



家的大小事
一輩子都是特力的事!



Test Rite Group 特力集團

4Q12 Version

Updated on March 6th, 2013

Table of Contents



- Test Rite Group - Strategy & Outlook 6
- Test Rite Group - Trading Sector11
- Test Rite Group - Retail Sector16
- Test Rite Recent Financial Results.....25

Company Introduction

TR share price \$22.0
Date: March.6th, 2013



Company Background

Test-Rite Group, established in 1978, focused initially in the exports of hand tools. Test-Rite trading has since grown into a hardline specialist and Taiwan's largest trading company. Over the past +30 years, Test-Rite Trading division has received numerous recognition, receiving "Best Partner Awards" from multi-national retailers.

In 1996, the company entered the retail business by entering into a JV with Kingfisher and opened DIY Specialty "B&Q" in Taiwan. The following year, Test-Rite launched its own home furnish retail format "HOLA" in Taiwan and subsequently introduced "HOLA" in China in 2004

Test-Rite Group was co-founded by Tony Ho, Group Chairman, and Judy Lee, Chairwoman of Test-Rite Trading. Sophia Tong, joined Test-Rite in 2009. Test-Rite listed on the TAIEX in 1993.

1-3Q12 Performance & consolidated sales in Jan / Feb 2013

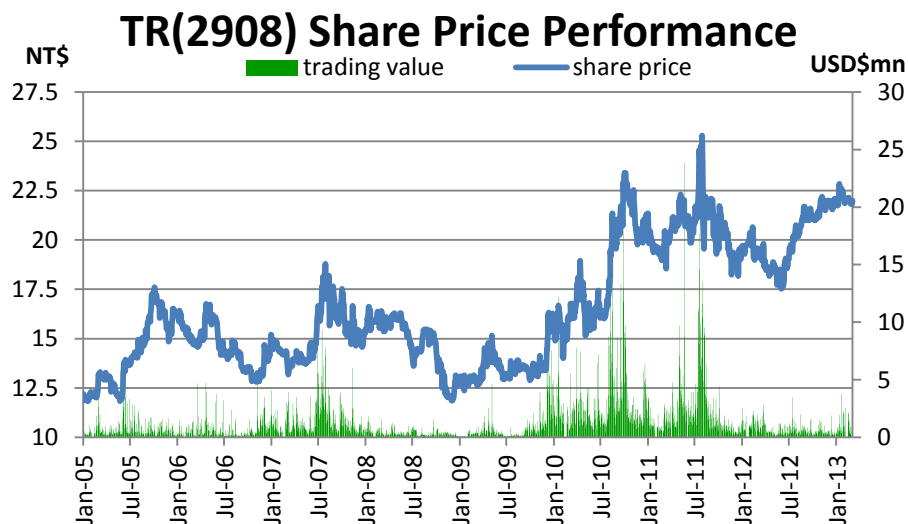
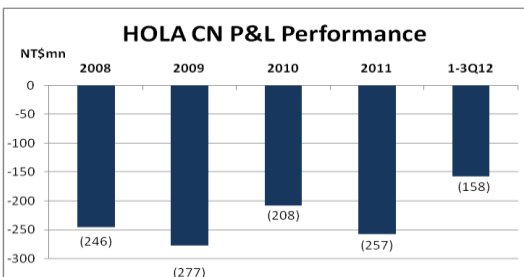
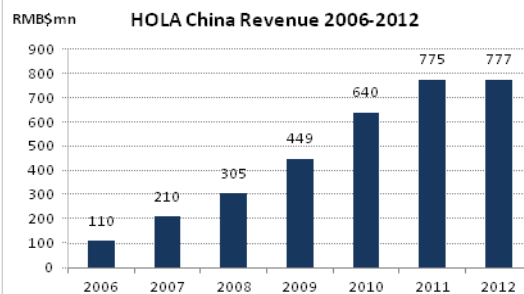
✓ In 1-3Q12, **(consolidated)** Sales totaled \$27.4bn, +1.9% YoY and net profit totaled \$545mn +7.0%YoY; and EPS totaled \$1.10, +12.2%YoY.

✓ Consolidated sales totaled \$3.4bn, -6.5%YoY in Jan. 2013 and ex TLM impact, was +0.2%YoY; Consolidated sales totaled \$2.6bn, -4.1%YoY in Feb. 2013 and ex TLM impact, was +6.3%YoY.

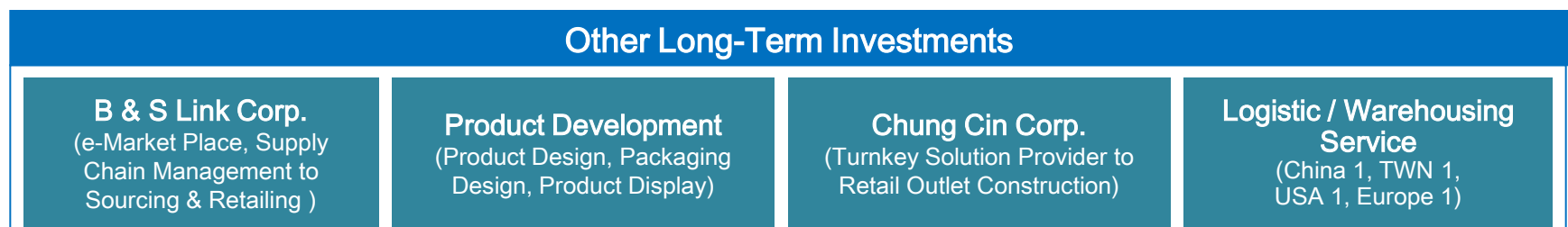
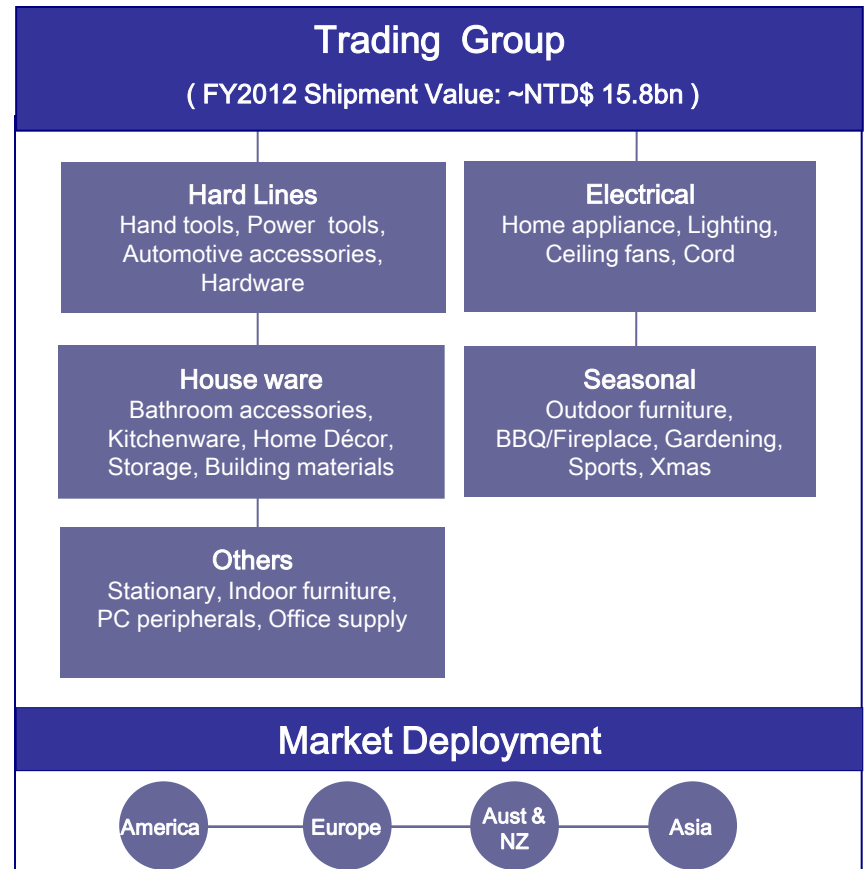
✓ Net debt reduced to **96.6%** in 3Q12, target 75-80% net debt to equity by 4Q12

