



家的大小事  
一輩子都是特力的事!



Test Rite Group 特力集團

November 2010

# Test Rite Group Strategy



<b>Vision</b> 願景:	<b>To form a globally integrated enterprise</b> 構築一個全球性整合的企業集團
<b>Goals</b> 終極目標:	<b>Sustainable business growth</b> 業務持續成長 <b>Corporate governance</b> 公司治理
<b>Strategy</b> 策略:	<b>Growth through Innovation &amp; Integration</b> 透過創新與整合保持成長
<b>Objectives</b> 目標:	<b>Double group revenue in 5 years</b> 五年倍數成長 <b>Integrate operation</b> 集團整合
<b>Culture</b> 文化:	<b>High Performance</b> 高績效 <b>Customer focus</b> 顧客導向 <b>Sales oriented</b> 銷售導向

# Group Structure\*



\* Store numbers updated as of Oct 2010

# Test Rite Group Milestone



- 1978-91** Establishment and Growth
- 1988-00** “Best Supplier Award from Wal-Mart”
- 1993** Test Rite IPO (2908TT) – Taiwan Stock Exchange
- 1994** Test Rite obtained ISO-9002 certification
- 1996-98** Launch of Retail Business  
B&Q 特力屋 Taiwan 50-50 JV with Kingfisher  
HOLA – “House of Living Art”
- 2000** Packing facilities established in Shanghai and Shenzhen
- 2001** Named “The Best 200 Small Companies” by Forbes
- 2004** Retail: Inception of HOLA China
- 2006** HOLA (2921TT) IPO –Taiwan OTC Exchange  
Acquisition of Tong-Lung Metal (OTC listed 8705 TT)
- 2007** Nei-Hu HQ Building Sale-and-Leaseback  
Purchase of Kingfisher’s 50% joint venture stake of TLW Taiwan (US\$100mn)
- 2009** 4-in-1 Merger of Taiwan Retail channels: TLW (DIY), HOLA, Freer, and HOLA Casa.
- 2010** Accelerate pace of store openings of HOLA China  
Canceled 14.8mn treasury shares



**TRADING SECTOR**



Test Rite Group 特力集團

# Global Worldwide Network



(with local service 26 offices in 16 countries)



## Growth driver

- ❑ Grow agency biz (Michaels, AutoZone, Tractor Supply, and AAFES)
- ❑ Acquire new customers/products thru standard global sourcing platform
- ❑ Brand licensing opportunities for Greater China markets (ex. Bissell, Jiou Young, ROCA, etc).

# Trading Overview



- Trading revenue reached NT\$ 9.97 bn 2010 YTD, up 12.6% YoY. Total shipments up 16.9% YoY to NT\$11.9 bn.
- For 2010 YTD, principal trading totaled NT\$ 9.88 bn, up 12.5% YoY, and accounted for 82.8% of total shipments.
- Shipment of agency business accounted for 17.2% of total shipments and revenue is recognized based on 4-6% commission rate.

## Trading business' monthly sales

Revenue (NT\$ '000)	2010*	2009	YoY % chg
October Revenue <sup>^</sup>	818,244	858,797	-4.7%
Accumulated Revenue	9,967,500	8,854,845	12.6%

<sup>^</sup> According to Taiwan GAAP, revenue for Agency business is based on commission revenue.

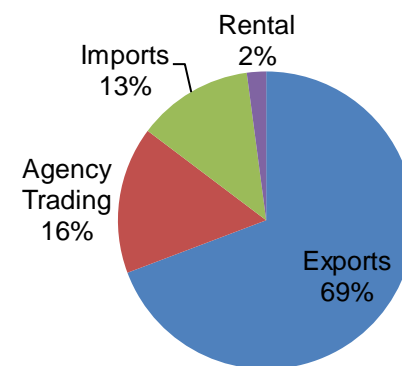
\*2010 figures have not been audited.

## Shipments value breakdown by segment for Oct 2010

Shipment Value (NT\$ '000)	2010*	2009A	YoY % chg
Principal trading	804,250	849,942	-5.4%
Accumulated shipments - Principal	9,876,805	8,782,975	12.5%
Agency business	316,321	204,452	54.7%
Accumulated shipments - Agency	2,049,854	1,419,476	44.4%
<b>Total shipments</b>	<b>1,120,571</b>	<b>1,054,394</b>	<b>6.3%</b>
Accumulated shipments	11,926,659	10,202,451	16.9%

\*2010 figures are unaudited.

