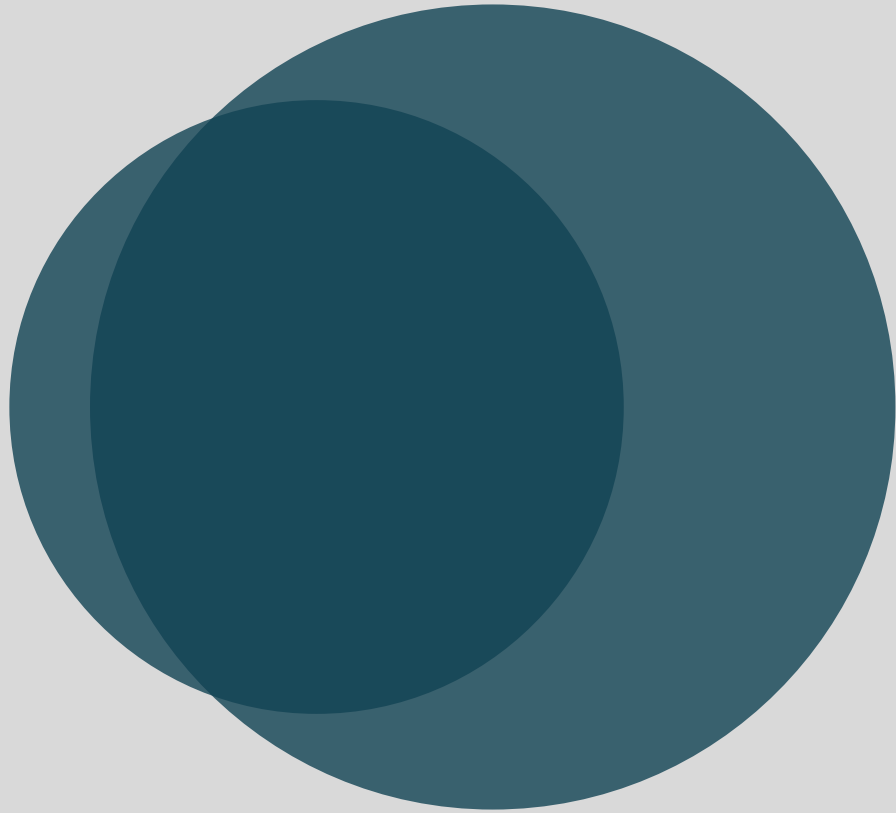

特力(2908:TT)
1H18 IR Presentation

August 2018

Agenda

- Introduction of Test Rite Group
- Financial Highlights 1H18
- Trading Business
- Retail Business
 - Focusing on Retail Taiwan's development
 - Focusing on Retail China's development



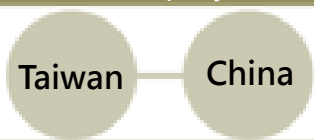
INTRODUCTION TO TEST RITE GROUP

Group Structure

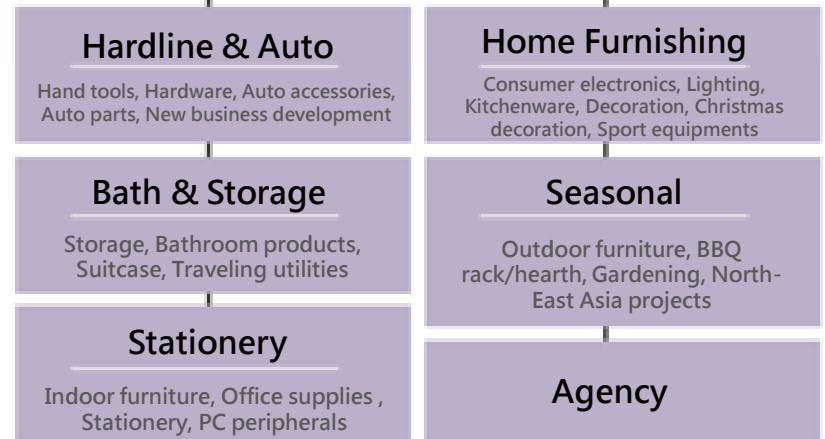
Test Rite Retail Business Group (2018 H1 Revenue: ~NTD\$ 9.53billion)

Home Decoration	HOLA Taiwan (26) China (26)
Home Improvement	TLW 特力屋 (27), TR HOME SERVICE (3), HISU(3)
Mattresses & Bedding	HOLA CASA (25), HOLA Petite(5), WEDGWOOD(14), FRETTE(5), Zucchi + ELLE(4)
Comprehensive Home Integration Services	DÉCOR House
Brand Agency	Crate & Barrel (2)

Market Deployment



Test Rite Trading Business Group (2018 H1 Revenue: ~NT\$10 billion)



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 as of June 30th, 2018

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 of Test-Rite Int'l (2908 TT/2908 TW); Co Founder of Test-Rite Group

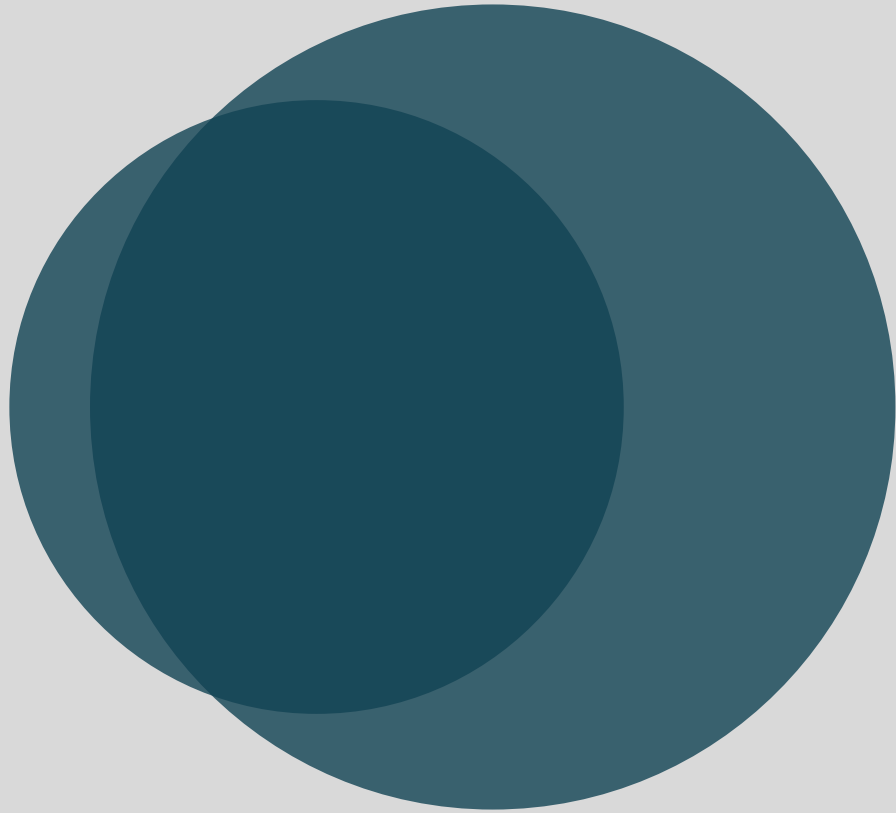
Best known as the "Queen of Hardline", Judy is a seasoned veteran of the import/export trading business. With Judy at the helm, Test-Rite Trading consistently provides outstanding services to retail customers globally and has received multiple recognitions as "Best Partner/Supplier". Judy is also awarded by "EY Entrepreneur of the Year" in 2015.