□ 2012 revenue was RMB 777, +0.3% YoY, despite 10% reduction in selling space in 1H12. Same store sales for 2012 was +1.0% YoY.

□ Losses reduced by 21.9% to NT\$158 mn on lower rental cost and GM improvement



Group Structure*



* Store numbers updated on March 6th , 2013

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 is currently working on 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 know 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 recognition as “Best Partner/Supplier”.



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.

Test Rite Group Milestone



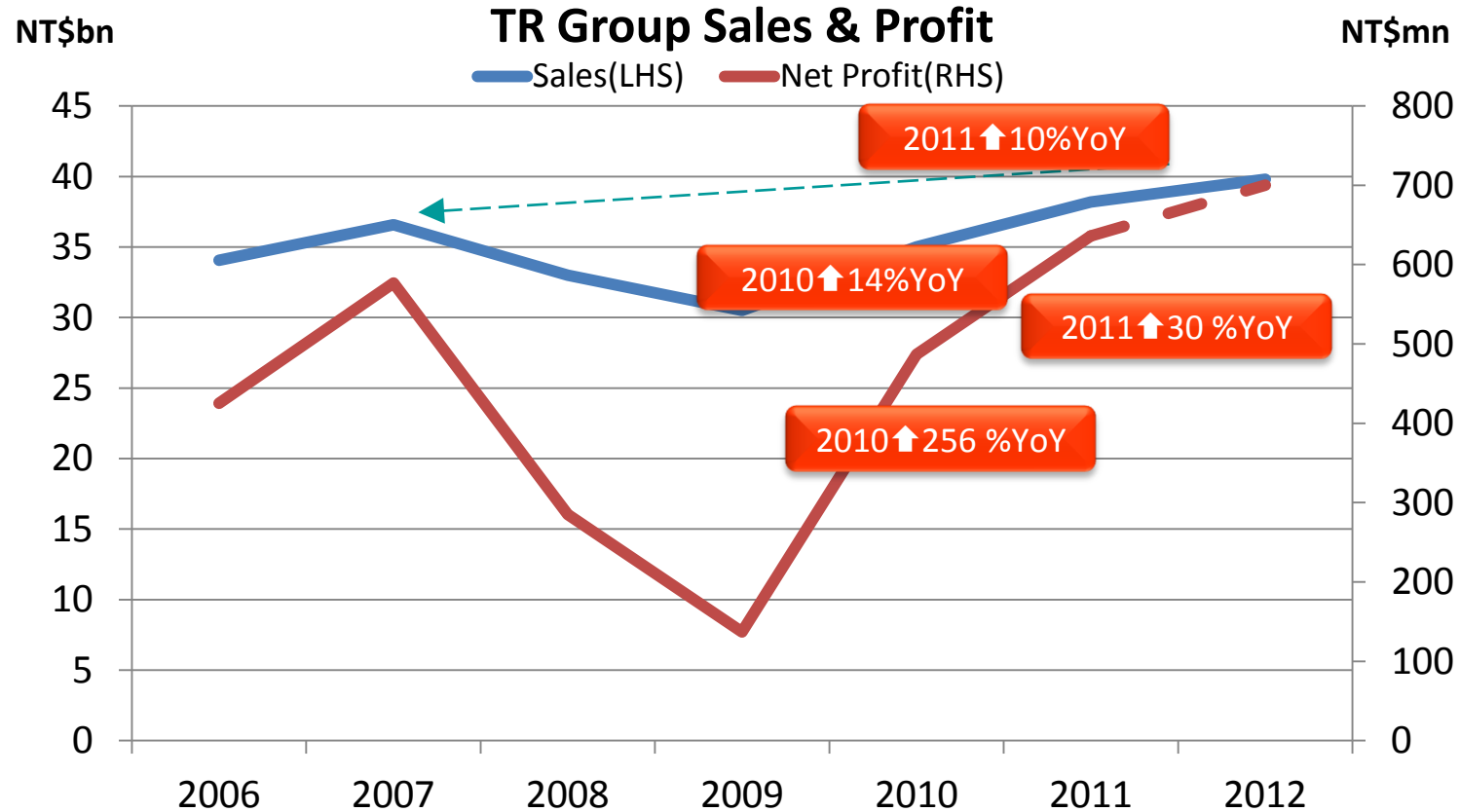
- 1978-91** Establishment and Growth
- 1988-00** “Best Supplier Award” from Wal-Mart
- 1993** Test Rite IPO (2908TT) – Taiwan Stock Exchange
- 1996-98** Launch of Retail Business
B&Q 特力屋 Taiwan 50-50 JV with Kingfisher
HOLA – “House of Living Art”
- 2001** Named “The Best 200 Small Companies” by Forbes
- 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(+9)
- 2011** Décor House grand opening in September in Taoyuan, Taiwan.
Received Best Supplier Award from Wal-Mart
- 2012** Sold TLM to Stanley Black & Decker(Proceed of NT\$2.3bn)
Merged outstanding shares of TR USA(US\$13.8mn)
Opened of discount household channel TAYOHYA in Taiwan
- 2013** Acquired International Art, a trading company with specialization in Seasonal, House ware, Garden tools, and stationary.