## 1-3Q10 Shipment Breakdown

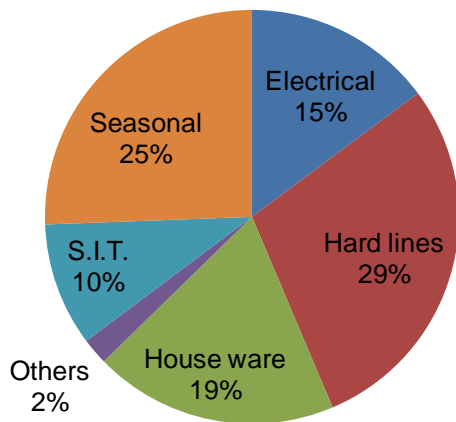


# Trading Overview

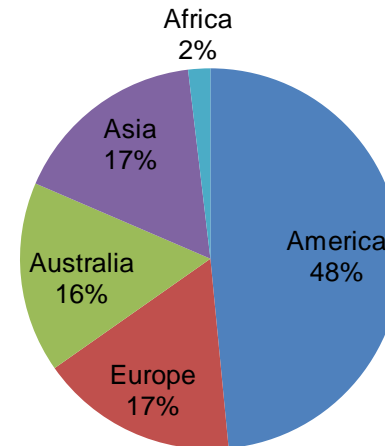


- Export Product Breakdown
  - Hard lines products accounted for 29%, the largest, of our exporting business.
- Geographical Breakdown
  - Shipment to America accounted for 48% of total shipment. Europe and Asia accounted for 17% respectively.

**1-3Q10 Exports Product Breakdown**



**1-3Q10 Shipment Geographic Breakdown**







## Test Rite International Co., Ltd. (2908)

### P&L for 1-3Q10 & 1-3Q09 (parent only)

(NT\$m)	1-3Q10	1-3Q09	% chg
Turnover	9,149	7,996	14.4%
Gross profit	1,773	1,490	19.0%
Operating profit	222	216	2.8%
Non-operating income/loss	278	9	2988.9%
Pre-tax profit	500	225	122.2%
Net profit	367	173	112.1%
EPS(Aft-tax)	0.76	0.40	90.0%
Net profit ex. one time charge	429	173	147.7%
EPS(Aft-tax) ex. one time charge	0.87	0.40	117.4%
Gross margin	19.4%	18.6%	
Operating margin	2.4%	2.7%	
Pre tax margin	5.5%	2.8%	
Net profit margin	4.0%	2.2%	

### Breakdown of Non-operating income (loss)

(NT\$m)	1-3Q10	1-3Q09	% chg
Trading Subsidiaries	(81)	(176)	-54.0%
Retail Subsidiaries			
- TLW	280	269	4.1%
- Hola China	(190)	(241)	-21.2%
- Life 1 Plaza	(73)	(124)	-41.1%
Subtotal: Retail Subsidiaries	17	(96)	n.a.
Tong Lung Metal	122	105	16.2%
Other LT Investments	85	51	66.7%
FX Gain/(Loss)	141	144	-2.1%
Interest net amount	(52)	(57)	-8.8%
Others	46	38	21.1%
Subtotal of Non-Operating income/loss	278	9	2988.9%



## Test Rite International Co., Ltd. (2908)

### P&L for 3Q10 & 3Q09 (parent only)

(NT\$m)	3Q10A	3Q09A	% chg
Turnover	3,410	2,559	33.3%
Gross profit	657	462	42.2%
Operating profit	74	12	516.7%
Non-operating income/loss	50	22	127.3%
Pre-tax profit	124	34	264.7%
Net profit	116	34	241.2%
EPS(Aft-tax)	0.24	0.07	242.9%
Gross margin	19.3%	18.1%	
Operating margin	2.2%	0.5%	
Pre tax margin	3.6%	1.3%	
Net profit margin	3.4%	1.3%	

