



家的大小事
一輩子都是特力的事!



Test Rite Group 特力集團

1Q13 Version

Updated on May 24th, 2013

Table of Contents



- Test Rite Group - Strategy & Outlook6
- Test Rite Group - Trading Sector11
- Test Rite Group - Retail Sector17
- Test Rite Recent Financial Results.....26

Company Introduction

TR share price \$22.45
Date: May 21st, 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.

1Q13 Consolidated Earnings and April sales Performance

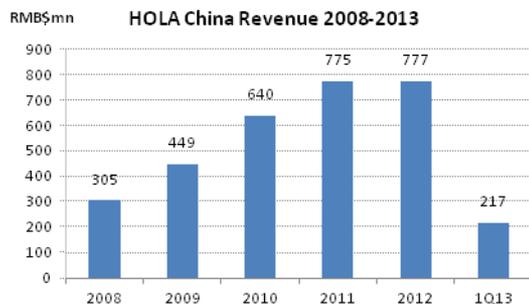
✓ 1Q13 consolidated sales (IFRS based) totaled NT\$ 8.9 bn, -5.0% YoY and net profit totaled \$ 245 mn, +13.4%YoY; and EPS totaled \$0.50, +16.3%YoY. TR has reported 11th consecutive quarterly earnings growth. Ex TLM impact, 1Q13 consolidated sales totaled NT\$ 8.87bn, +3.4% YoY while net profit of NT\$ 230 mn and EPS of NT\$ 0.43, both saw +24.9% YoY increase.

✓ April consolidated sales totaled \$2.7 bn, -6.5%YoY and ex TLM impact, was +2.0%YoY; Accumulated sales for the first four months totaled \$11.6 bn, -5.3%YoY and ex TLM impact, was +3.0%YoY.

✓ Net debt reduced to **64.0%** in 1Q13 vs. target of 65%

□ 1Q13 consolidated revenue was RMB 217 mn, +7.4% YoY, on the back of new store openings.

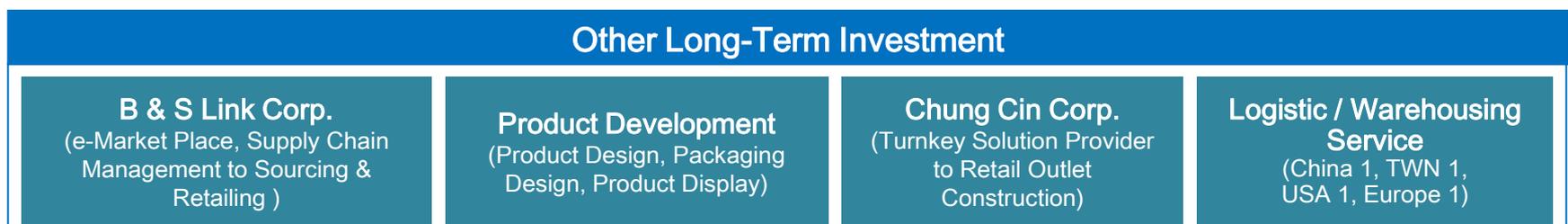
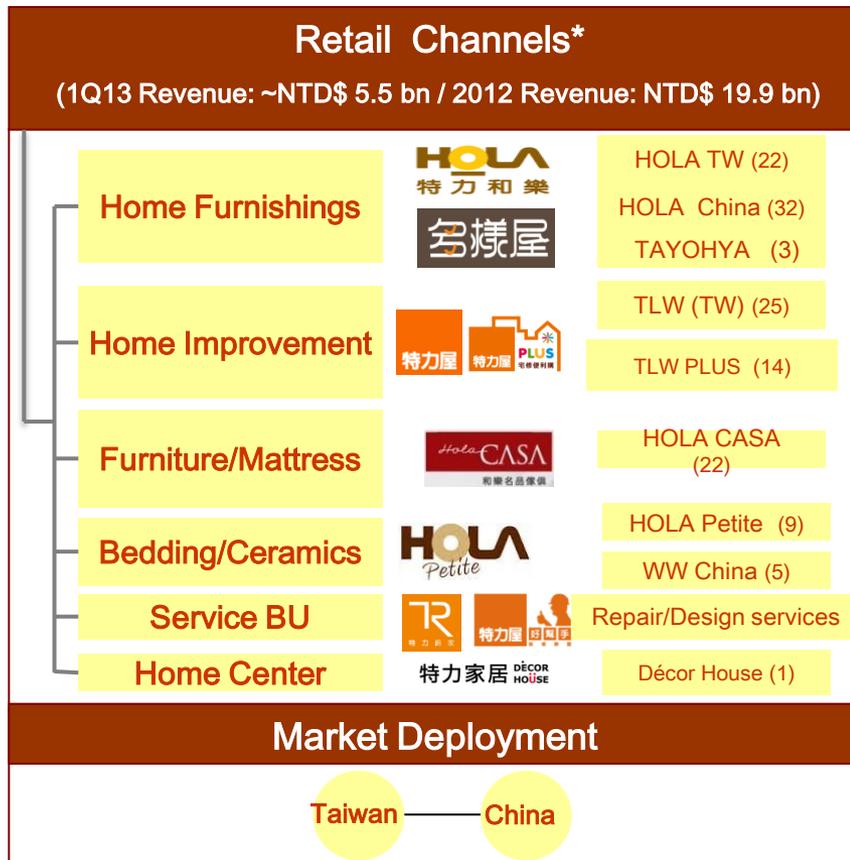
□ Losses reduced by 66.2% YoY to NT\$11.8 mn in 1Q13 and -35.9% YoY to NT\$ 164.9 mn in 2012 on margin expansion and lower OPEX.



