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Test Rite Group 特力集團

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

# 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.”

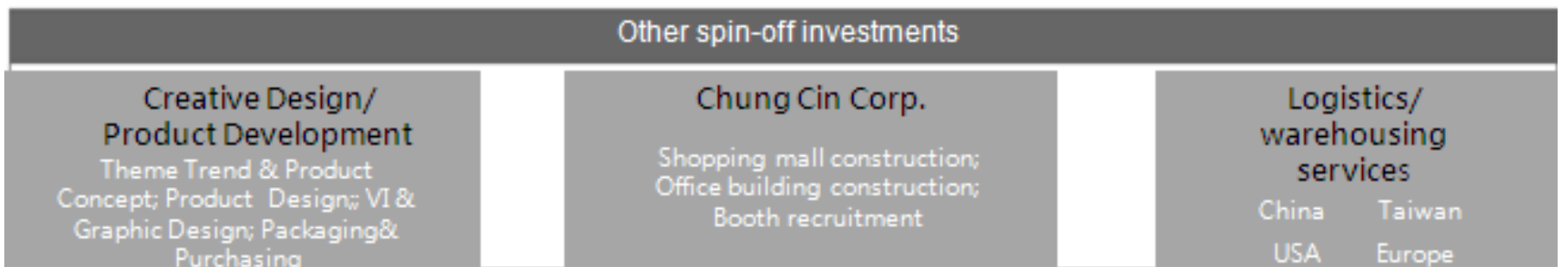
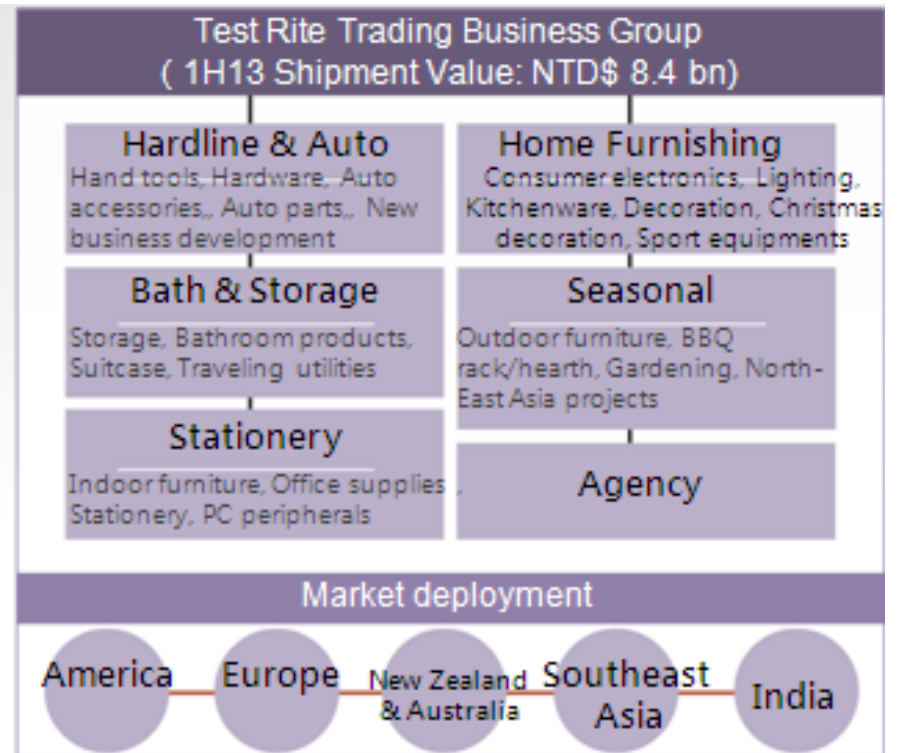


Judy Lee, Chairwoman, Test-Rite Int’l (2908 TT/2908 TW); Co Founder of Test-Rite Group. Best know as the “Queen of Hardline”, Judy is a seasoned veteran of the import/export trading business. With Judy at the helm, Test-Rite Trading consistently provides outstanding services to retail customers globally 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.