### Breakdown of Non-operating income (loss)

(NT\$m)	3Q10A	3Q09A	% chg
Trading Subsidiaries	(8)	(51)	-84.3%
Retail Subsidiaries			
- TLW	80	104	-23.1%
- Hola China	(88)	(94)	-6.4%
- Life 1 Plaza	(14)	(38)	-63.2%
Subtotal: Retail Subsidiaries	(22)	(28)	-21.4%
Tong Lung Metal	60	42	42.9%
Other LT Investments	38	32	18.8%
FX Gain/(Loss)	11	16	-31.3%
Interest net amount	(18)	(16)	12.5%
Others	(11)	27	-140.7%
Subtotal of Non-Operating income/loss	50	22	127.3%



## Test Rite International Co., Ltd. (2908)

### B/S (Parent only) 3Q10 and 3Q09

(NT\$m)	3Q10	3Q09	% chg
Cash & Equivalents	69	148	-53.1%
Current Assets	4,270	3,849	10.9%
Net PP&E	614	607	1.1%
L/T Investments	9,435	8,875	6.3%
Total Assets	15,087	14,132	6.8%
S/T Debts	476	208	128.5%
Current Liability	2,298	1,690	36.0%
L/T Debts	4,566	4,025	13.4%
Total Liabilities	8,795	8,040	9.4%
Shareholders Equities	6,293	6,092	3.3%
Current Ratio (%)	186%	228%	
Net Debt/Equity (%)	79%	67%	
Total Liab/Assets (%)	58%	57%	

### C/F (Parent only) of 1-3Q10 and 1-3Q09

(NT\$m)	1-3Q10	1-3Q09	% chg
Operating CF	(129)	435	-129.5%
Investment CF	(816)	(260)	213.4%
Financing CF	716	(481)	n.a.
Net Cash Flow	(229)	(306)	-25.3%
Cash at beg. Year	298	454	-34.4%
Cash at end Year	69	148	-53.1%

\* The "Deferred Credit" account (resulted from the real estate transaction: sale-and-leaseback) should be considered while calculating the Liabilities Ratio. The deferred credit is actually a disposal gain other than a liability. However, by GAAP, this account must be recorded on the balance sheet as liabilities and then recorded as incomes periodically within the leasing duration. After the deduction the liability ratio of Test Rite stands alone will literally be around 46% & 28% at the end of 2008 & 2007 respectively.