Sophia Tong

Group CEO

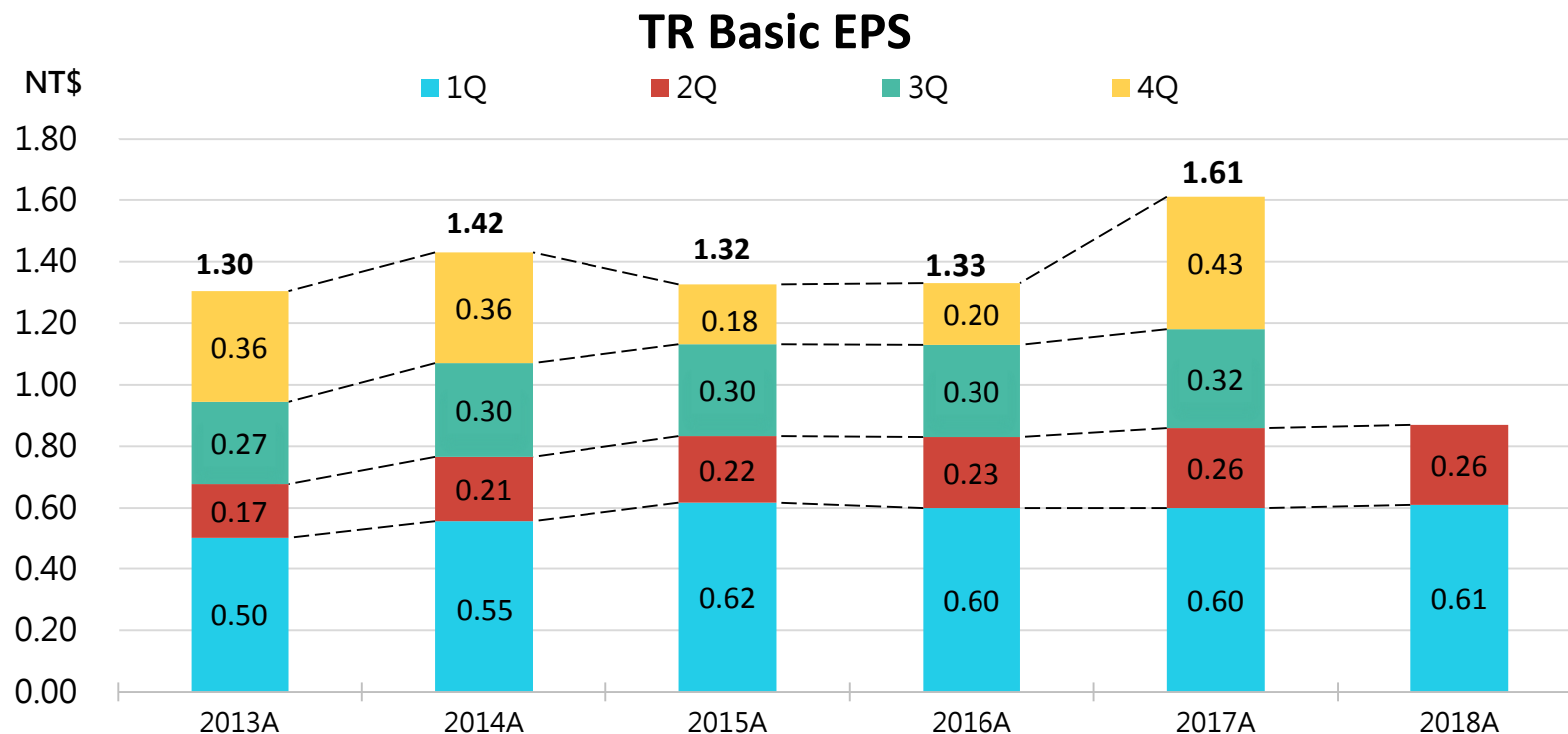
Sophia joined Test-Rite in March 2009 to lead both the Trading and Retail businesses. Prior to Test-Rite, Sophia was the General Manager of IBM Taiwan from 2006 to 2009 and the Director of the China Banking Cluster at IBM Greater China Group. Sophia was with IBM for over 25 years.