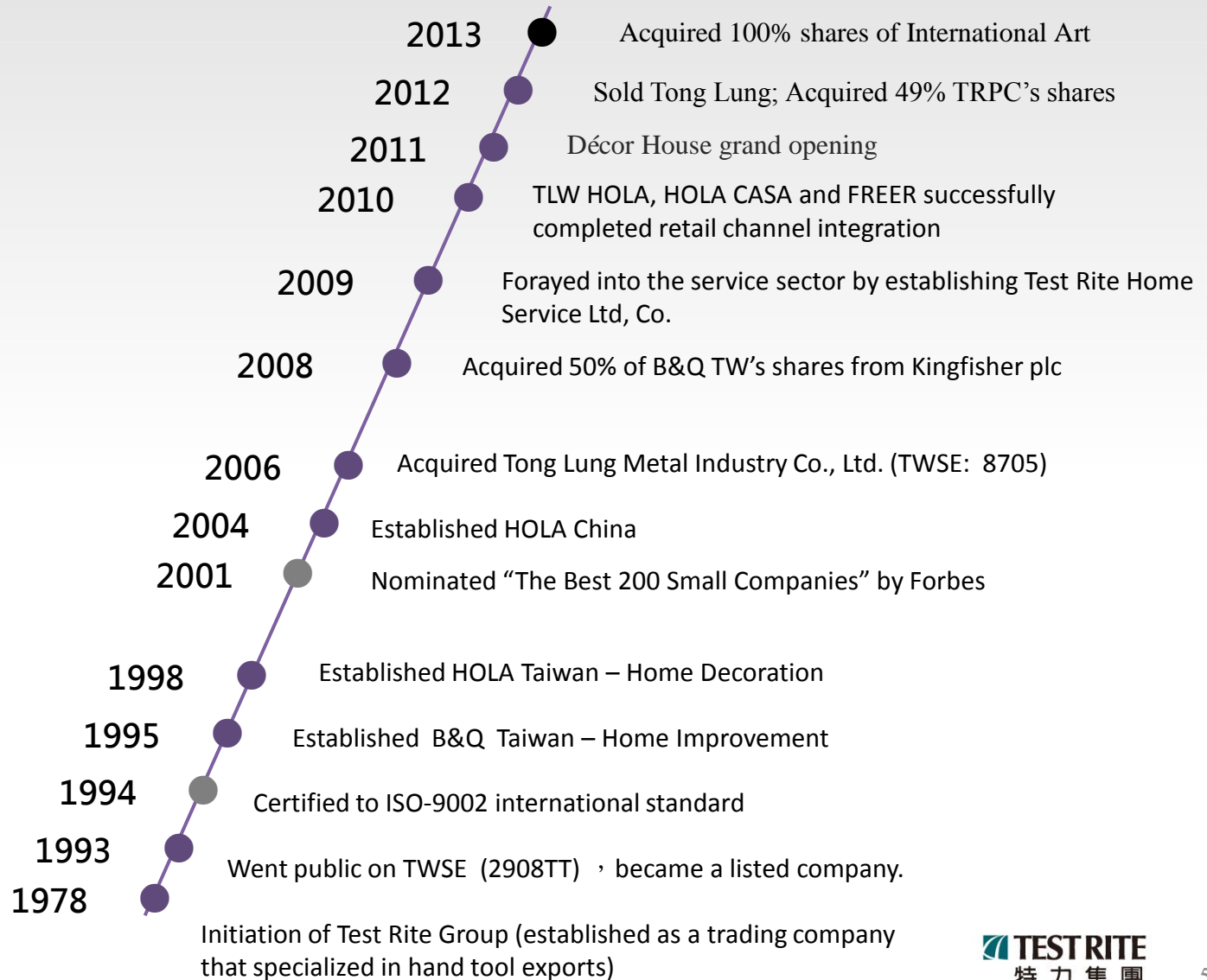
# Group Structure



# Test Rite Group Target



# Milestones



# Since 2010...



## Group

- Integrated trading and retail businesses
- Disposal of TLM
- Integrated SZ HQ office (with IA) and evaluated the old HQ building for rental or sold out
- Control led net debt ratio (approximately 70% at the end of 2012)

## Trading business

- Focused on 7 key customers
- Expanded agency business (+5 customers since 4Q12)
- Established the funding platform to extend trading payment term from 30 days to 90 days
- Consolidated overseas offices: TR England(2010) and TR Mexico(2012-2013)
- Purchased 51% (control 100% currently) shares of TR USA
- Acquired 100% shares of International Art

## Retail business

- Integrated TW retail 4 in 1
- Expanded retail TW into community and smaller formats
- Decreased HOLA China store spaces and expanded to the second and the third cities
- Revitalized HOLA TW brand