超大型家居生活館  
HOME FURNISHING STORE

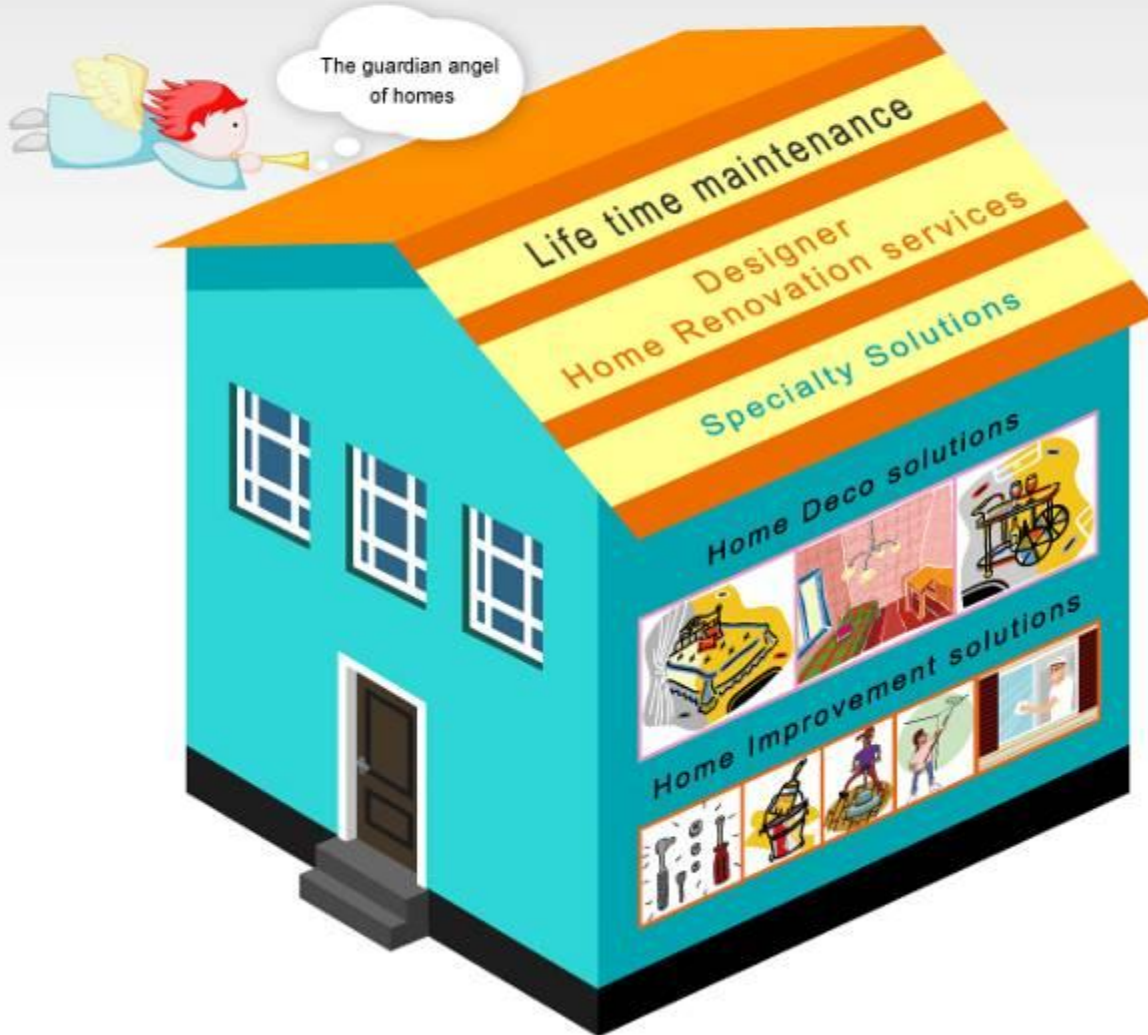
# RETAIL SECTOR

Test Rite Group 特力集團

# Brand values for Test Rite Retail Business Group



Making all customers' home related items a lifelong business for Test Rite Retail