Test Rite Group Strategy to 2014



Vision 願景:	Form a global integrated enterprise in home-related products & services 構築一個專注居家產業的全球整合型企業
Goals 終極目標:	Sustainable business growth 業務持續成長 Corporate governance 公司治理
Strategy 策略:	Growth through Innovation & Integration 透過創新與整合保持成長
Objectives 目標:	Sustainable earnings & revenue growth 集團營收五年持續正成長 Integrate operation 集團整合
Culture 文化:	High Performance 高績效 Customer focus 顧客導向 Sales oriented 銷售導向

2012 Highlights



- 2011 & 2012 consolidated sales exceeded pre financial crisis high of 2007.
- Group profit increased 30% YoY in 2011.

2012 Highlights



- 3Q12 net income \$163mn and EPS \$0.33; 1-3Q12 net income \$545mn and EPS \$1.10
- Disposal of TLM net proceeds of NT\$2.3bn (3Q12)
- Purchase of 51% (control 100% currently) shares of TR USA
- Extend trading payment term from 30 days to 90 days; working capital improvement of ~ NT\$600mn
- Consolidated Net Debt/Equity target at 75%-80% for 2012.

2013 Test Rite Group Outlook



Outlook and Opportunities

- Trading
 - New program wins for principal trading and rising agency shipments
 - Leverage customers in existing and emerging markets
 - International Art integration (acquisition @ 0.2x sales of US\$25-30mn)
 - Further develop brand licensing/importing opportunities for Taiwan and China
 - Develop private brands
- Retail
 - HOLA CN loss less than NT\$100mn in 2013
 - Continued store expansion in Taiwan and China
 - +1 TLW/Hola TW in 1Q13; Smaller formats in Taiwan (TLW Plus)
 - 3 – 5 net increase for Hola China per year
 - Margin improvements across channels
 - Develop private labels and private brands

2013 CAPEX Plans



- 2013 Major CAPEX plan (~NT\$750 mn):
 - TLW / Hola TW
 - 1 store of TLW; 1 store Hola TW; 10 store of TLW Plus
 - Renovation and upgrade
 - NT\$ 300 mn
 - HOLA CN
 - 3 – 5 stores of Hola China
 - Renovation and upgrade
 - NT\$ 250 mn
 - Group IT & Logistics
 - NT\$ 200 mn

Test Rite Group Outlook



Potential Risks

- Global macro environment/Changes in consumer demand/tastes
- NT dollar volatility
- Volatile raw material prices



TRADING SECTOR

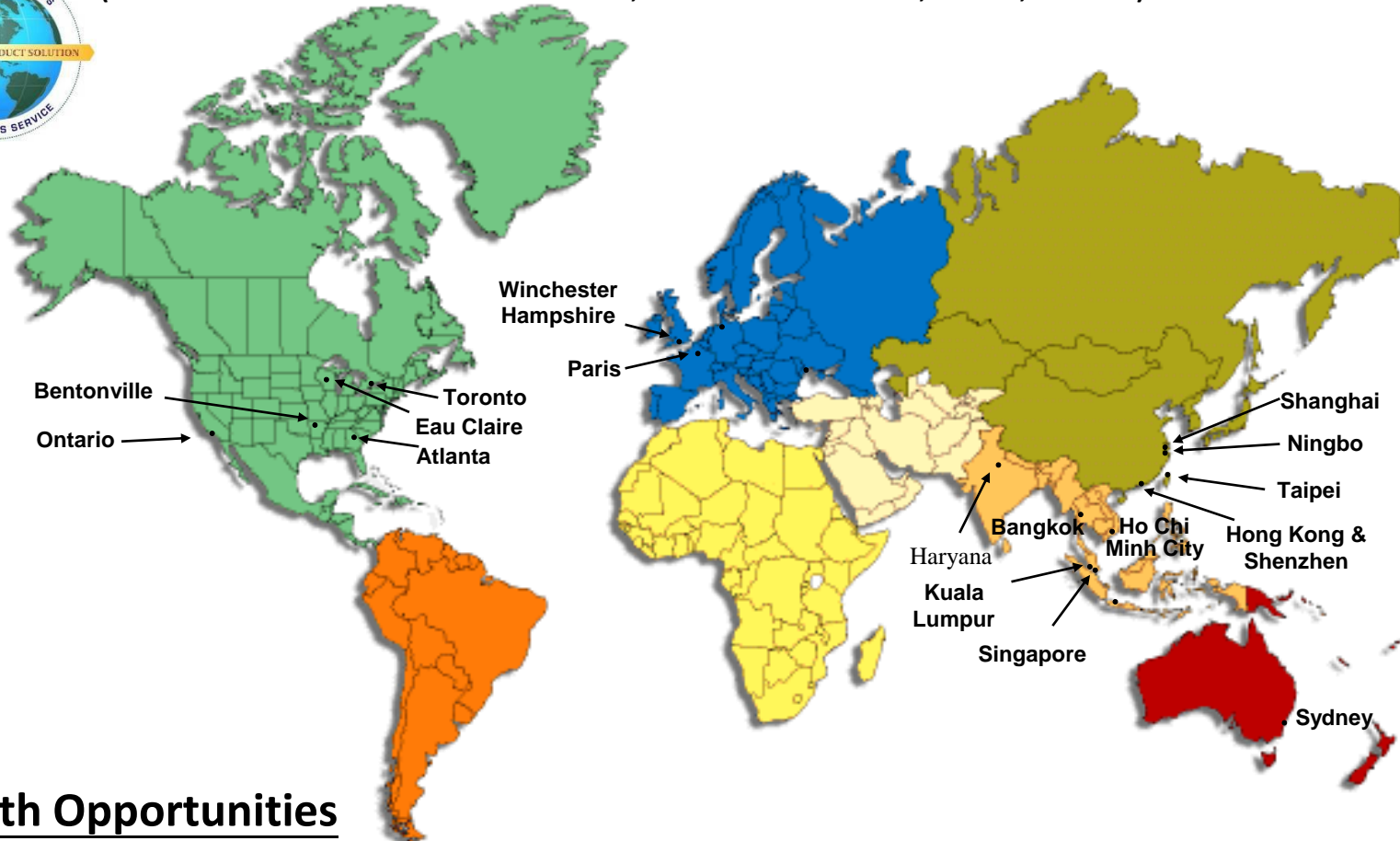


Test Rite Group 特力集團

Global Worldwide Network



(with local service 17 offices in 12 countries, 3 warehouses in China, Taiwan, and U.S.)