TR(2908) Share Price Performance



Group Structure*



* Store numbers updated on May 24th , 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 recognitions 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**
- 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.
- 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

1Q13/2012 Highlights



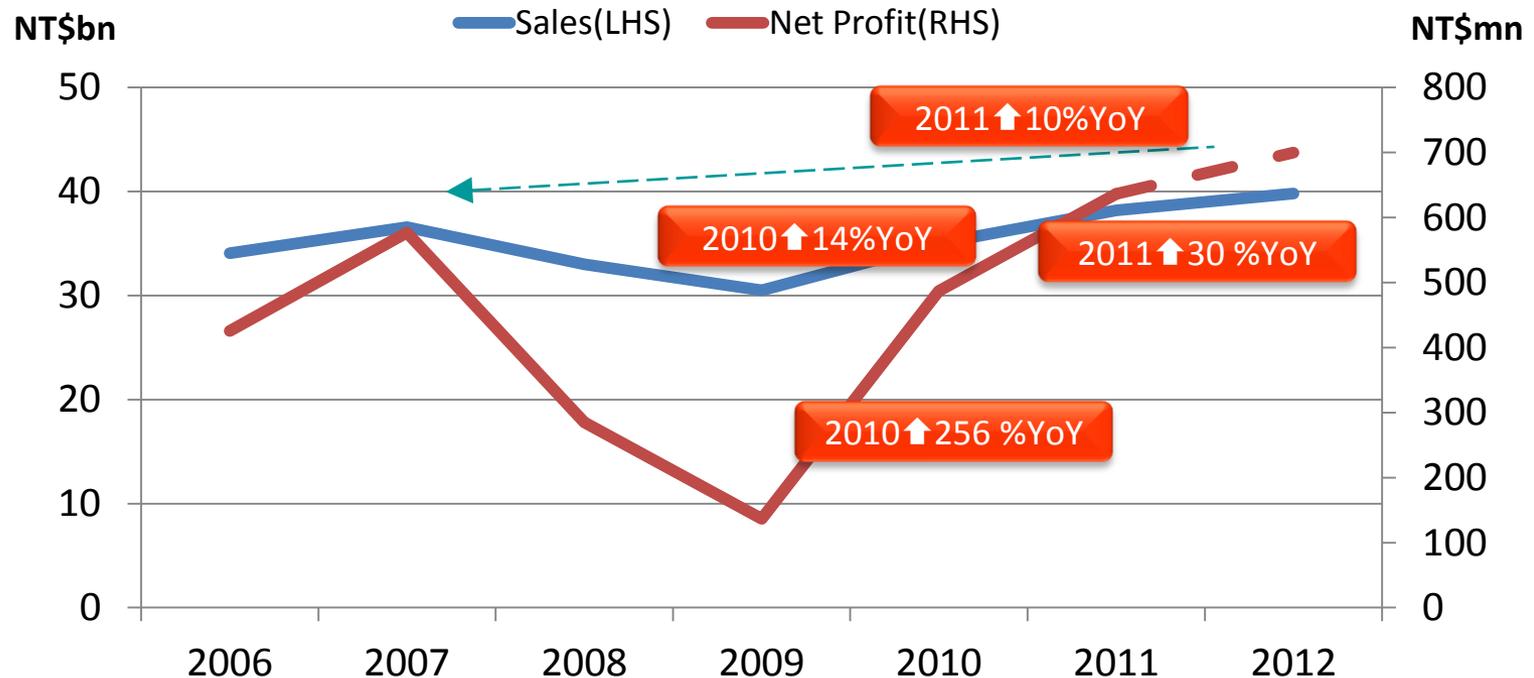
- 1Q13 IFRS based net income \$ 245 mn and EPS \$0.50; 2012 IFRS based net income \$ 504.0 mn and EPS \$1.02
- Acquired 100% shares of International Art.
- Disposal of TLM net proceeds of NT\$2.3bn (3Q12)
- Purchase of 51% (control 100% currently) shares of TR USA of US\$ 13.9 mn
- Extend trading payment term from 30 days to 90 days; working capital improvement of ~ NT\$600mn
- Consolidated Net Debt/Equity target was 64.0% in 1Q13 vs. target of 65%

2012 Highlights



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

TR Group Sales & Profit



2013 Test Rite Group Outlook



Outlook and Opportunities

- Trading
 - New agency customer signings (+4 since 4Q12)
 - International Art integration (acquisition @ 0.2x sales of US\$25-30mn)
 - New program wins for principal trading and rising agency shipments
 - 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 and HOLA Petite)
 - 3 – 5 net increase for Hola China per year; TLW Plus plan to open 5-10 stores and HOLA Petite plan to open 6-10 stores in 2013(included the 9th stores currently)
 - 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



TRADING SECTOR



Test Rite Group 特力集團

Global Worldwide Network



- with local service 19 offices in 15 countries, 3 warehouses in China, Taiwan, and U.S.
- US warehouse provides logistics/ warehousing service to customers of principal trading.