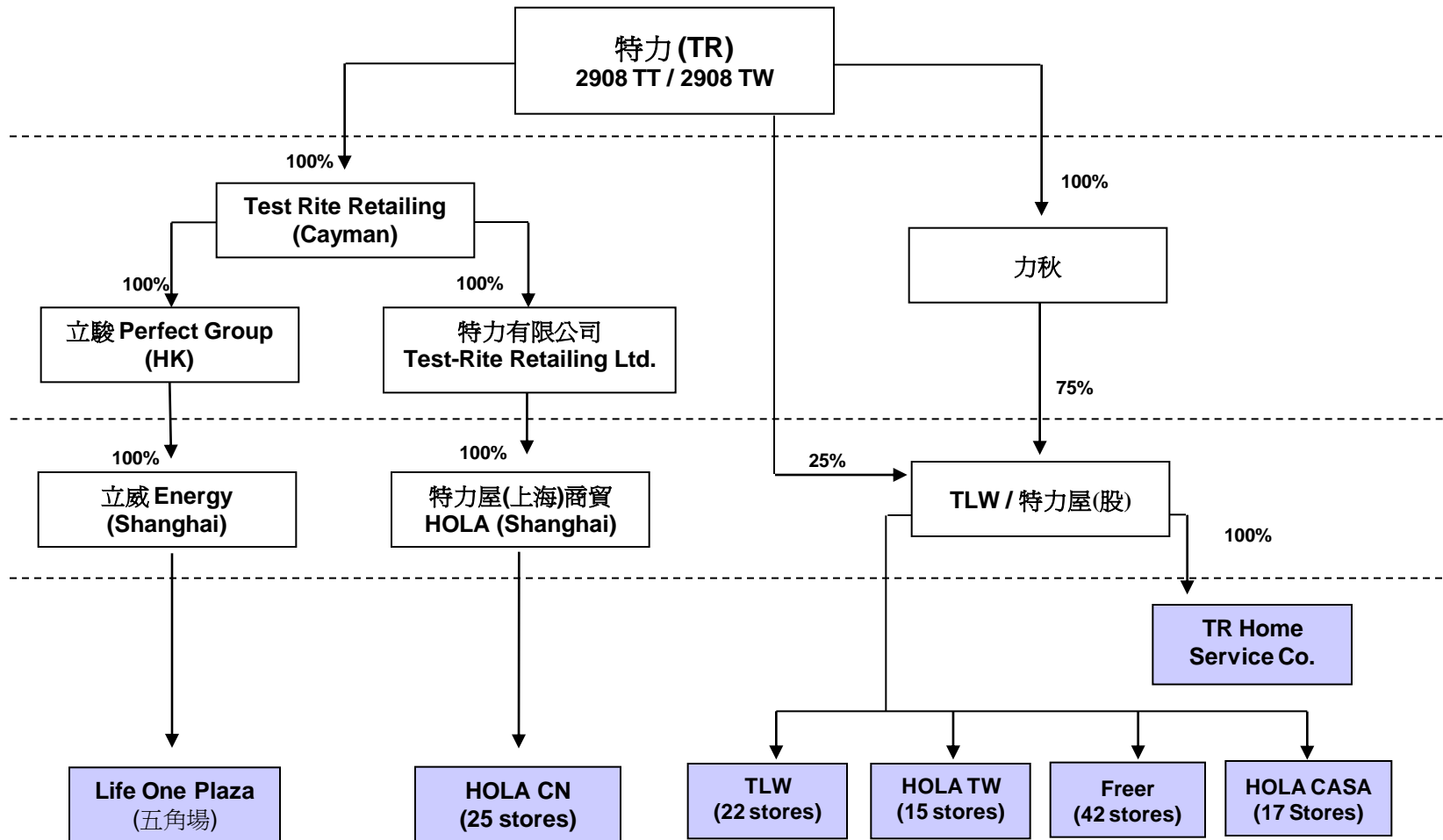


Affordable Indulgence

Value for Money



# Holding structure of TR Retail Group





Store # are as of Oct 2010.  Designate Retail Sales Channels

TLW (Formerly B&Q TW) made a tender offer of HOLA TW common shares from around June end 2009. TLW merged HOLA TW, Freer, and HOMY in Oct 2009. And the scheduled date of 4 in 1 merger is Dec. 31, 2009. 13



# Retail Group: “Big-HOLA Family Concept”

Greater China NO.1 Home Improvement & Décor chain stores

Retail Channel	Channel Brand Logo	Target market	Store Number (as of Oct-10)	2009 Revenue	Jan-Oct 2010 Revenue
TLW 特力屋 (HOLA TW, TLW/ 特力屋, Freer, HOLA Casa, EC, and catalog)		DIY, Home improvement and Home Décor In TW	TLW / 特力屋 : 22	NT\$ 9,361 mn	NT\$ 8,333 mn
			Hola TW: 15 HOLA CASA: 17 FREER: 42	NT\$ 4,073 mn	NT\$ 4,084 mn
HOLA China		Home Décor In China	25	RMB 449 mn	RMB 513 mn

# Growth Driver – Retail Group



• KLUDI •

Roca

**Provide consumers the experience of “affordable indulgence”**

## ■ TLW (特力屋) Taiwan

- Enter repair/service market in 2010
- Received exclusive distribution right of ROCA, KLUDI in TW
- Transform into a Solution Service Company in the home improvement market

## ■ HOLA

- HOLA Taiwan - opens new stores in targeted locations
- HOLA China – aggressive expansion plans in tier one cities
- 2nd generation stores roll out in China

## Trading/Retail Synergy

- TLW, HOLA, Freer, HOLA CASA, and HOLA China - integration in terms of merchandizing, marketing, store operations, FIN, HR & IT