Growth Opportunities

- ❑ Agency biz (Michaels, AutoZone, Tractor Supply, AAFES, Spotlight, Arteriors, Express Gift and OSH)
- ❑ Principal trading : continued focus on key customers/products thru global sourcing platform
- ❑ Brand licensing opportunities for Greater China markets : La-Z-Boy and Umbra
- ❑ Brand licensing opportunities for TW : Frette, Bissell, La-Z-Boy, Umbra, Stanley Black & Decker, Joseph Joseph, 7th generation and Jiou Young)

Trading Overview – 4Q12 and FY2012



- Parent revenue for 4Q12 Totalled NT\$2.9bn, decrease 5.3% YoY, but shipments showed increase 1.0%YoY to NT\$3.9bn.
- Revenue for FY2012 totaled NT\$ 11.9bn, fall 10.3% YoY; Shipments decrease 2.6%YoY to NT\$15.8bn

Trading business' revenue – 4Q12 and FY2012

Revenue (NT\$ mn)	4Q12*	4Q11	YoY % chg	FY2012	FY2011	YoY % chg
Trading Revenue	2,797,686	2,976,172	-6.0%	11,509,075	12,948,156	-11.1%
Total Revenue (parent basis)	2,894,539	3,057,370	-5.3%	11,902,223	13,272,554	-10.3%

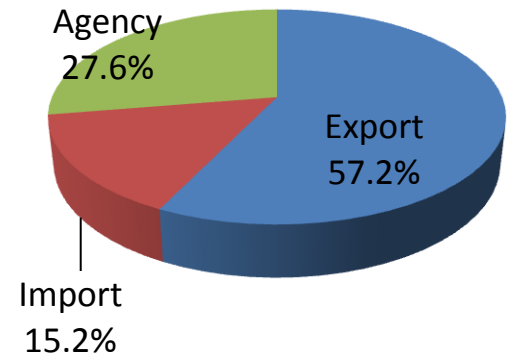
[^] According to Taiwan GAAP, revenue for Agency business is based on commission revenue.

Trading Overview – 4Q12 and FY2012

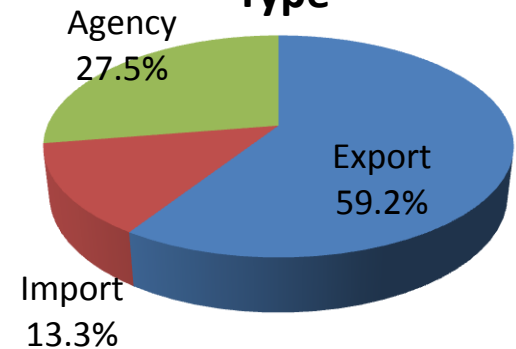


- Shipments for principal trading decreased by 5.5% YoY in 4Q12 to NT\$ 2.8bn; decreased by 11.2% YoY to NT\$ 11.5bn in FY2012.
- Shipments for agency business increased by 23.0% YoY in 4Q12 and +30.9% in FY2012.
- Exports accounted for 57.2% of shipments, and agency and imports accounted for 27.6% and 15.2% respectively in 4Q12.

4Q12 Shipment by Type



FY2012 Shipment by Type



Shipments value breakdown by segment – 4Q12 and FY2012

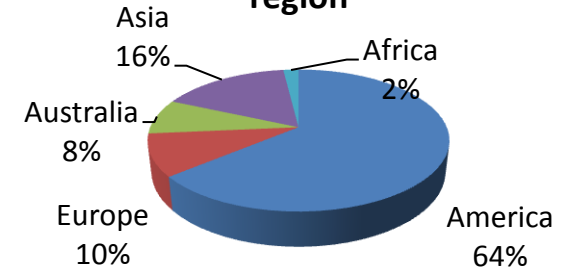
Shipment Value (NT\$ '000)	4Q12*	4Q11	YoY % chg	FY2012	FY2011	YoY % chg
Shipments – Principal	2,808.5	2,971.5	-5.5%	11,461.5	12,908.5	-11.2%
Shipments – Agency	1,070.6	870.3	23.0%	4,357.9	3,328.4	30.9%
Total Trading shipments	3,879.1	3,841.8	1.0%	15,819.4	16,236.9	-2.6%

Trading Overview – FY2012

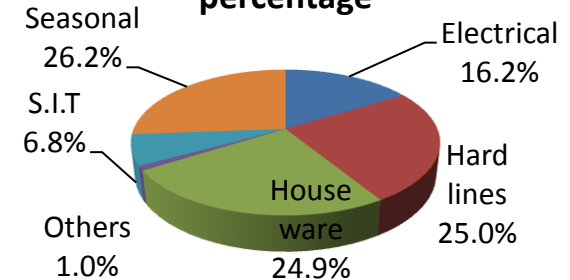


- Shipment breakdown by region
 - U.S. usually accounted for 55-65%, Europe around 10-15%, Asia 15-20%.
 - Saw strong growth in Australia in 2012.
 - Europe market remain challenging
- Shipment breakdown by product
 - Hard lines, house ware and seasonal are main product categories at ~ 25% of total shipments each

2012 Shipments breakdown by region



2012 Sales breakdown by percentage



FY2012 Shipments geographic breakdown

(NT\$ '000)	2012	2011	YoY chg
America	10,026,913	10,117,710	-0.9%
Europe	1,503,223	2,026,471	-25.8%
Australia	1,259,226	858,909	46.6%
Asia	2,577,026	2,858,531	-9.8%
Africa	304,899	271,252	12.4%
Total	15,671,287	16,132,873	-2.9%

FY2012 Export sales breakdown by products

(NT\$ '000)	2012	2011	YoY
Electrical	1,516,324	1,377,594	10.1%
Hard lines	2,332,770	2,978,839	-21.7%
House ware	2,325,202	2,860,999	-18.7%
Others	92,146	123,680	-25.5%
Stationery & indoor	634,849	732,054	-13.3%
Seasonal	2,447,423	2,342,270	4.5%
Total	9,348,715	10,415,435	-10.2%