Trading Growth Opportunities



◆ Top 10 Trading Customers

Principle Trading

Walmart 


Retail Adventures

O'Reilly
AUTO PARTS



SORIANA


Woolworths
the fresh food people

MENARDS
Dedicated to Service & Quality™

Praktiker
Praktiker AG

Agency

Michaels
Where Creativity Happens™

TSC TRACTOR SUPPLY CO

AutoZone

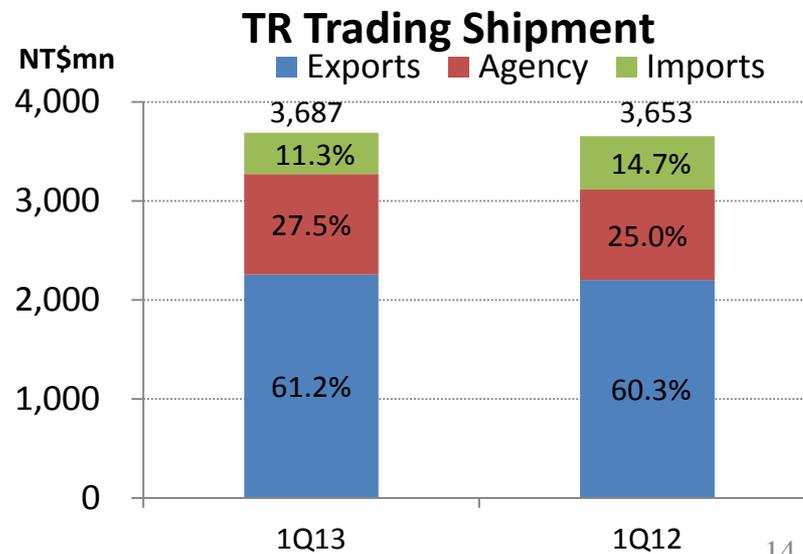
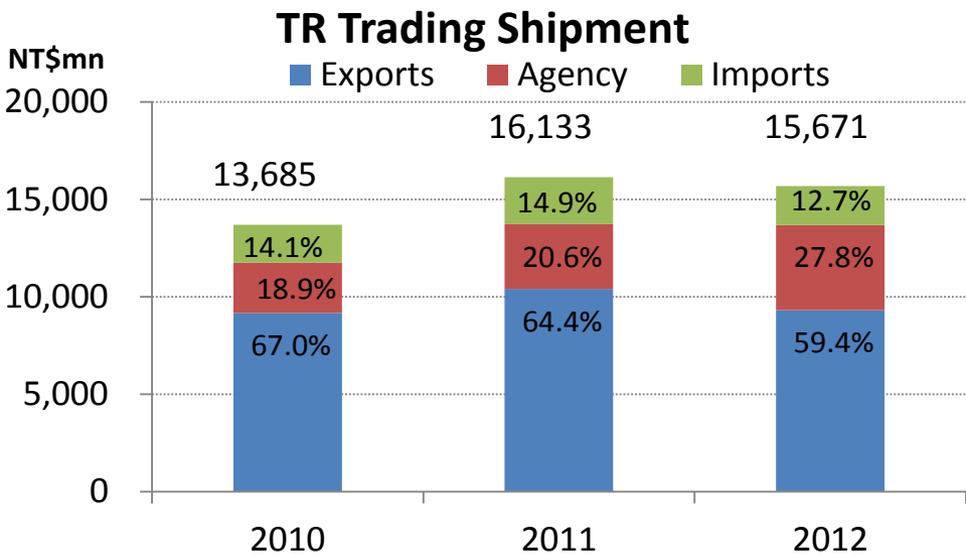
Growth Opportunities

- ❑ Leverage growth of recovery in U.S. consumer demand
- ❑ Agency biz (Michaels, AutoZone, Tractor Supply, AAFES , Spotlight, OSH Arteriors, Express Gift and Pep Boys)
- ❑ Principal trading : continued focus on key customers/products through 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, Joyoung and OXO)

Trading Overview – 1Q13



- Trading business IFRS based consolidated revenue for 1Q13 totaled NT\$3.0 bn, decrease 3.2% YoY, and shipments showed decrease 0.5% YoY to NT\$4.0 bn. The YoY decline is the result of shipment mix change.
- Shipments for principal trading decreased by 3.5% YoY in 1Q13 to NT\$ 2.9 bn; agency business increased by 9.2% YoY in 1Q13 to NT\$ 1.0 bn; Exports accounted for 61.2% of shipments, and agency and imports accounted for 27.5% and 11.3% respectively.

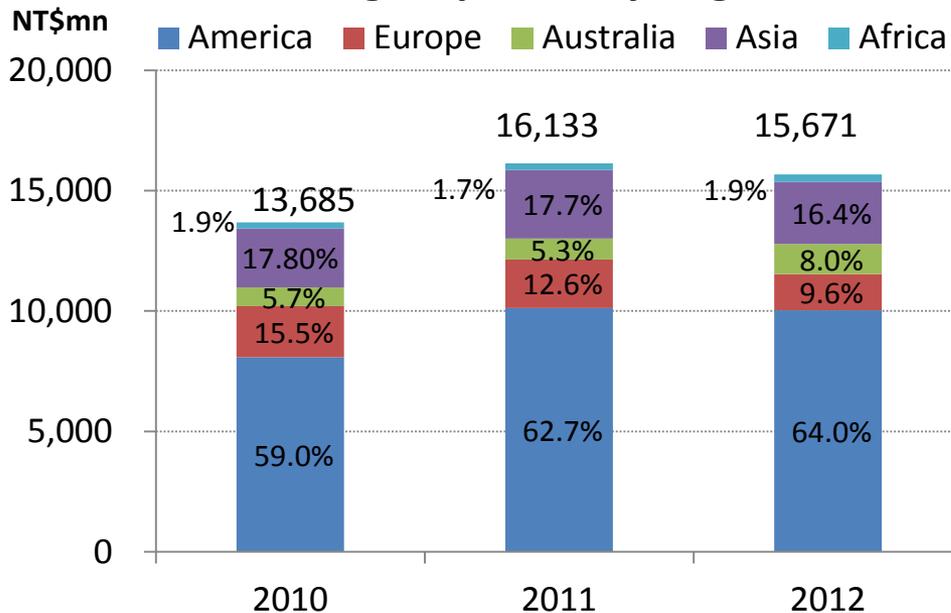


Trading Overview – 1Q13

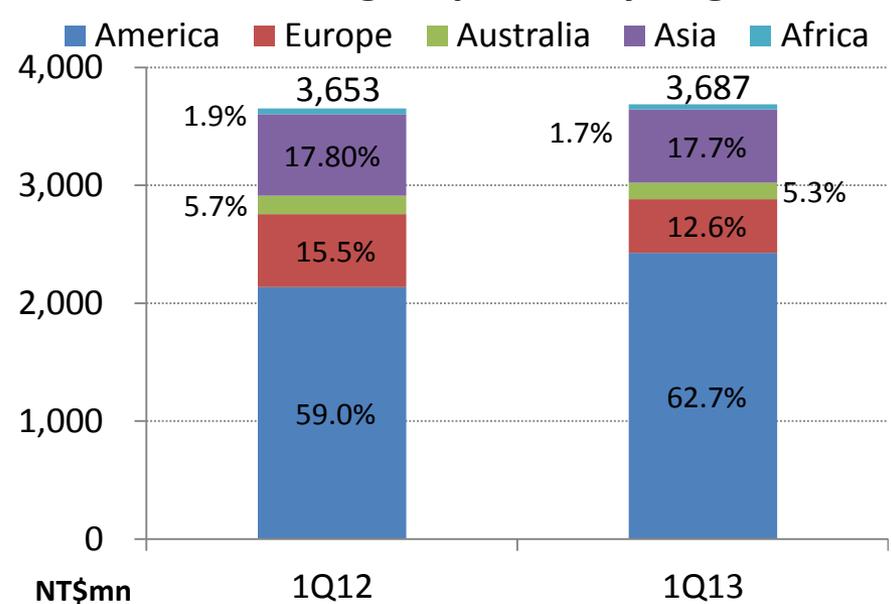


- Shipment breakdown by region
 - U.S. usually accounted for 55-65%, Europe around 10-15%, Asia 15-20%.
 - Saw strong growth in America in 1Q13.
 - Europe market remain challenging