# TLW 特力屋 – Taiwan Retail (Private – 100% Held by Test-Rite)

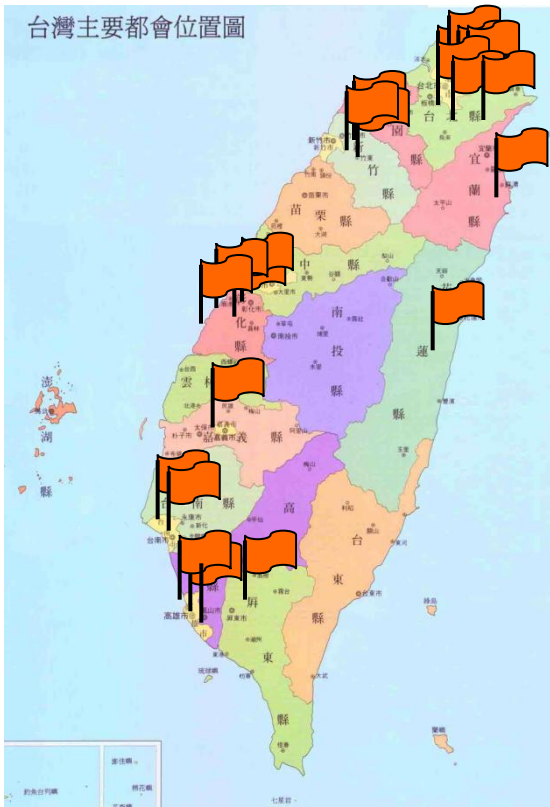
特力屋

Leading DIY player with  
~30% market share

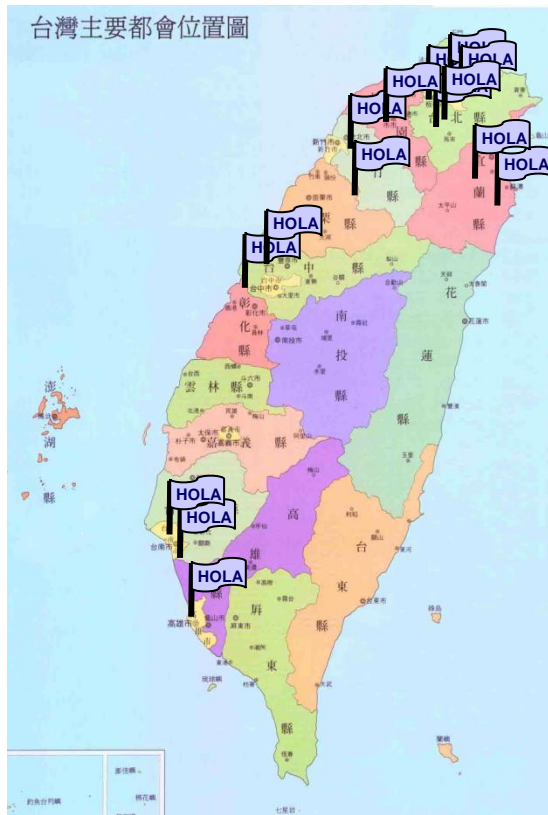


No. 1 home décor chain  
in Taiwan with 15 stores

台灣主要都會位置圖



台灣主要都會位置圖



## TLW (DIY) Revenue and Store #s

(NT\$m)	2006	2007	2008	2009	1-3Q10
Revenue	10,134	9,771	9,687	9,361	7,496
YoY % chg	-6.2%	-3.6%	-0.9%	-3.4%	7.8%
No. of stores	21	22	22	22	22

## Hola Taiwan Revenue and Store #s

(NT\$m)	2006	2007	2008	2009	1-3Q10
Revenue	3,037	3,182	3,549	4,073	3,543
YoY % chg	8.9%	4.8%	11.5%	14.8%	20.6%
No. of stores	11	12	12	13	15



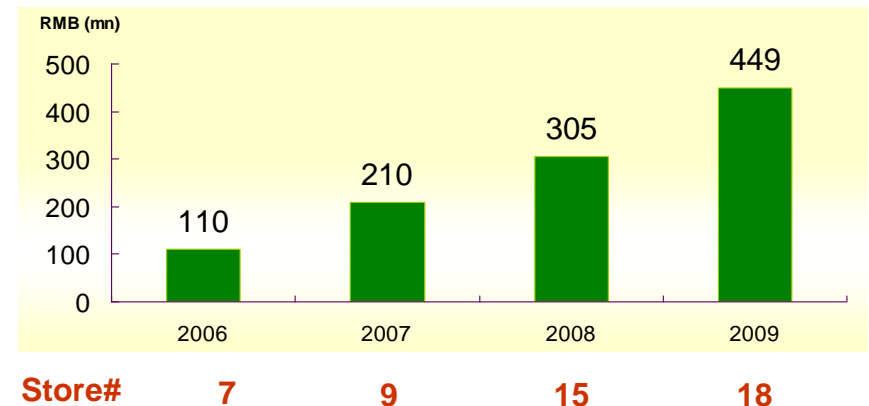
# HOLA China (Private – 100% held by Test-Rite)

**HOLA 特力屋** 超大型家居生活馆  
HOME FURNISHING STORE



- HOLA China 25 stores as of Oct 2010
- Revenue for Jan. – Oct 2010 totaled RMB 513 mn, up 40% YoY. Accumulated same store sales up 27% YoY.