RETAIL SECTOR

Test Rite Group 特力集團

Brand value proposition of Retail BUs

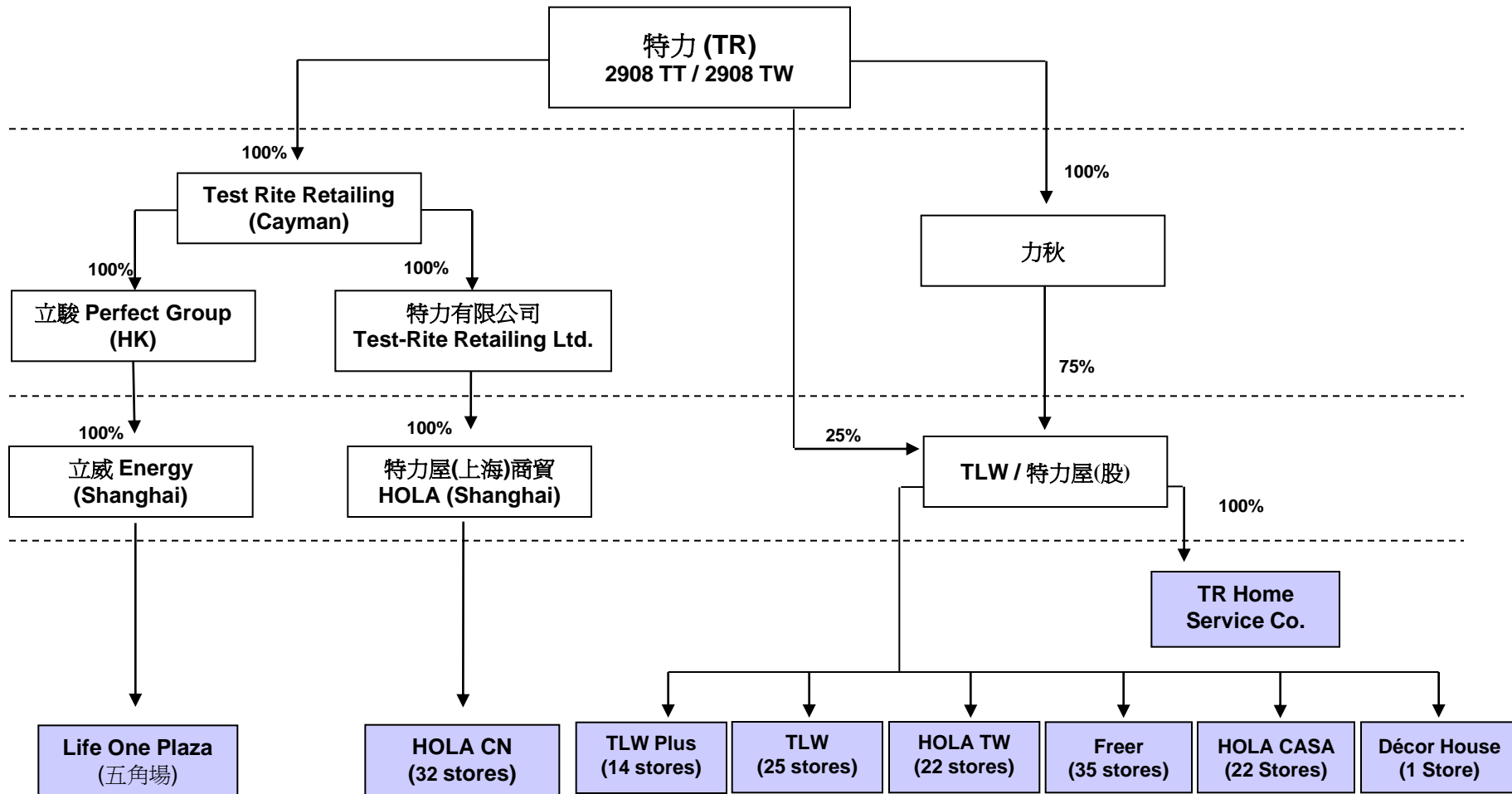


Affordable Indulgence

Simple To choose
Easy To buy
Exciting Experience



Holding structure of TR Retail Group



Store # are as of March 6th, 2013 Designate Retail Sales Channels

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

Growth Driver – Retail Group



Provide consumers the experience of “affordable indulgence”

- **TLW (特力屋) Taiwan**

- Open first Décor House, the one-stop home ware shopping center in Sep. 2011
- Added one TLW in Taoyuan (within Décor House) in Sept. 2011; +1 openings in 2012(Nantou) ; +1 store in Jan. 2013 (Sanxia)
- Open TLW Plus targeting neighborhood market.

- **HOLA**

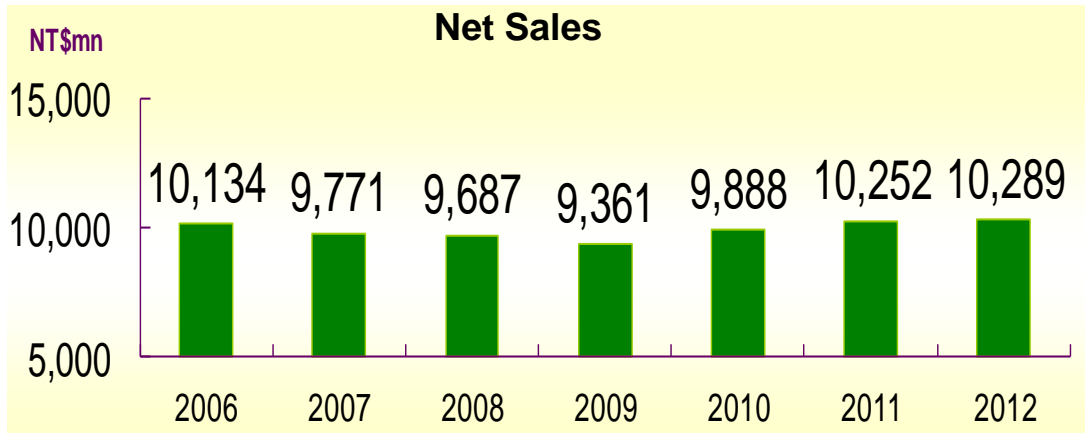
- HOLA Taiwan –add 1 store in Dec. ,2012(Chiayi); +1 store in Jan. 2013 (Sanxia)
- HOLA China
 - Net increase of 4 stores in 4Q12; +1 store in Jan. 2013 and plan to add 1 store in 2Q13.