FINANCIAL HIGHLIGHTS

Stable Cash Div. and Div. Yield

NT\$	2013A	2014A	2015A	2016A	2017A
Cash dividend	1.00	1.13	0.95	1.08	1.20
Payout rate	76.9%	79.6%	72.0%	81.2%	74.5%
Dividend yield	4.42%	5.33%	4.63%	5.49%	5.60%



Long-term Investment Value

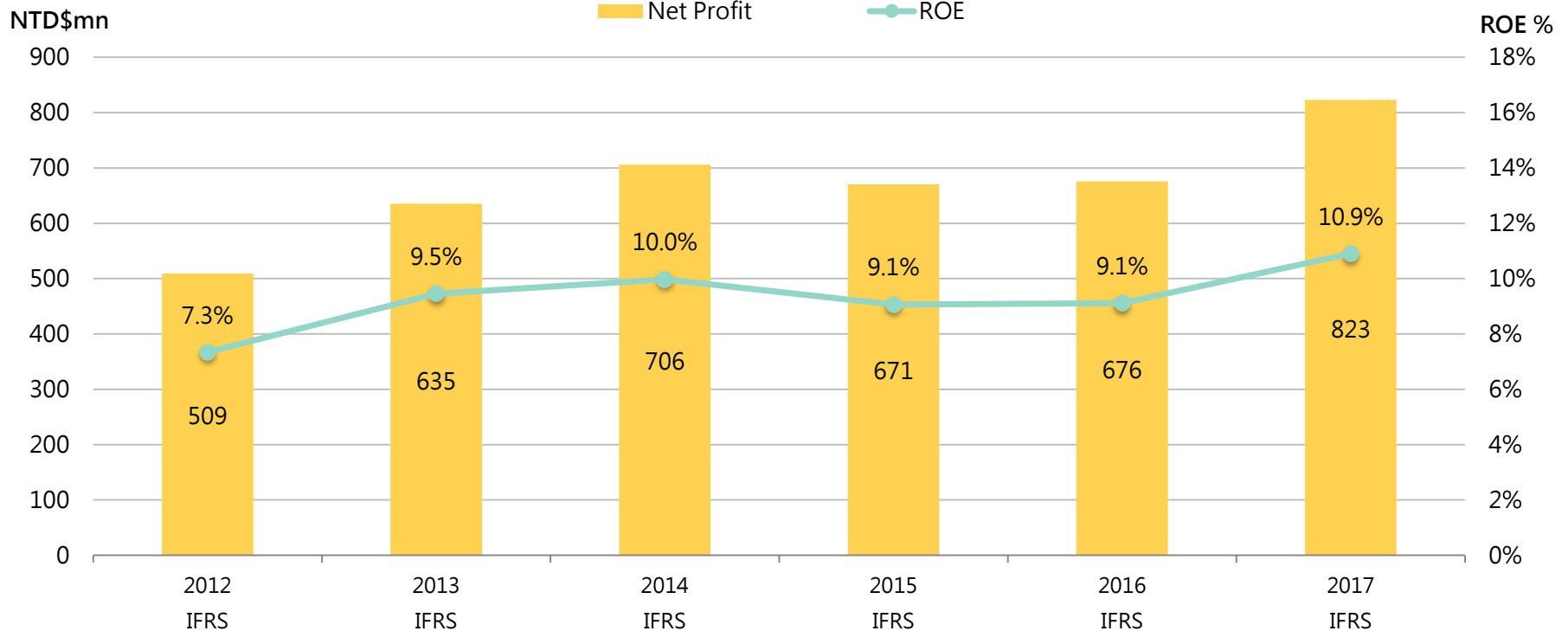
In the best interests of our shareholders

ROE stable at 9%-11% over the past 5 years

Highly transparent

Test Rite is ranked by TWSE in the top 6%-20% of best corporate governance public company

TR Group Net Profit & ROE



Long-term Investment Value



Only 13 companies in the service industry have remained 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 a fast-changing market, most of the survivors are state-owned companies.

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.

2017 Snapshot

2017 GROUP OVERVIEW

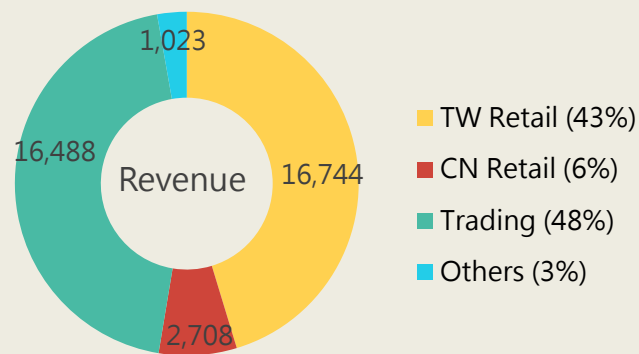
NT\$36,963 M
Revenue

NT\$10,783 M
Gross Profit

NT\$961 M
Operating Profit

NT\$823 M
Net Profit

NT\$1.61
EPS



TLW (TW)
27 stores

HOLA (CN)
26 stores

HOLA (TW)
24 stores

Brand Agency
18 brands

TLW Private Label
13.5%

HOLA (TW) Private Label
33%

Total Retail Revenue
NT\$19,452 M

Total Trading Shipment
NT\$ 28,156 M

Principal trading shipments
56.7%

Agency shipments
43.3%

Global Presence

11 countries / 14 offices

Warehouse
4 countries

Global Employees
5,806 staff

Financial Highlights 1H18

Revenue (YoY)

1H18: 6.7 %

1H17: 4.5 %

Gross Margin Rate

1H18: 26.1%

1H17: 29.5%

Gross margin rate decreased due to a rise in the cost of raw materials and the procurement adjustment strategy in our retail business.