# Establish TR Business Management System



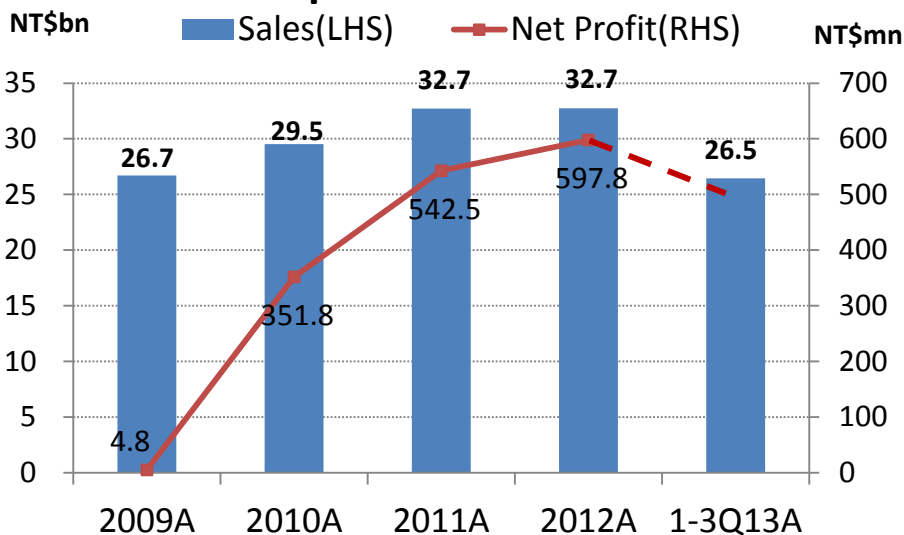


# Consolidated Financial Highlights

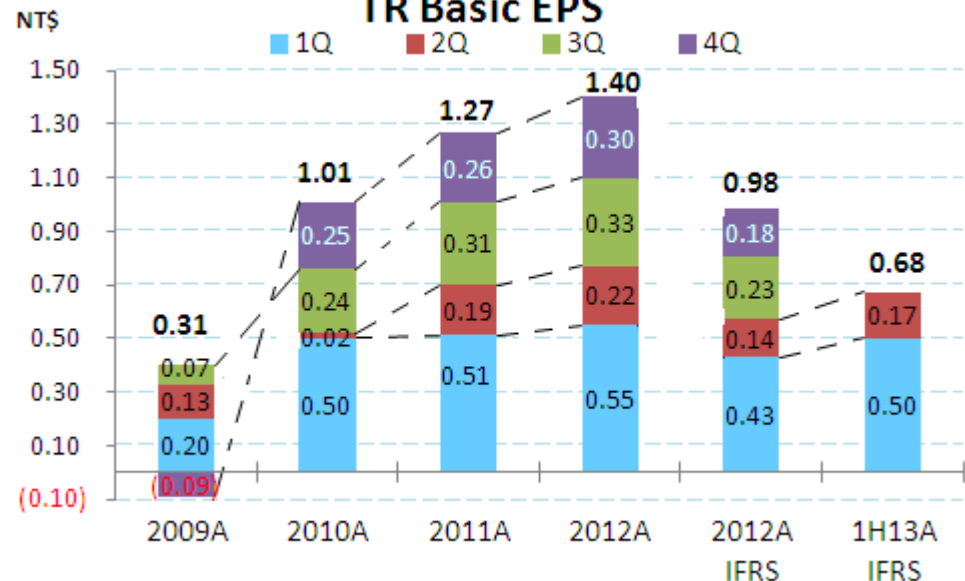


- 12<sup>th</sup> consecutive YoY increase of quarterly net income and EPS on the same accounting basis.
- 2011 and 2012 consolidated sales back to 2007 level and consolidated net profit/ EPS exceeded pre financial crisis high of 2007.
- Consol. sales for continuing operations (excluding TLM's impact) was NT\$ 26.5 bn, +3.9% YoY for 1-3Q13 and net profit from recurring businesses was increased by 85.1% YoY to NT\$ 302.7 mn for 1H13.