Trading/Retail Synergy

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

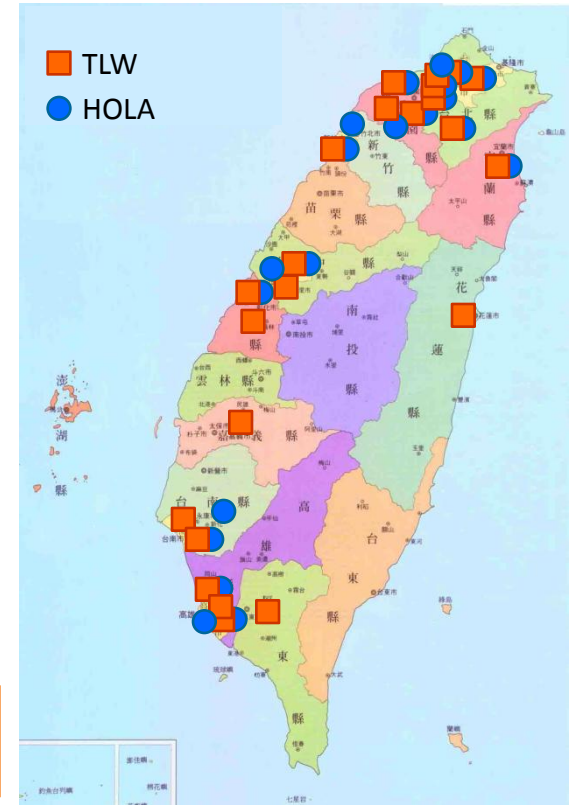


- Leading DIY player with ~30% market share.
- +1 store in Nantou in Sept.2012; +1 store in Jan. 2013 (Sanxia), totaled 25 stores in Jan. 2013, and new business opportunities with TLW Plus and TLW 好幫手.
- FY2012 revenue totaled NT\$10.3bn, up 0.4%YoY.



(m²)	2006	2007	2008	2009	2010	2011	2012
Selling space	91,756	93,938	93,938	93,938	89,727	87,966	88,711
Store #	21	22	22	22	23	23	24

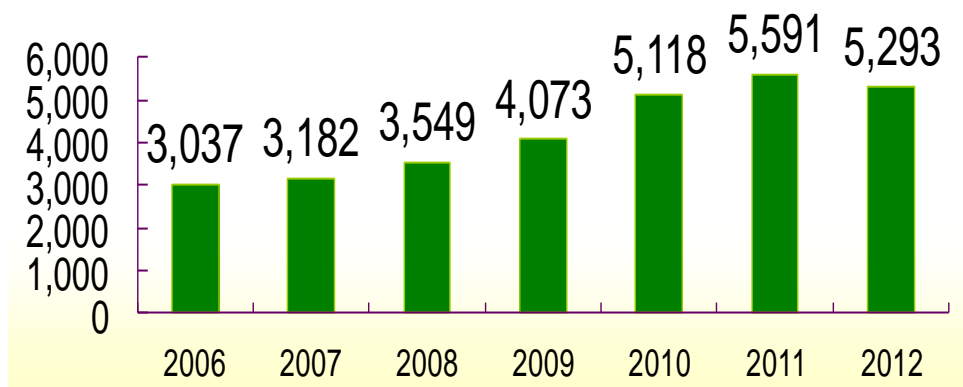
Store Locations





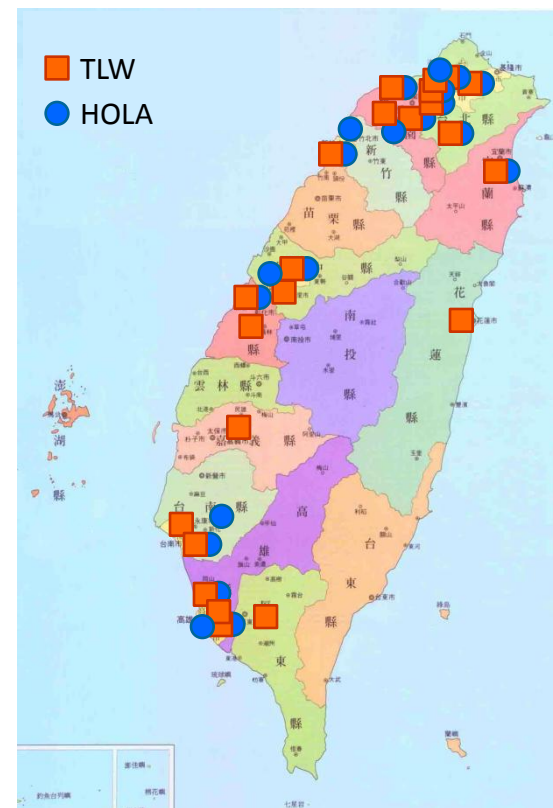
- No. 1 home décor chain in Taiwan with totaled 22 stores
- Add 1 store in 2012 (Chiayi), and +1 store in Jan. 2013 (Sanxia).
- Revenue decreased 5.3%YoY to NT\$ 5.3bn in FY2012

Net Sales



(m ²)	2006	2007	2008	2009	2010	2011	2012
Selling space	36,919	40,073	43,541	43,541	50,349	50,700	51,966
Store #	11	12	13	13	18	20	21

Store Locations



Décor House business update



特力家居 DÉCOR HOUSE

- Closed original TLW store to rebuilt Décor House in 2Q10. Soft opening started in July 2011 and officially opened in September.
- Selling space over 8,100 ping (26,700 m²); Rental revenue of ~ NT\$100mn per year
- Key anchors include: TR Group retail channels – TLW, Hola, Hola Casa, Freer and other furniture, F&B, and other retail outlets