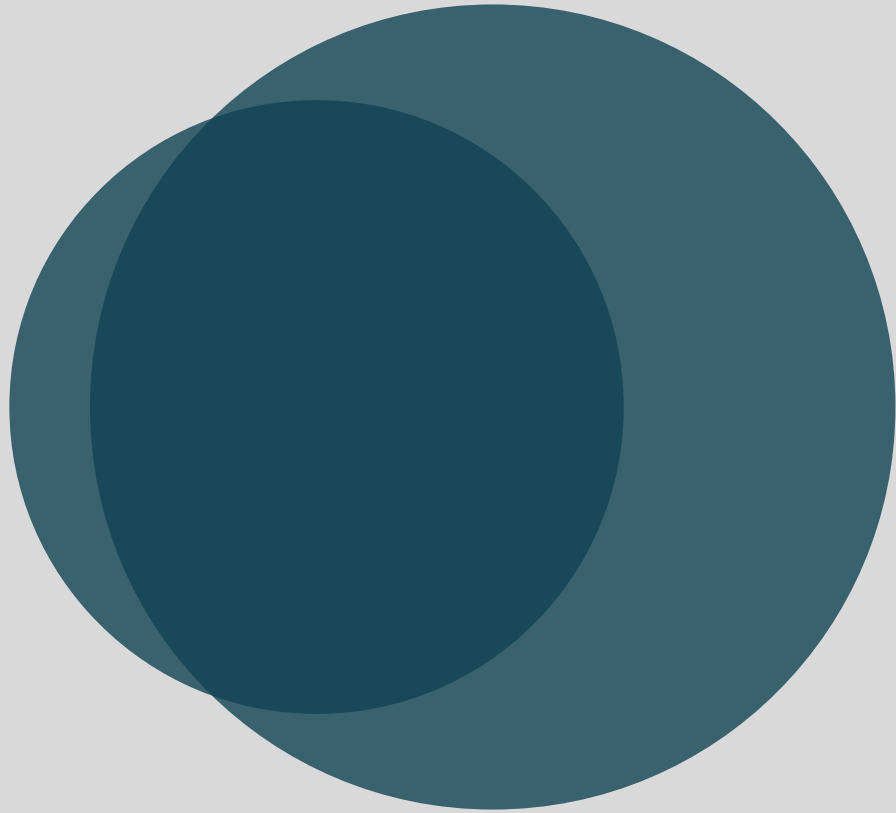
Operating Profit

1H18: 1.2%

1H17: 2.2%

Operating profit was impacted by gross margin decline. Decreased by 1.1% from a year ago.

(NT\$ mn)	1H18	1H17	YoY% chg
Revenue	20,269	18,995	6.7%
COGS	(14,984)	(13,391)	11.9%
Gross profit	5,284	5,604	-5.7%
Operating Expense	(4,866)	(5,002)	-2.7%
Operating profit	419	602	-30.4%
Non-operating income/loss	1	(71)	NA
Pre-tax profit	420	531	-20.9%
Net profit	450	440	2.4%
Other net profit	24	(39)	-161.5%
Total net profit	474	401	18.4%
Net profit attribute to TRIC shareholders	443	440	0.8%
(NT\$, After Tax)			
Basic EPS	0.87	0.86	1.6%
Diluted EPS	0.87	0.86	1.6%
Gross margin	26.1%	29.5%	-3.4%
Operating margin	2.1%	3.2%	-1.1%
Pretax margin	2.1%	2.8%	-0.7%
Net margin	2.2%	2.3%	-0.1%



FOCUS ON TRADING BUSINESS DEVELOPMENT

A Total Solutions Provider

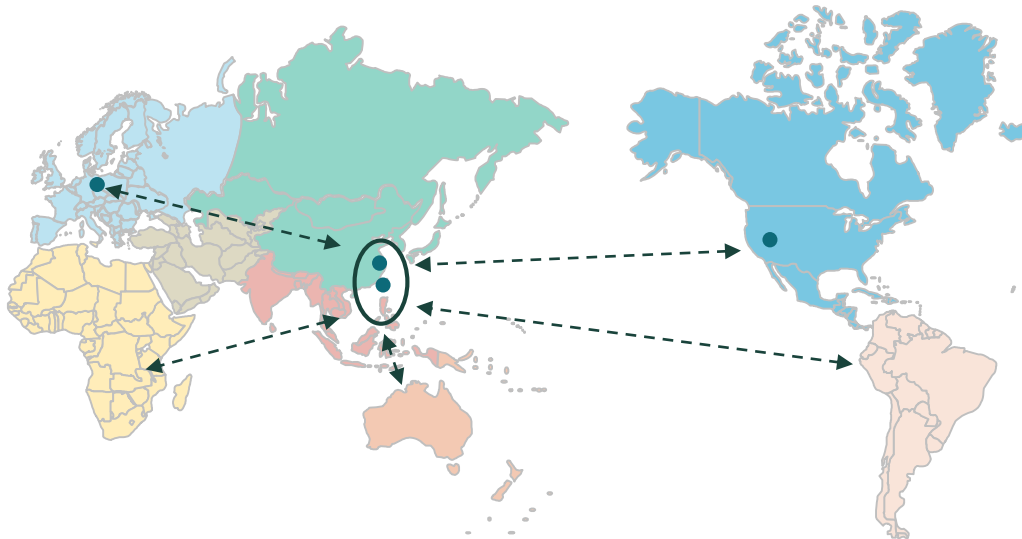


Global Worldwide Network



- Local services offered via 14 offices in 11 countries/regions, 4 warehouses in China, Taiwan, Germany, and U.S.
- US warehouse provides logistics/warehousing services to customers for principal trading.

Worldwide Trading Service



China Trading Service



● Test Rite Warehouses

Partnership with Global Retail Giants

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



Growth of Agency Trading

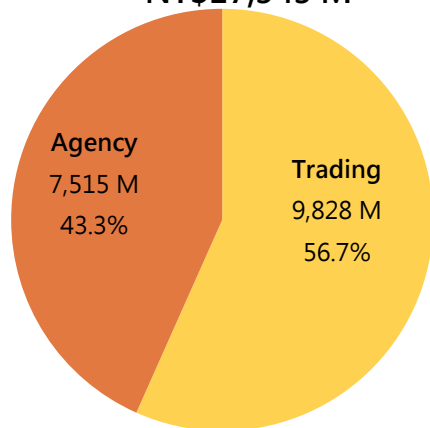


N. America Driving Growth

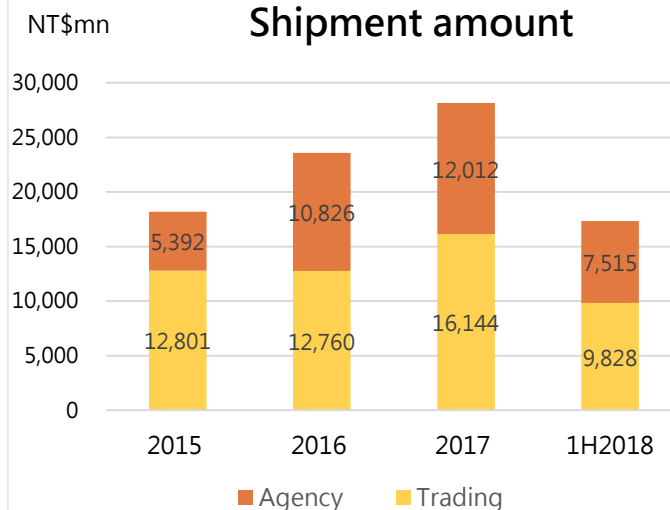
- Walmart shipments: double-digit growth 2018 H1 vs. 2017 H1.
- Sustained orders from Hillman. As at the end of H1, shipments were up to 3 billion from 2 billion in 2017 H1.
- Cooperating with global e-commerce giant, Amazon.
- Added Staples as a new customer.