### TR Group Sales & Profit ex TLM



### TR Basic EPS





**TRADING SECTOR**

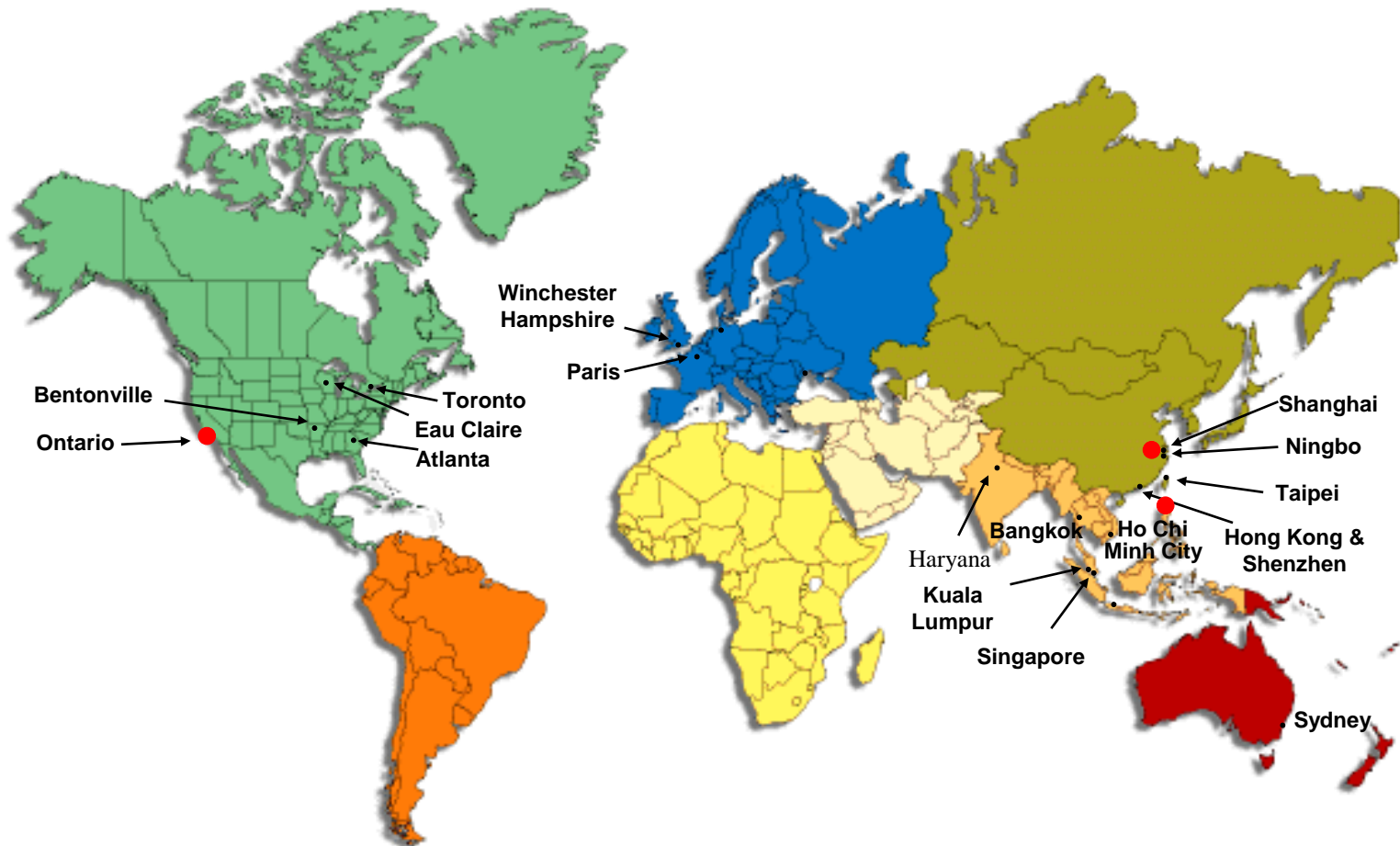


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# Global Worldwide Network



- 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.