綠的傢俱



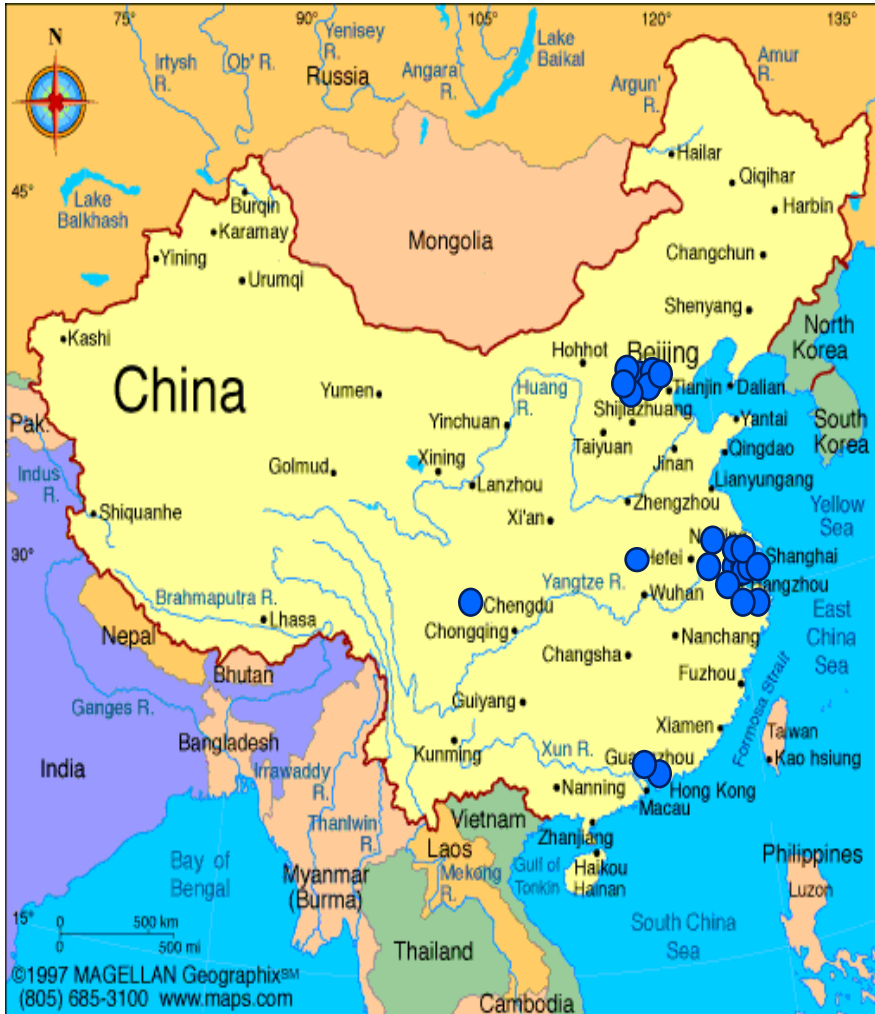
喬山健康科技

NATUZZI





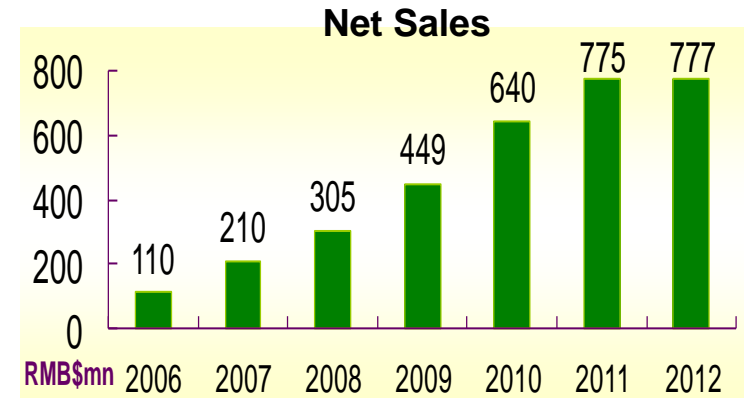
HOLA China (Private – 100% held by Test-Rite)



•4Q12 revenue totaled RMB\$218mn, -0.1%YoY.

•FY2012 revenue totaled RMB\$777mn, up 0.3%YoY.

•In FY2012, +5 new stores in Nanjing, Wenzhou, Chongqing, Chengdu and and +1 store in Jan. 2013, totaled 32 stores; also plan to open 1 store in 2Q13.



(m ²)	2006	2007	2008	2009	2010	2011	2012
Selling space	25,593	32,595	46,442	51,506	59,481	60,116	66,414
Store #	7	9	14	18	27	28	31

Hola China business update



- 4Q12 revenue increased 0.1%YoY to RMB 218mn; FY2012 revenue increased 0.3%YoY to RMB 777mn.
- 19 out of 31 stores were at breakeven for 4Q12 and 20 stores were at store level breakeven for FY2012.
- Same-store-sales, calculated for stores opened for more than one year, decreased to 1.6% YoY in 4Q12 and +1.0% in FY2012.
- Net increase of 3 stores FY2012; 5 new stores opened in Nanjing, Wenzhou, Chongqing, Chengdu and Tianjin. Operating 31 stores at year end FY2012; opened +1 store in Jan. 2013 , also plan to open 1 store in 2Q13.
- Loss reduced 19.4% YoY in 3Q12 and reduced 21.9% YoY in 1-3Q12.



HOME

RECENT FINANCIAL RESULTS



Test Rite Group 特力集團

4Q12 and FY2012 Revenue by BU



Test Rite International Co., Ltd. (2908)

(NT\$ '000)	4Q12	4Q11	YoY% chg	FY2012	FY2011	YoY% chg
Trading^	2,894,539	3,057,370	-5.3%	11,902,223	13,272,554	-10.3%
Retail - TLW	3,925,709	4,171,536	-5.9%	15,643,139	15,976,872	-2.1%
Retail – HOLA China (RMB '000)	217,859	217,645	0.1%	776,946	774,673	0.3%
Retail Group**	5,139,181	5,315,894	-3.3%	19,908,212	19,982,582	-0.4%
Tong Lung Metal #				2,034,946	2,056,721	-1.1%

^ According to Taiwan GAAP, revenue for Agency business is based on commission revenue.

**Including sales of Mango and WW China in HOLA China revenue. Retail group sales include TLW, HOLA Taiwan, Décor House, HOLA China, Life 1 Plaza and TLW Service.

#The tender offer for TR's 68.27% held subsidiary, Tong Lung Metal (8705 TT/8705 TW), was completed on August 15th, 2012. As a result, Test-Rite will continue to book 3Q12 revenue and earnings from Tong Lung Metal until August 15th.

Test Rite 3Q12 Financial Results



Test Rite International Co., Ltd. (2908) – parent only

P&L for 3Q12 & 3Q11 (parent only)

(NT\$m)	3Q12	3Q11	YoY % chg
Turnover	3,281	3,302	-0.6%
Gross profit	681	636	7.0%
Operating profit	123	117	5.2%
Non-operating income/loss	60	54	10.7%
Pre-tax profit	182	171	7.0%
Net profit	163	155	5.2%
Basic EPS(Aft-tax)	0.33	0.30	10.0%
Diluted EPS(NT\$)	0.33	0.30	10.0%
Fully diluted EPS (NT\$)	0.31	0.29	7.0%
Net profit ex one time charge and FOREX*	141	92	53.7%
Fully-diluted EPS(Aft-tax)ex FOREX and one time charge(NT\$)	0.27	0.17	56.3%
Gross margin	20.7%	19.3%	
Operating margin	3.7%	3.5%	
Pre tax margin	5.6%	5.2%	
Net profit margin	5.0%	4.7%	

Breakdown of Non-operating income (loss)

(NT\$m)	3Q12	3Q11	YoY % chg
Trading Subsidiaries	3	(24)	n.a.
Retail Subsidiaries			
- TLW	91	112	-18.4%
- Hola China	(70)	(87)	-19.4%
- Life 1 Plaza	4	(4)	n.a.
Subtotal: Retail Subsidiaries	25	21	20.6%
Tong Lung Metal	13	36	-65.6%
Other LT Investments	14	14	5.1%
FX Gain/(Loss)	10	27	-63.0%
Interest net amount	(19)	(23)	-16.6%
Others	14	3	460.0%
Subtotal of Non- Operating income / loss	60	54	10.7%

*FOREX in 3Q12 is NT\$10mn. and NT\$27mn. in 3Q11.
TLM's net profit in 3Q12 is NT\$13mn and NT\$36mn in 3Q11.