H1 shipment amount

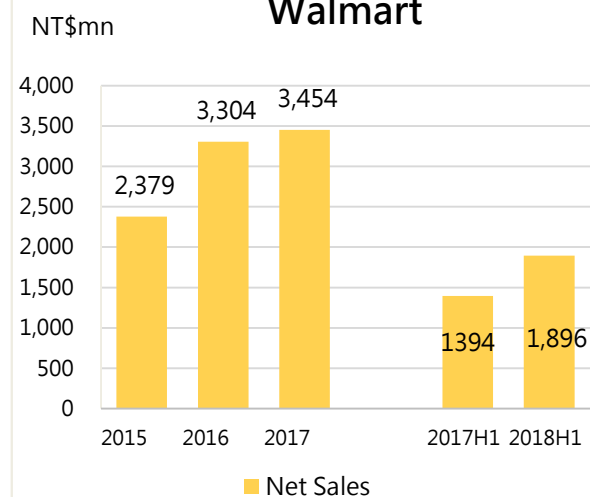
NT\$17,343 M



Shipment amount



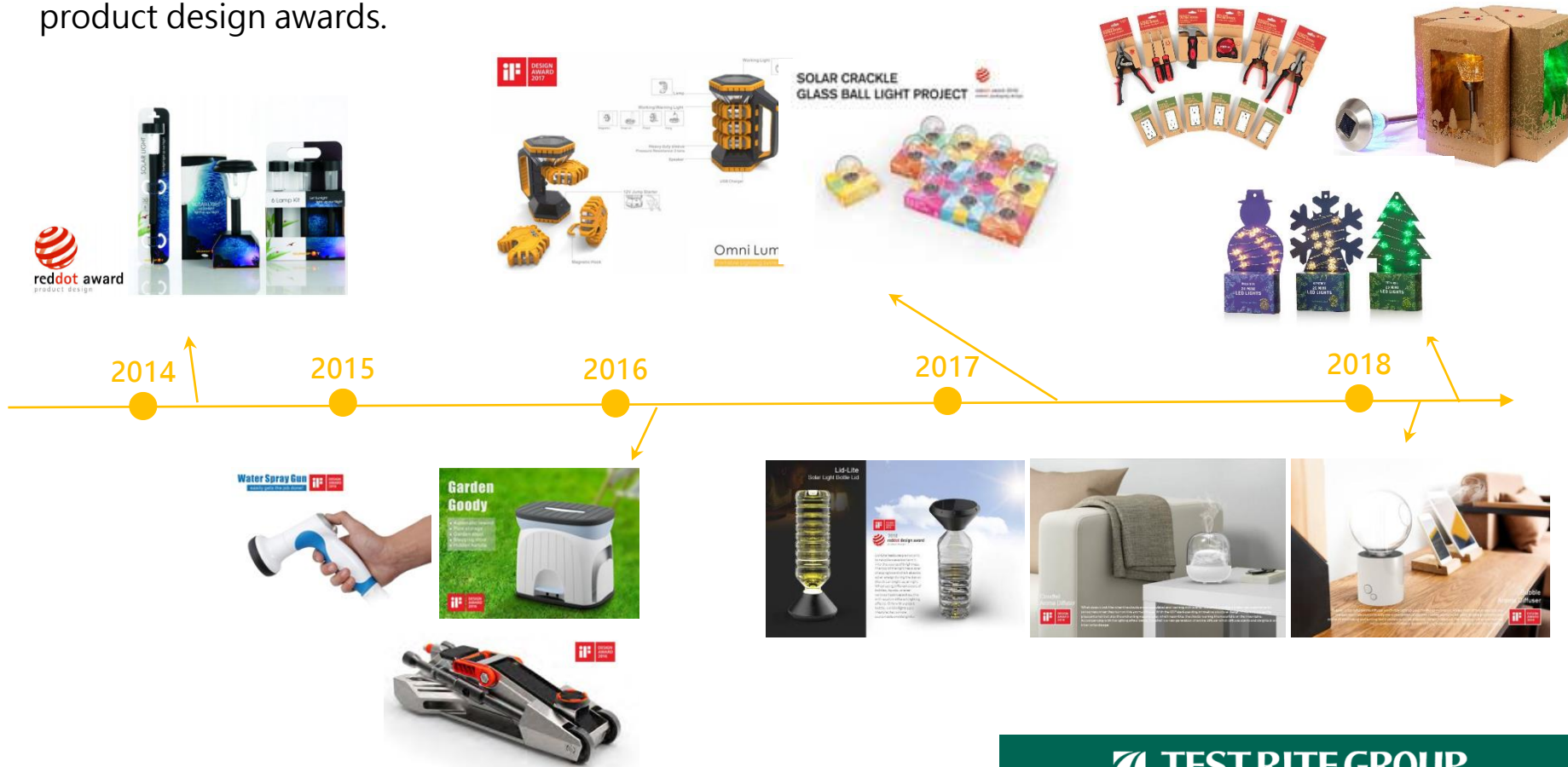
Walmart



Product Development Achievements

2014-2018 International Design Awards

Test-Rite began participating in and winning International Design Awards since 2014. 14 international design awards won so far, including 6 packaging design awards and 8 product design awards.



Market-Recognized Product Design

All-in-One
Trolley Jack



(All in One 2T Trolley Jack)

One-Thumb Spray

One thumb gets the job done!