TR Trading Shipment by Region



TR Trading Shipment by Region

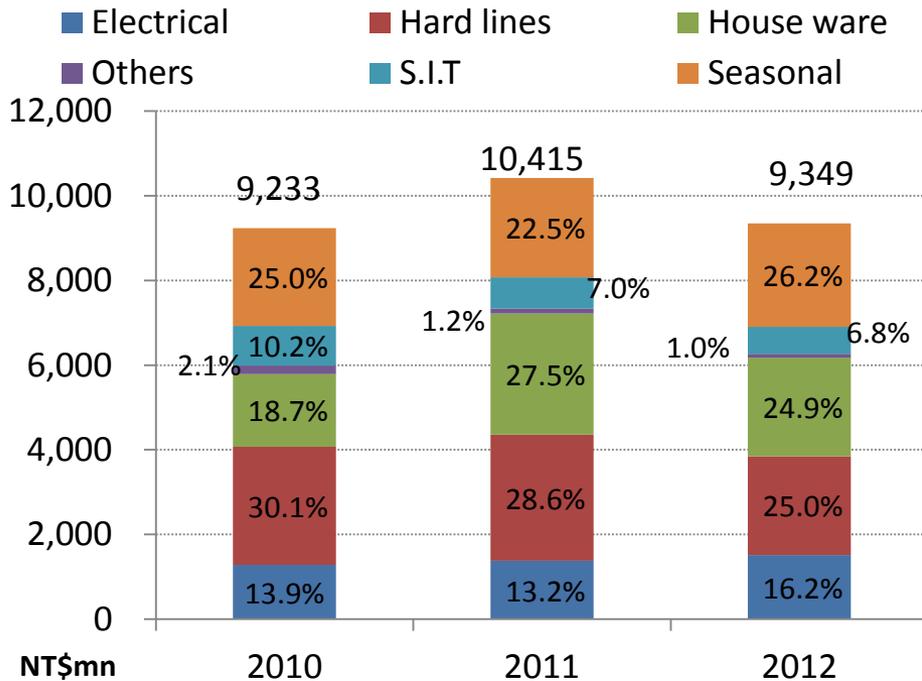


Trading Overview – 1Q13

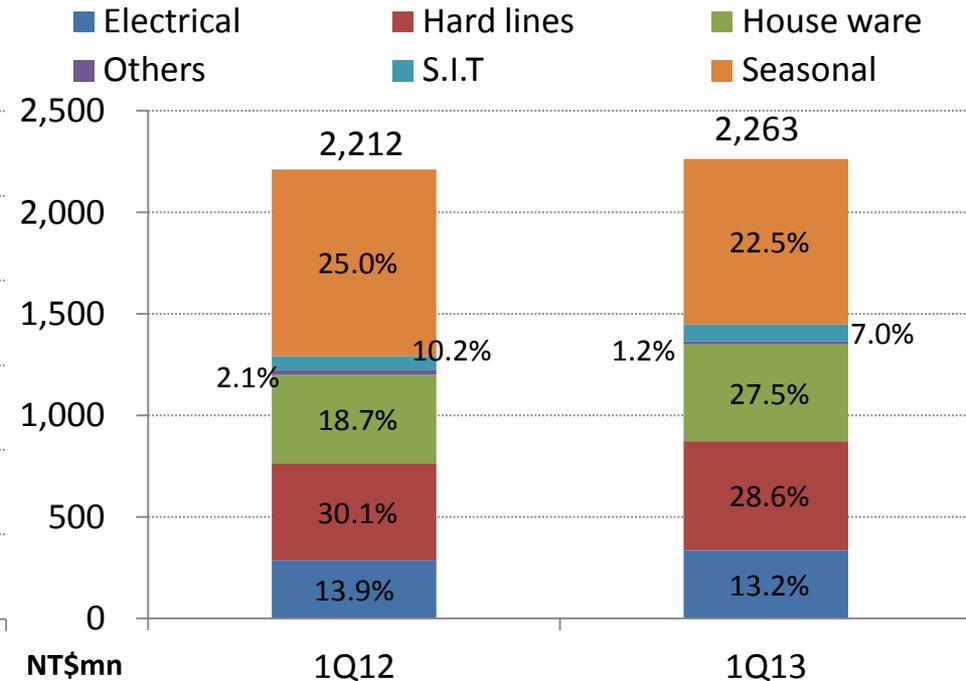


- Shipment breakdown by product
 - Hard lines, house ware and seasonal are main product categories at ~ 25% of total shipments each