Net Sales





## HOLA China Business Update



超大型家居生活馆  
HOME FURNISHING STORE

- Revenue in 1-3Q10 totaled RMB 447 mn, up 41% YoY; losses for 1-3Q10 reduced by 21% to NT\$ 190 mn.
- Revenue for January to Oct 2010 totaled RMB 513 mn, up 40% YoY, with same-store-sales growth up 27.3% YoY.
- Already added 7 stores in Shanghai and Beijing in 1-3Q10; 2 additional stores planned for 4Q10; total number of stores targeted to reach 50-60 by end of 2014.
- 8 stores out of total 25 was profitable at store level in 3Q10; Hola China turn profitable on a monthly basis for the first time in Dec-09.



HOME

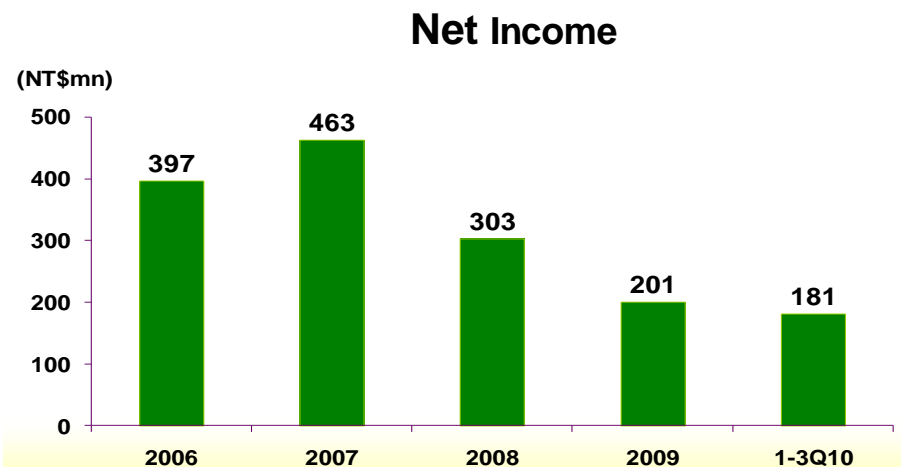
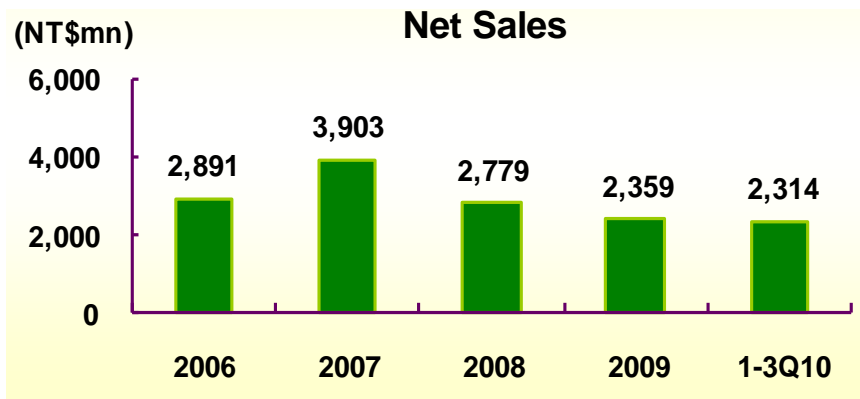
**TONG LUNG METAL INDUSTRY CO., LTD.** (8705 TT)

Test Rite Group 特力集團



## TLM 2010 Business Update

- **New sales orders**
  - ODM of lockset:
    - Miwa placed orders to TLM
  - OEM of bathroom wares:
    - KLUDI
- **TLM Production Capacity**
  - Taiwan:
    - Capacity 1.5 Million sets / month
    - Focus on production of Grade I & II Locksets
  - Philippines:
    - Capacity 1 Million sets / month
    - Focus on production of Grade III Locksets
- **R&D**
  - Possess over 150 patents
  - R&D Expenses account for 2% of Sales
- **Expansion Plan**
  - Expand production capacity in Philippines
  - Launched New Electroplating Factory in Philippines in 2008





## TLM (8705)

### P&L (parent only) for 2008 - 09

NT\$m	2008	2009	% chg
Turnover	2,779	2,359	-15.1%
Gross profit	419	367	-12.5%
Operating Expense	227	227	0.0%
Operating profit	192	140	-27.3%
Non-operating income/loss	78	30	-61.7%
Pre-tax profit	271	170	-37.2%
Net profit	303	201	-33.7%
EPS	3.67	2.47	-32.7%
Gross margin	15.1%	15.6%	
Operating margin	6.9%	5.9%	
Pretax margin	9.7%	7.2%	
Net margin	10.9%	8.5%	