(One-Thumb Spray)

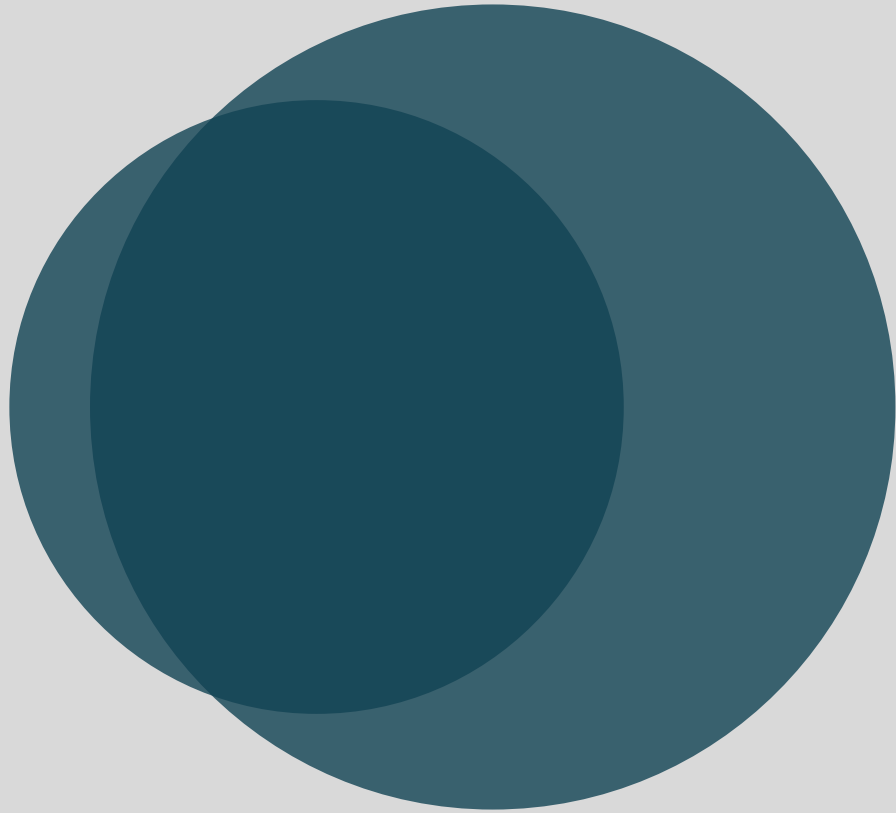
IF Product Design Awards

Garden
Goody

- Automatic rewind
- Pipe storage
- Garden stool
- Stepping stool
- Hidden handle



(Garden Goody)



RETAIL BUSINESS

Retail's layout based on customers



Business Model 商業模式
 Marketplace 銷售點

Building the Best “Home-related” Channel

Store Count	2012A	2013A	2014A	2015A	2016A	2017A	1H2018
TLW	24	26	26	26	27	27	27
HOLA TW	21	22	23	24	25	25	26
HOLA CN	31	33	35	38	33	26	26
Selling Space (m ²)	2012A	2013A	2014A	2015A	2016A	2017A	1H2018
TLW	88,711	92,060	92,072	92,072	95,435	95,435	94,554
HOLA TW	51,780	53,117	52,979	54,476	55,443	52,760	50,780
HOLA CN	63,686	62,848	64,860	70,956	62,060	50,112	44,870



Store Locations



Business Strategy: Virtual Integration Meets New Retail

1H2018

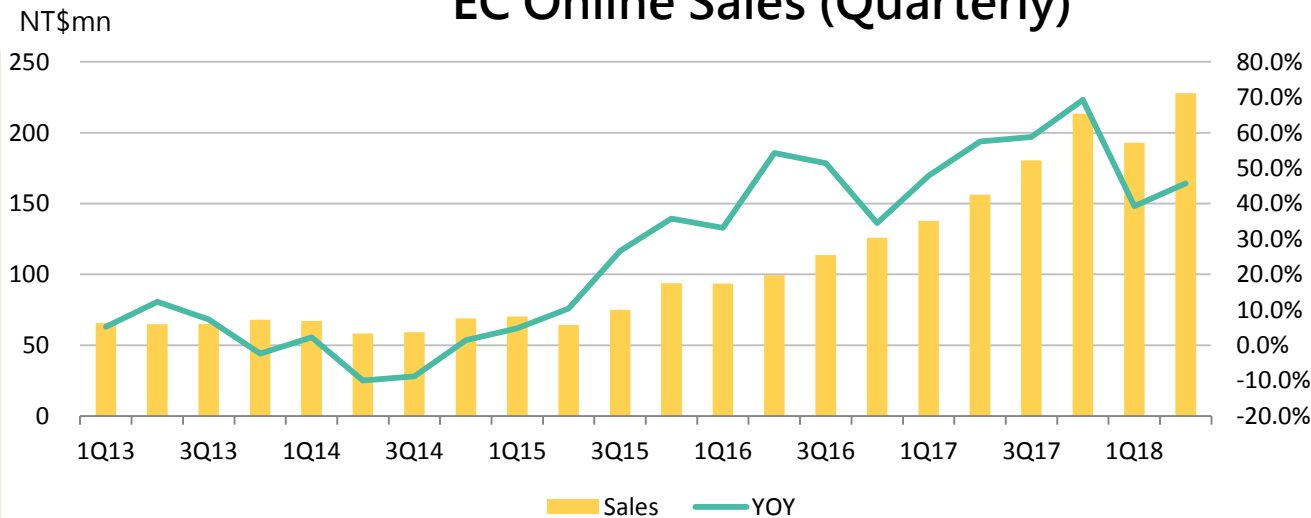
- TLW EC Sales mix 6.2%
- TLW EC Sales YOY 48.0%
- HOLA EC Sales mix 4.7%
- HOLA EC Sales YOY 48.4%



2018 Goal

- Breaking down the boundary between online & offline through the integration of POS systems.
- Improving customers' experience in physical stores, and providing one solution for their home requirements.
- Implementing the "New Retail" concept.

EC Online Sales (Quarterly)



TLW+HOLA online products
>25,000

Average ticket of online sales is
 about 1.5-2x times that of
 physical stores.

Mission-Critical: Omni-Channel Strategy

Launch of our brand-new [TR PLUS website](#) in December 2017 combines our resources from TLW, HOLA, and other retail channels.