TR Trading Shipment by Categories



TR Trading Shipment by Categories





RETAIL SECTOR 零售事業

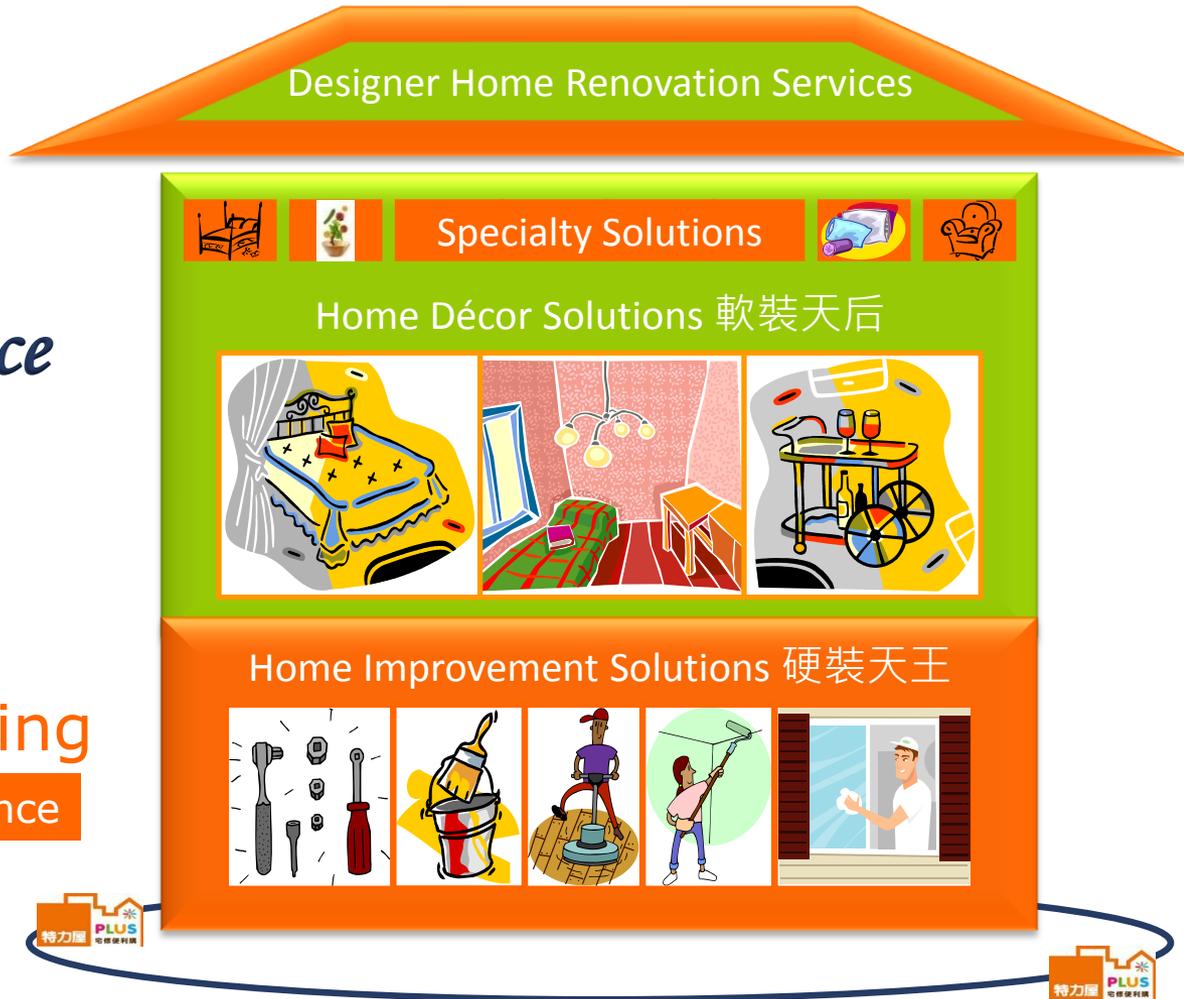
Test Rite Group 特力集團

Brand value proposition of Retail BUs

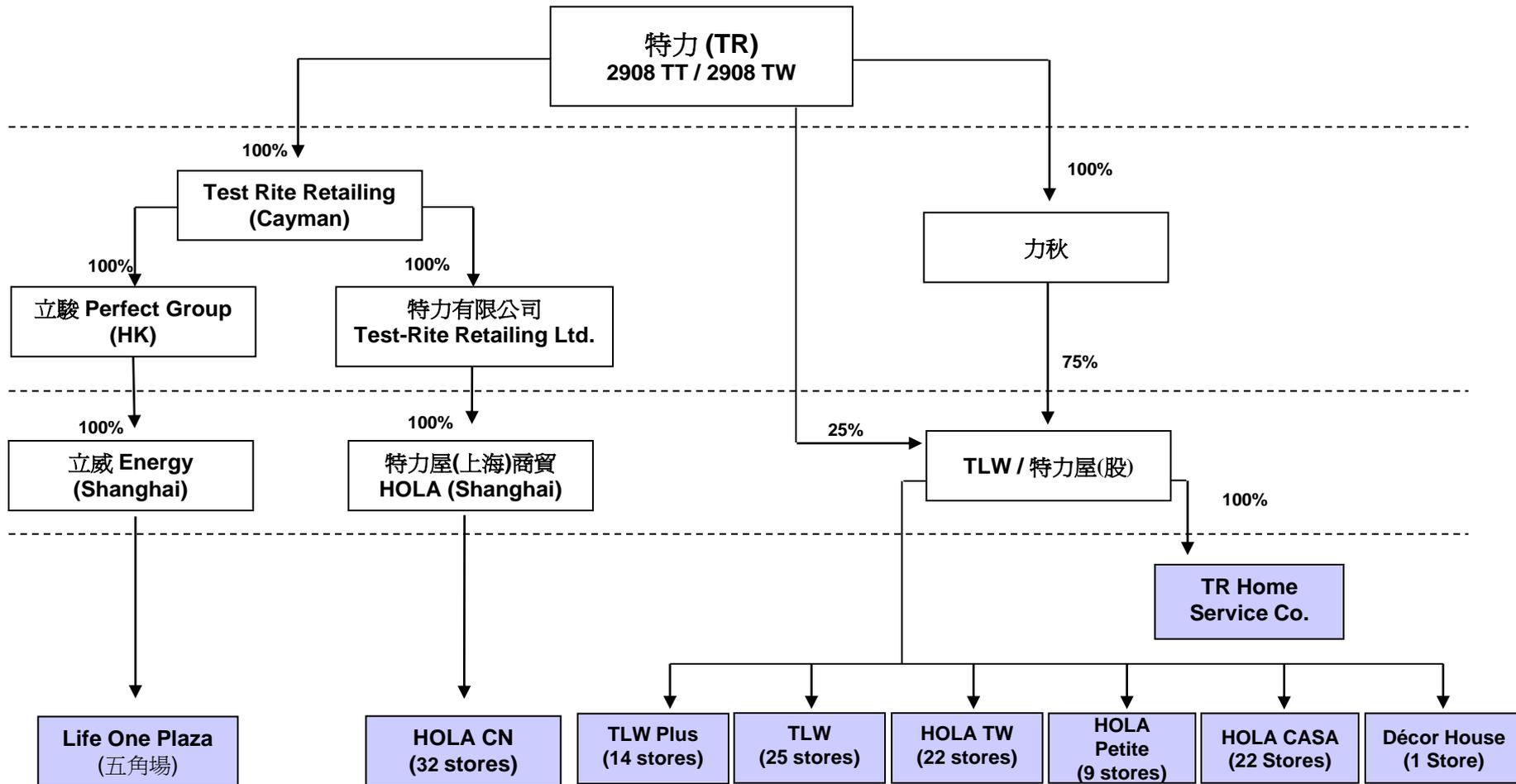


Affordable Indulgence

Simple To choose
Easy To buy
Exciting Experience



Holding structure of TR Retail Group



Store # are as of May 24th, 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)
 - 2013 open HOLA small stores named “ HOLA Petite” transformed from FREER, target 20 stores in 2013.