### Dividend policy (NTD)

Dividend	2006	2007	2008	2009
Cash Dividend	4.5	3.3	0.8	2.45
Stock Dividend	0.5	0.2	-	-
Total Dividend	5.0	3.5	0.8	2.45
EPS	5.01	5.56	3.67	2.47
Cash Payout Ratio	90%	59%	22%	22%

### B/S (parent only) Year end 2008- 09

NT\$m	2008	2009	% chg
Current Assets	1,237	1,181	-4.6%
Cash & equiv	59	97	64.8%
A/R	463	429	-7.3%
Inventory	530	493	-7.0%
Net PP&E	431	410	-4.9%
Other Assets	1,009	968	-4.1%
Total Assets	2,492	2,397	-3.8%
S/T Debts	480	130	-72.9%
Current Liability	755	599	-20.7%
Other Liabilities	687	607	-11.6%
Total Liabilities	1,442	1,206	-16.4%
Shareholders Equities	1,051	1,191	13.4%
Current Ratio (%)	164%	197%	
Liability ratio(%)	58%	50%	



## TLM (8705)

P&L for 3Q10 and 3Q09							B/S as of 3Q10 and 3Q09			
(NT\$m)	3Q10	3Q09	% chg	1-3Q10	1-3Q09	% chg	(NT\$m)	3Q10	3Q09	% chg
Net Sales	842.8	698.7	20.6%	2,314.2	1,654.9	39.8%	Current Assets	1,467.5	1,183.4	24.0%
Gross profit	158.4	109.6	44.6%	408.1	249.6	63.5%	Cash & equiv	89.9	137.3	-34.5%
Operating profit	84.1	54.7	53.7%	195.2	93.6	108.6%	A/R	438.5	374.7	17.0%
Non-operating income/loss	20.9	3.6	475.8%	31.2	20.2	54.7%	Inventory	749.8	490.2	53.0%
Pre-tax profit	105.0	58.4	80.0%	226.4	113.8	99.0%	Long-term investment	701.8	731.3	-4.0%
Net profit	90.4	67.1	34.8%	181.4	160.5	13.0%	Net PP&E	430.6	372.5	15.6%
EPS	1.11	0.83	33.7%	2.23	1.98	12.6%	Other Assets	93.0	220.1	-57.7%
							Total Assets	2,692.9	2,507.2	7.4%
Gross margin	18.8%	15.7%		17.6%	15.1%		S/T Debts	300.0	180.0	66.7%
Operating margin	10.0%	7.8%		8.4%	5.7%		Current Liability	891.8	667.3	33.6%
Pretax margin	12.5%	8.4%		9.8%	6.9%		Other Liabilities	610.0	704.7	-13.4%
Net margin	10.7%	9.6%		7.8%	9.7%		Total Liabilities	1,501.8	1,372.0	9.5%
							Shareholders Equities	1,191.1	1,135.2	4.9%
							Current Ratio (%)	164.6%	177.3%	
							Liability Ratio (%)	55.8%	54.7%	

**EV/EC** SERIES

COMMERCIAL CYLINDRICAL LEVER LOCK



# TONG-LUNG Milestone



- 1954-64** Inception  
Established Domestic owned Brand of “Lucky”
- 1977-83** Renamed into Tong Lung Metal Industry Co., Ltd  
Establish Exporting owned Brand of “EZSET”
- 1994** TSE Listing
- 1998-99** Loss making on former management’s embezzlement  
Court approved restructuring  
Listing as OTC Managed Stock
- 2000-01** Restructuring starts with injection of new paid-in capital of NT\$2.2 billion  
Receive court ruling on completion of restructuring
- 2003** Launch of new ERP  
Debt structuring via financial reengineering
- 2004** High-end products certified by ANS  
Launch of SCM Marketplace
- 2006** Received business on high end commercial door locks  
OTC Relisting
- 2007** Reached new heights with an YOY growth of 35%
- 2008** Launch of the electroplating plant in Philippines in Nov. 23





家的大小事  
一輩子都是特力的事!

Thank you!



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