The screenshot shows the TR PLUS website homepage. At the top, there is a navigation bar with a home icon, the text '回首頁 只有今天! 全站88折', and links for 'VR展示', '據點查詢', and '線上型錄'. Below this is the TR PLUS logo and a search bar containing '全站88折、家電淨水92折'. To the right of the search bar are links for '我的帳戶' and a shopping cart icon showing '0' items. A secondary navigation bar includes the '特力屋 HOLA' logo, a list of product categories (e.g., 國際名品, 傢俱, 層架收納, 寢具傢飾, 居家日用, 餐廚用品, 美食飲品, 家電淨水, 廚具衛浴, 燈具, 工具建材, 運動休閒), and the 'Crate 特力屋通客' logo. The main content area features a large image of a bed with floral bedding. Text on the left of the image reads '2018/3/23-4/25 春夏新品上市'. On the right, a red banner says '年中慶暖身 全站88折 線上獨賣 家電淨水92折'. Below the image is a red button that says '打造生活舒適圈 >'. At the bottom, there are three promotional banners: a red one on the left with '年中慶暖身 只有今天! 全站88折', a light green one in the middle with '年中慶暖身 線上獨賣、家電淨水92折', and a light grey one on the right with '年中慶暖身 節能補助最高現賺1萬2'.

Mission-Critical: Enhancing the Customer's Experience at TLW



Mission-Critical: Enhancing the Customer's Experience at HOLA



Business Strategy : Margin Improvement Through Private Label

1H2018

- Sales mix of PL products

TLW: 13.3%
HOLA : 36.7%

- Gross margin rate

TLW: 48.4%
HOLA: 52.5%



Mid-term Goal (2018)

TLW: 15%
HOLA: 40%

Long-term Goal (2020)

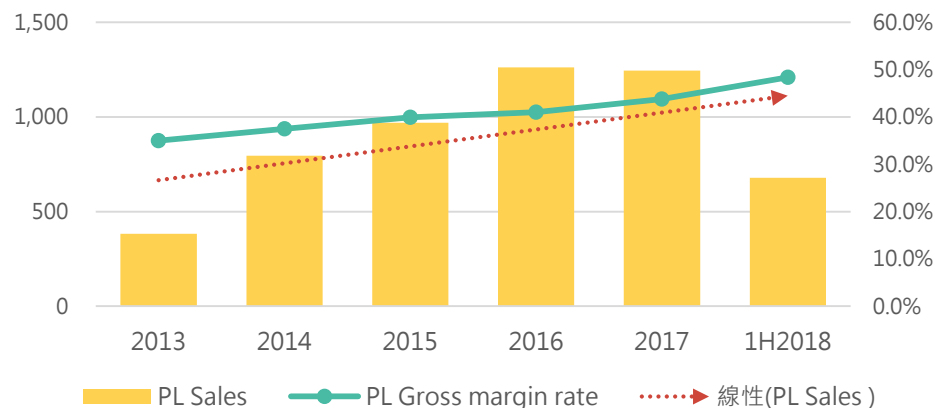
TLW: 20%
HOLA: 50%

- Leading home décor trends through strengthening our brand design offering.

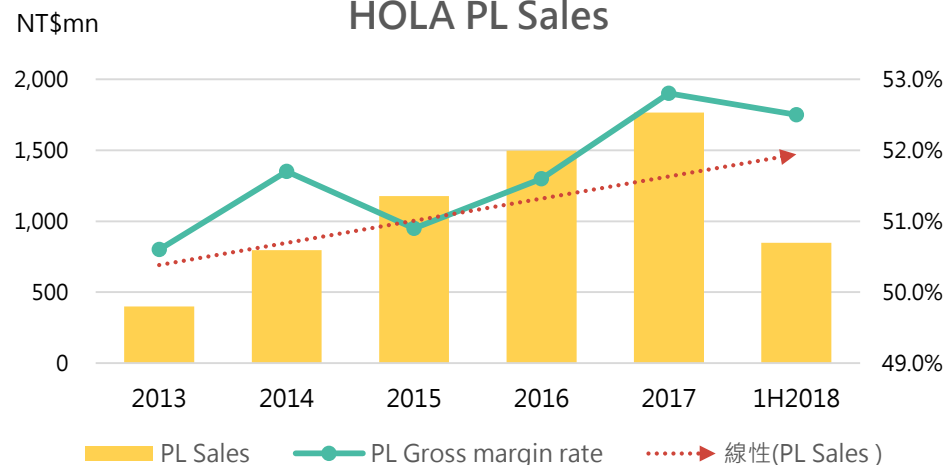


HOLA
特力和樂

TLW PL Sales



HOLA PL Sales



Mission-Critical: Private Label Development

價格具優勢 / 毛利更佳

2016年11月開賣 / 2017年售出 **7萬8千支** / 全年業績 **1.5億元**

已推出不鏽鋼鍋、不沾鍋以及琺瑯鑄鐵鍋等系列產品



HOLA投注心力開發高品質鍋具：堅持採用精選材質，以嚴格工藝及創新科技打造滿足各式烹調需求的系列產品。我們在乎每個細節的設計與品管，全系列鍋具皆通過國家食品器具容器衛生標準，為您的食用安全嚴格把關。

HOLA讓烹飪成為安心、實用、時尚的享受。

Business Strategy: Brand Agency

1H2018

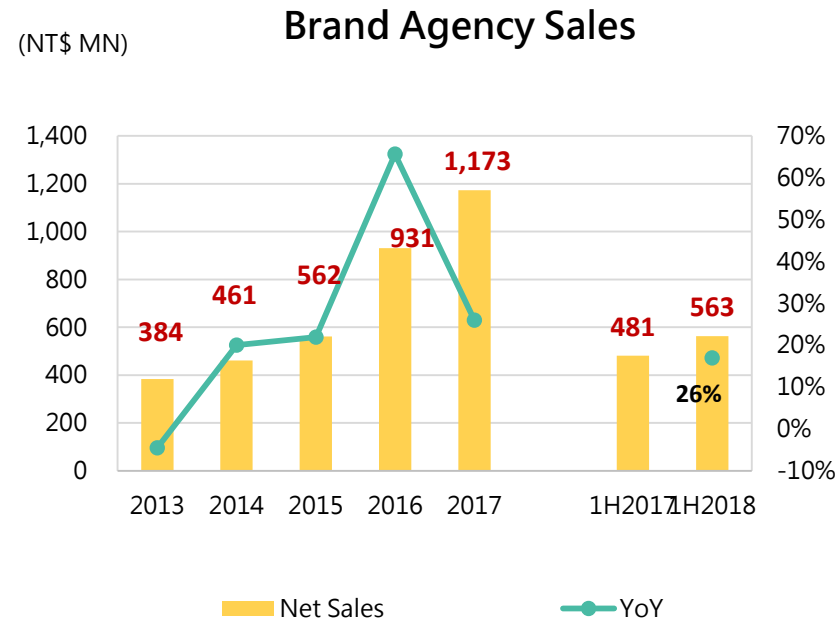
Total of 15 brands in our Agency Business