- HOLA China
 - +1 store in Jan. 2013 and plan to add 1 store in 2Q13, plan to open 3-5 stores in 2013.

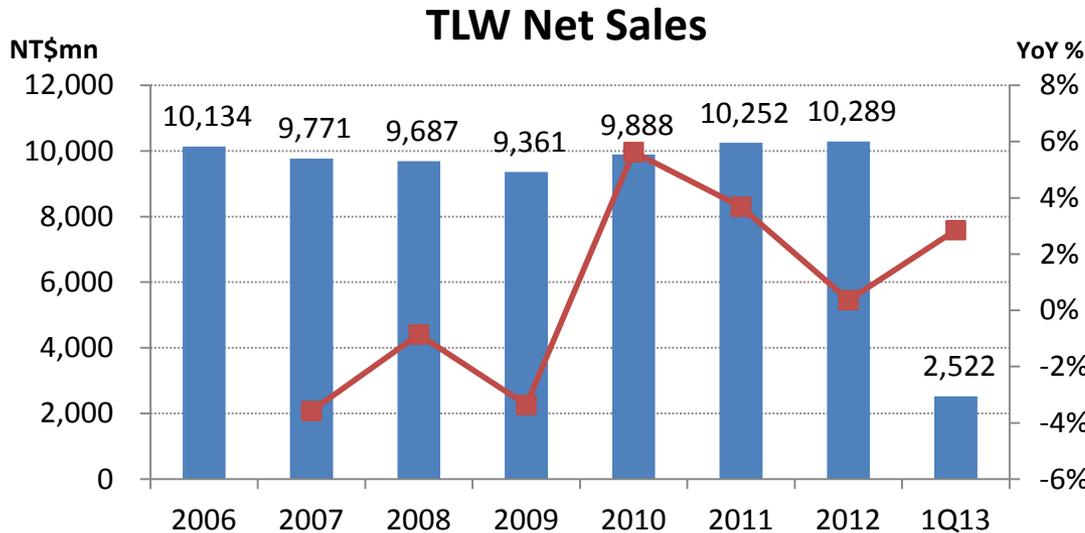
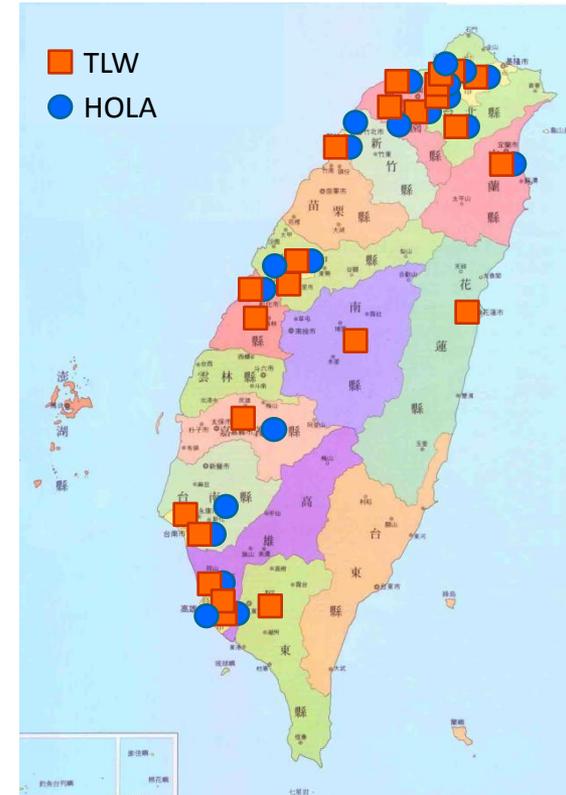
Trading/Retail Synergy

- 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.
- 1Q13 revenue totaled NT\$2.5 bn, up 2.9%YoY.

Store Locations



(m²)	2006	2007	2008	2009	2010	2011	2012	1Q13
Selling space	91,756	93,938	93,938	93,938	89,727	87,966	88,711	90,473
Store #	21	22	22	22	23	23	24	25