Test Rite 3Q12 Financial Results



Test Rite International Co., Ltd. (2908) – parent only

B/S (Parent only) 3Q12 and 3Q11

(NT\$ mn)	3Q12	3Q11	YoY % chg
Cash & Equivalents	367	304	20.8%
Current Assets	5,522	5,649	-2.3%
Net PP&E	575	594	-3.3%
L/T Investments	7,499	9,427	-20.5%
Total Assets	14,313	16,382	-12.6%
S/T Debts	100	0	#DIV/0!
Current Liability	2,272	1,827	24.3%
L/T Debts	4,196	6,040	-30.5%
Total Liabilities	7,724	9,553	-19.1%
Shareholders Equities	6,589	6,829	-3.5%
Current Ratio (%)	243.1%	309.2%	
Net Debt/Equity (%)	59.6%	83.5%	
Total Liab/Assets (%)	54.0%	58.3%	

C/F (Parent only) of 3Q12 and 3Q11

(NT\$ mn)	3Q12	3Q11	YoY % chg
Operating CF	466	274	70.0%
Investment CF	1,774	(19)	n.a
Financing CF	(2,055)	(444)	362.3%
Net Cash Flow	185	(190)	n.a
Cash at beg. quarter	183	494	-63.0%
Cash at end quarter	367	304	20.8%

Test Rite 1-3Q12 Financial Results



Test Rite International Co., Ltd. (2908) – parent only

P&L for 1-3Q12 and 1-3Q11 (parent only)

(NT\$m)	1-3Q12	1-3Q11	YoY % chg
Turnover	9,008	10,215	-11.8%
Gross profit	1,830	1,928	-5.1%
Operating profit	298	279	7.0%
Non-operating income/loss	309	284	8.7%
Pre-tax profit	607	562	7.8%
Net profit	545	509	7.0%
EPS(Aft-tax)	1.10	0.98	12.2%
Diluted EPS(NT\$)	1.09	0.97	12.4%
Fully diluted EPS (NT\$)	1.04	0.96	8.9%
Net profit ex one time charge and FOREX and TLM's net profit	403	399	1.1%
Fully-diluted EPS(Aft-tax)ex FOREX and one time charge and TLM's net profit	0.77	0.75	2.9%
Gross margin	20.3%	18.9%	
Operating margin	3.3%	2.7%	
Pre tax margin	6.7%	5.5%	
Net profit margin	6.1%	5.0%	

Breakdown of Non-operating income (loss)

(NT\$m)	1-3Q12	1-3Q11	YoY % chg
Trading Subsidiaries	(78)	(58)	36.3%
Retail Subsidiaries			
- TLW	376	375	0.2%
- Hola China	(158)	(202)	-21.9%
- Life 1 Plaza	12	(5)	n.a.
Subtotal: Retail Subsidiaries	230	168	37.3%
Tong Lung Metal	92	72	27.5%
Other LT Investments	45	66	-32.0%
FX Gain/(Loss)	33	93	-64.5%
Interest net amount	(66)	(61)	8.6%
Others	52	3	1840.7%
Subtotal of Non-Operating income / loss	309	284	8.7%

- One-time expense related to disposal Jiashan Warehouse gain in 1-3Q12 is NT\$20mn, and one-time expense for closing one store in HOLA CN is NT\$3.2 mn in 1-3Q12; treasury share expenses totaled NT\$54mn in 1-3Q11.
- FOREX in 1-3Q12 is NT\$33mn and NT\$93mn in 1-3Q11.
- TLM's net profit in 1-3Q12 is NT\$92mn and NT\$72mn in 1-3Q11.

Test Rite 1-3Q12 Financial Results



Test Rite International Co., Ltd. (2908) – Consolidated

P&L for 1-3Q12 and 1-3Q11(Consolidated)

(NT\$m)	1-3Q12	1-3Q11	YoY % chg
Turnover	27,440	26,922	1.9%
Gross profit	7,953	8,154	-2.5%
Operating profit	784	735	6.7%
Non-op income/loss	2	1	193.5%
Pre-tax profit	786	736	6.8%
Net profit	644	599	7.5%
Less: minority shareholders	99	90	10.0%
Net profit for Test Rite	545	509	7.0%
EPS (NT\$)	1.10	0.98	12.2%
Gross margin	29.0%	30.3%	
Operating margin	2.9%	2.7%	
Pre tax margin	2.9%	2.7%	
Net profit margin	2.3%	2.2%	

Test Rite 3Q12 Financial Results



Test Rite International Co., Ltd. (2908) - Consolidated

Consolidated B/S for 3Q12 & 3Q11

(NT\$ mn)	3Q12	3Q11	YoY % chg
Cash & Equivalents	1,607	1,739	-7.6%
Current Assets	10,984	12,587	-12.7%
Net PP&E	6,073	7,863	-22.8%
L/T Investments	150	193	-22.3%
Total Assets	22,816	27,334	-16.5%
S/T Debts	2,227	4,571	-51.3%
Current Liability	9,102	10,696	-14.9%
L/T Debts	5,798	7,681	-24.5%
Total Liabilities	16,171	20,113	-19.6%
Shareholders Equities	6,645	7,221	-8.0%
Current Ratio (%)	120.7%	117.7%	
Net Debt/Equity (%)	92.1%	126.4%	
Total Liab/Assets (%)	70.9%	73.6%	

C/F (Consolidated only) of 3Q12 and 3Q11

(NT\$ mn)	3Q12	3Q11	YoY % chg
Operating CF	411	50	725.9%
Investment CF	1,499	(885)	n.a
Financing CF	(1,543)	762	n.a
Net Cash Flow	338	(62)	n.a
Cash at beg. quarter	1,269	1,801	-29.6%
Cash at end quarter	1,607	1,739	-7.6%



家的大小事
一輩子都是特力的事!

Thank you!



Test Rite Group 特力集團