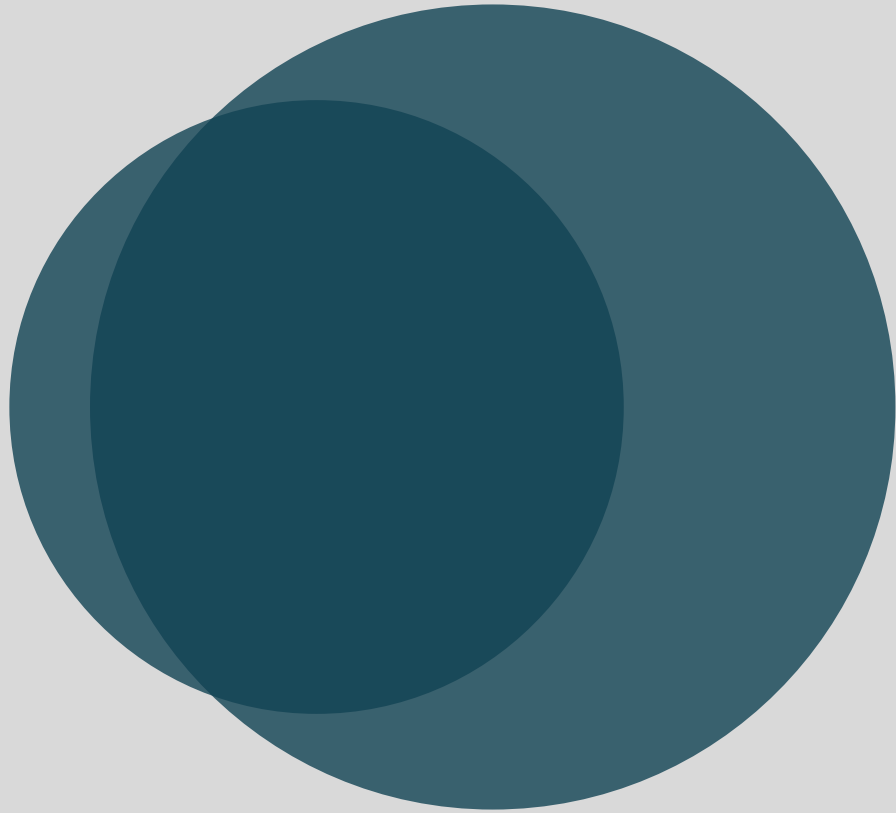


2018年目標

- Raising brand awareness in the market place.
- Expanding selling channels.

TEST-RITE Brand Agency





FOCUS ON RETAIL CHINA'S DEVELOPMENT

HOLA China Strategy

1H2018

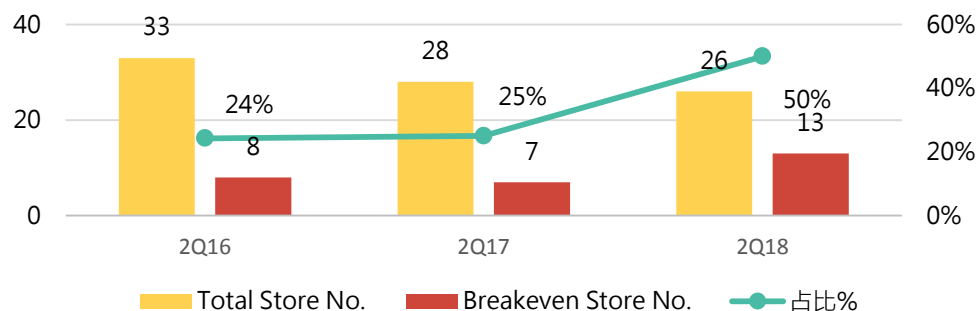
- Private Label products sales mix: 21%
- Self-operated products sales mix: 65.3%



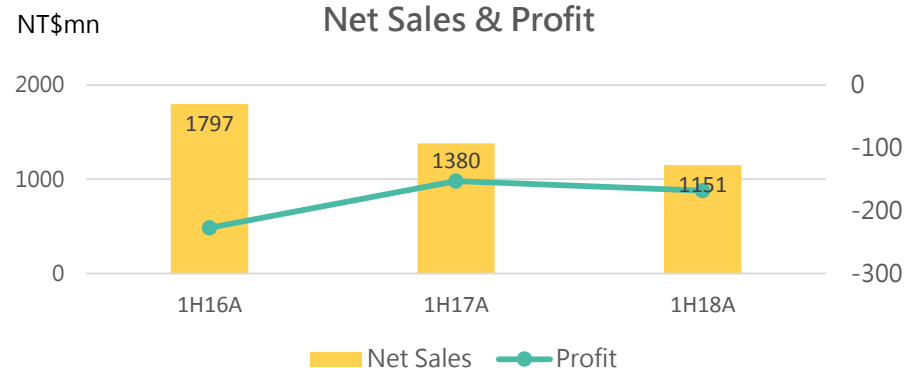
2018 Goal

- Increase Self-operated and PL product sales.
- Improving store-level profitability and lowering headquarter costs to reach breakeven point.
- Make structural adjustments by actively closing or adjusting space utilization of poorly-performance stores.
- Strengthening the customer experience.
- Search for strategic alliance partnerships.

Breakeven Store Number



Net Sales & Profit



Mission-Critical: Strengthening the Customer Experience

HOLA new-concept store

Opened in December 2017, the Chengdu Kehua store is the second new-concept store offering a new user experience that strengthens the connection between a smart home and new retail, encompassed in a delightful and fun open space.



Mission-Critical: Cross-industry Collaboration

On February 2nd, we opened the Nanjing Xinjiekou store in partnership with Suning.com, one of the largest retailers in China.

- Selling space: around 300m²
- Conducive sales environment that facilitates interaction between people, products and space
- Focus on selling key categories and PL products
- 10-15 stores opened in 1H 2018
- Sales contribution (end of July): 1.03%



THANK YOU