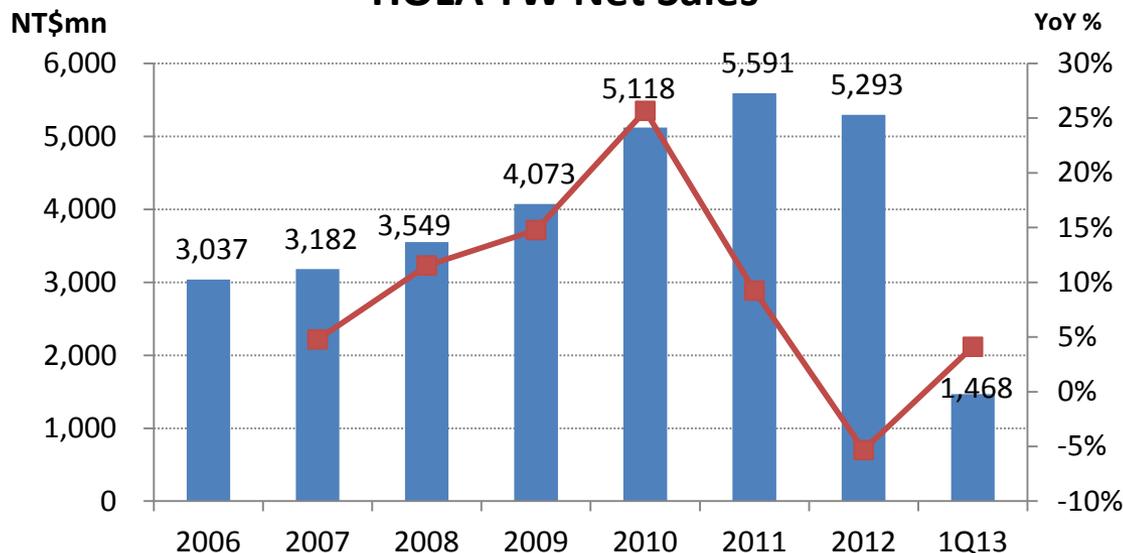


- No. 1 home décor chain in Taiwan with totaled 22 stores; open small HOLA stores named “ HOLA Petite” totaled 9 stores.

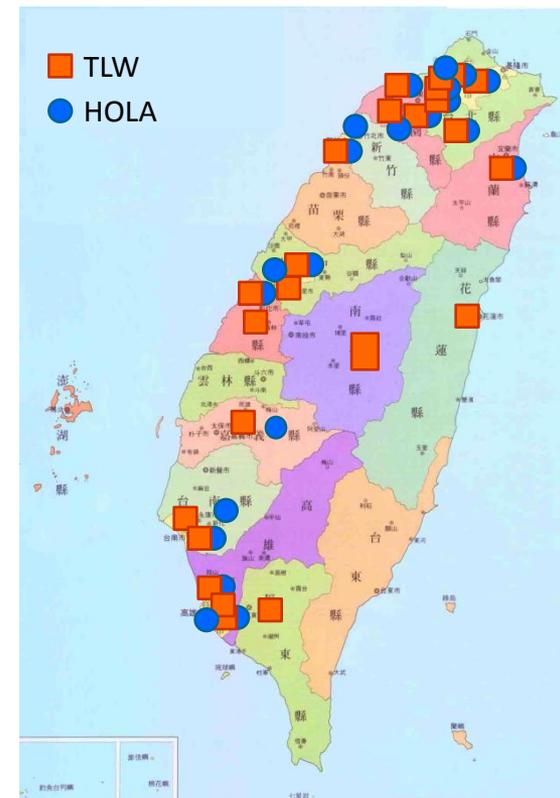
- Add 1 store in 2012 (Chiayi), and +1 store in Jan. 2013 (Sanxia).

- Revenue increased 4.1% YoY to NT\$ 1.5bn in 1Q13.

HOLA TW Net Sales*



Store Locations



(m²)	2006	2007	2008	2009	2010	2011	2012	1Q13
Selling space*	45,157	48,311	51,779	51,779	58,587	58,938	60,004	62,146
Store #	11	12	13	13	18	20	21	22

*Sales and selling space include HOLA TW and HOLA small stores

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, HOLA Petite and other furniture, F&B, and other retail outlets



綠的傢俱



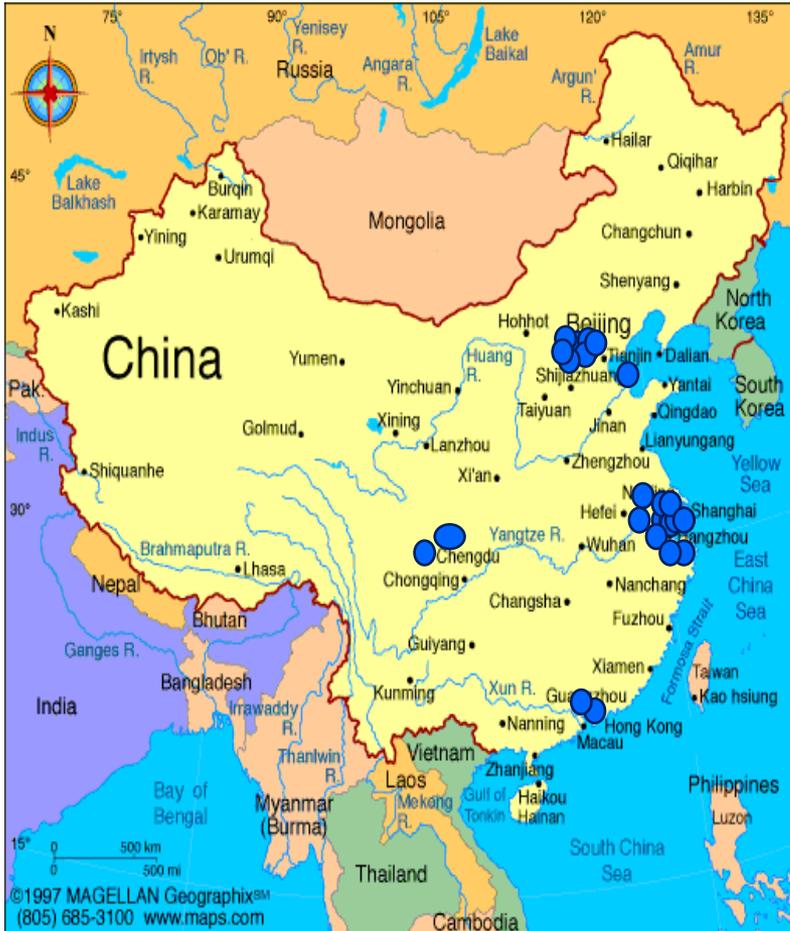
喬山健康科技

NATUZZI



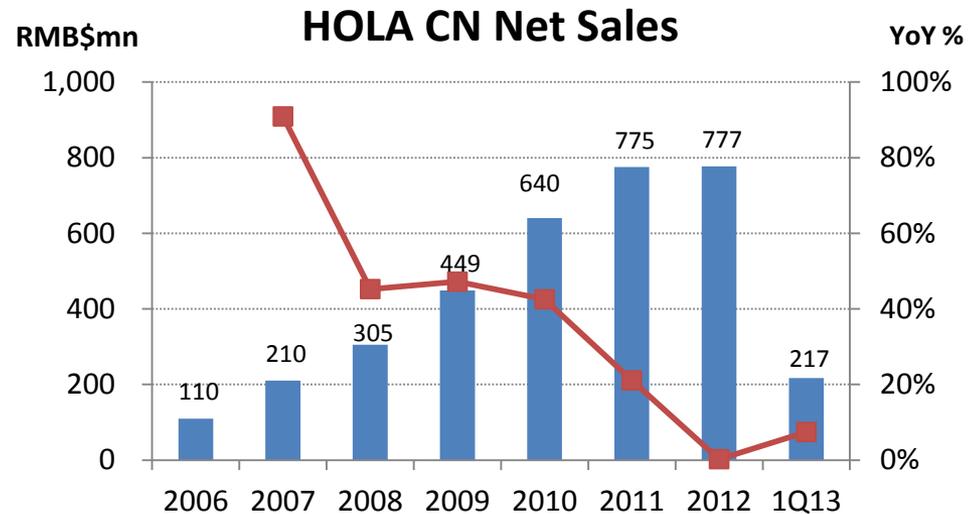


HOLA China (Private – 100% held by Test-Rite)



•1Q13 revenue totaled RMB\$217mn, +7.4% YoY.

•+1 store in Jan. 2013, totaled 32 stores; also plan to open 1 store in 2Q13, plans to open 3-5 stores in 2013.



	2006	2007	2008	2009	2010	2011	2012	1Q13
(m ²)	25,593	32,595	46,442	51,506	59,481	60,116	63,686	65,764
Selling space								
Store #	7	9	14	18	27	28	31	32

Hola China business update



- 1Q13 revenue increased 7.4% YoY to RMB 217mn; FY2012 revenue increased 0.3%YoY to RMB 777mn.
- Loss reduced 66.2% YoY in 1Q13 to net loss NT\$ 11.8mn.
- 20 out of 32 stores were at breakeven for 1Q13 and 20 stores were at store level breakeven for FY2012.
- Same-store-sales, calculated for stores opened for more than one year, decreased to 1.1% YoY in 1Q13 and +1.0% in FY2012.
- opened +1 store in Jan. 2013 , also plan to open 1 store in 2Q13, plan to add 3-5 stores in 2013.



HOME

RECENT FINANCIAL RESULTS



Test Rite Group 特力集團

1Q13 Consolidated Revenue by BU



Test Rite Int'l Co., Ltd. (2908) Consolidated sales breakdown (IFRS Based)

(NT\$ '000)	1Q13	1Q12	YoY% chg
trading sales	2,993,378	3,093,563	-3.2%
Taiwan retail sales	4,490,623	4,170,736	7.7%
HOLA China sales	1,029,213	944,569	9.0%
Total retail sales	5,519,836	5,115,306	7.9%
Other sales	355,689	1,122,388	-68.3%
Consolidated Sales	8,868,902	9,331,257	-5.0%
Consolidated Sales ex TLM	8,868,902	8,580,102	3.4%

#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 Tung Lung Metal until August 15th.

Test Rite 1Q13 Financial Results



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

Consolidated P&L for 1Q13 & 1Q12 (IFRS Based)

(NT\$m)	1Q13	1Q12	YoY%
Turnover	8,869	9,331	-5.0%
Gross profit	2,577	2,656	-3.0%
Gross margin	29.1%	28.5%	2.1%
Operating Expense	(2,302)	(2,406)	-4.3%
Operating profit	275	250	10.0%
Operating margin	3.1%	2.7%	15.7%
Non-operating income/loss	1	50	-98.0%
Pre-tax profit	276	300	-8.0%
Net profit	248	227	9.3%
Other comprehensive income	26	(24)	n.a
Total net profit	274	203	35.0%
Net profit attribute to TRIC	245	216	13.4%
Recurring Net profit attribute to TRIC	227	181	24.9%
EPS(attributed to TRIC)(NT\$)	0.50	0.43	16.3%
Recurring Fully-diluted EPS(Aft-tax)	0.47	0.36	30.6%

Test Rite 1Q13 Financial Results



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

B/S (Consolidated) 1Q13 and 1Q12

(NT\$ mn)	1Q13	1Q12	YoY % chg
Cash & Equivalents	1,796.8	1,358.1	32.30%
Current Assets	10,786.8	11,482.8	-6.06%
Net PP&E	6,185.2	7,407.1	-16.50%
L/T Investments	124.0	159.4	-22.21%
Total Assets	22,294.5	26,001.2	-14.26%
S/T Debts	2,157.5	2,937.8	-26.6%
Current Liability	10,319.8	10,244.6	0.73%
L/T Debts	4,437.2	6,656.6	-33.34%
Total Liabilities	15,371.4	17,877.3	-14.02%
Shareholders Equities	6,923.1	8,124.0	-14.78%
Current Ratio (%)	104.53%	112.09%	
Net Debt/Equity (%)	64.04%	101.38%	
Total Liab/Assets (%)	68.95%	68.76%	

C/F (Consolidated) of 1Q13 and 1Q12

(NT\$ mn)	1Q13	1Q12	YoY % chg
Operating CF	458.2	892.0	-48.6%
Investment CF	-112.9	-435.0	-74.0%
Financing CF	-400.3	-1,160.9	-65.5%
Net Cash Flow	-84.9	-735.7	-88.5%
Cash at beg. quarter	1,881.7	2,093.8	-10.1%
Cash at end quarter	1,796.8	1,358.1	32.3%