# Strategy of Trading Business

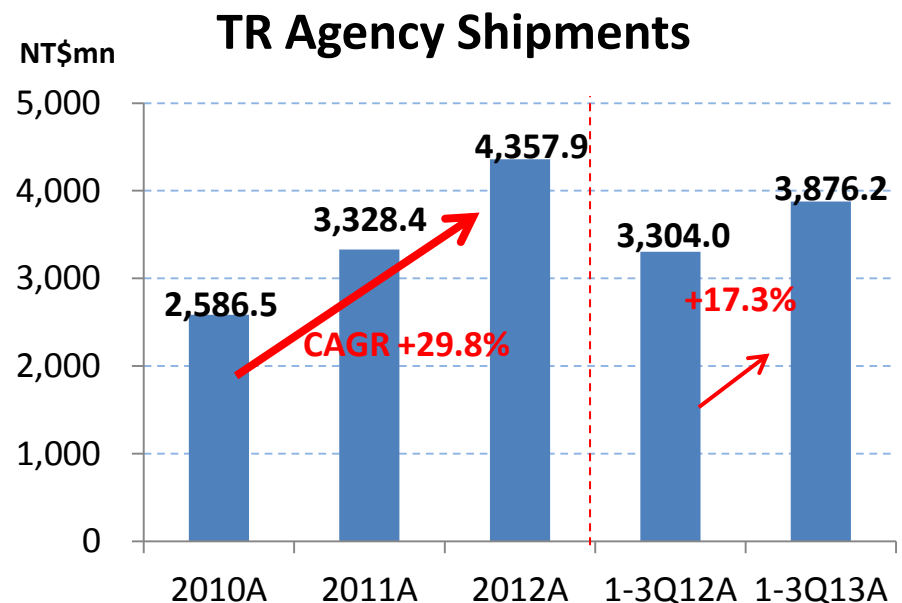
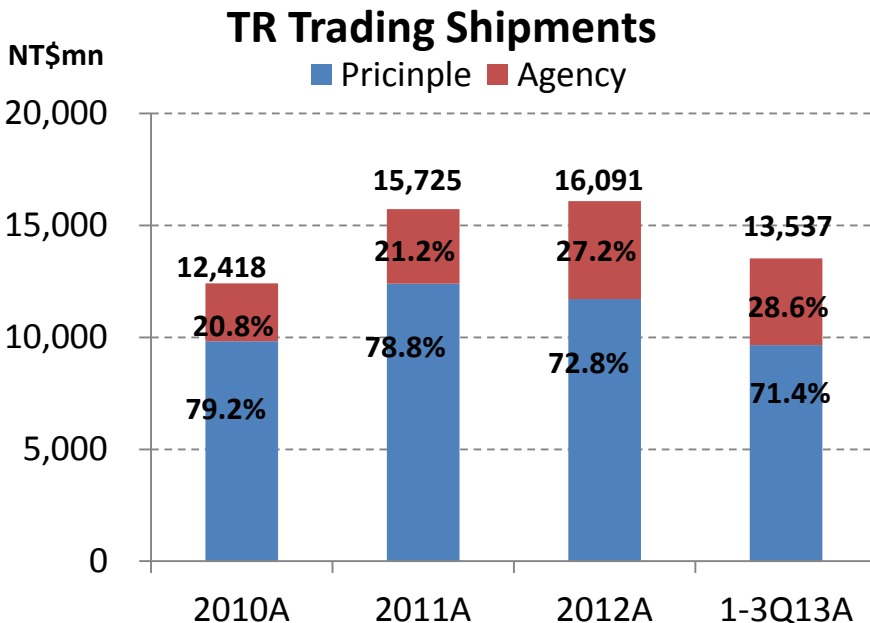


- Develop push program and private label through new product design development
- Focus on 7 key customers
- Expand agency business
- Potential M & A
- Integration
  - ASEAN and India resources office
  - SOP hub
  - Domestic sourcing team
  - Overseas operation

# Trading Overview– 1-3Q13



- Principle trading shipments totaled NT\$ 9.7bn, +0.2% YoY for 1-3Q13 and accounted for 71.4% of total shipments.
- Agency business shipments totaled NT\$ 3.9 bn, +17.3% YoY for 1-3Q13 and accounted for 28.6% of total shipments, commission revenue totaled NT\$ 178.3mn, +20.8% YoY.



# Trading Growth Opportunities



- ❑ Leverage growth of recovery in U.S. consumer demand
- ❑ Continue focus on 7 key customers in principle trading



- ❑ Continue agency business growth



- ❑ Seek for potential acquisition targets
- ❑ Grow brand licensing business

# Trading Growth Opportunities- Brand licensing



- Brand licensing opportunities for Greater China markets



- Brand licensing opportunities for TW



- Develop diversified product items of our brands and expand sales channels

# Principal Trading Program



- COSTCO USA project-  
Motion sensor light



- National Hardware Show





# IA Products





# RETAIL SECTOR 零售事業

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# Taiwan Retail Business Strategy



## ■ TLW 特力屋

- Alternate DIY channel services (TLW Plus and TLW 好幫手)
- Open TLW Plus targeting neighborhood market

## ■ HOLA TW

- Open 1-2 stores per year
- Develop small HOLA stores “HOLA Petite” and target 15-20 stores in 2014
- Revitalize HOLA TW brand

## ■ Develop private labels and private brands

## ■ Driven by style and fashion

## ■ Establish Omni-channel development

# TW Retail Business Coverage



Business Model  
 Marketplace

Notes: TW retail only

# Retail Business Omni- Channel



- FB fans
  - TLW 2013 target 80K fans and reached in Sept.
  - HOLA have 54K fans so far at the end of Sept.
- QR code
  - detail information of products



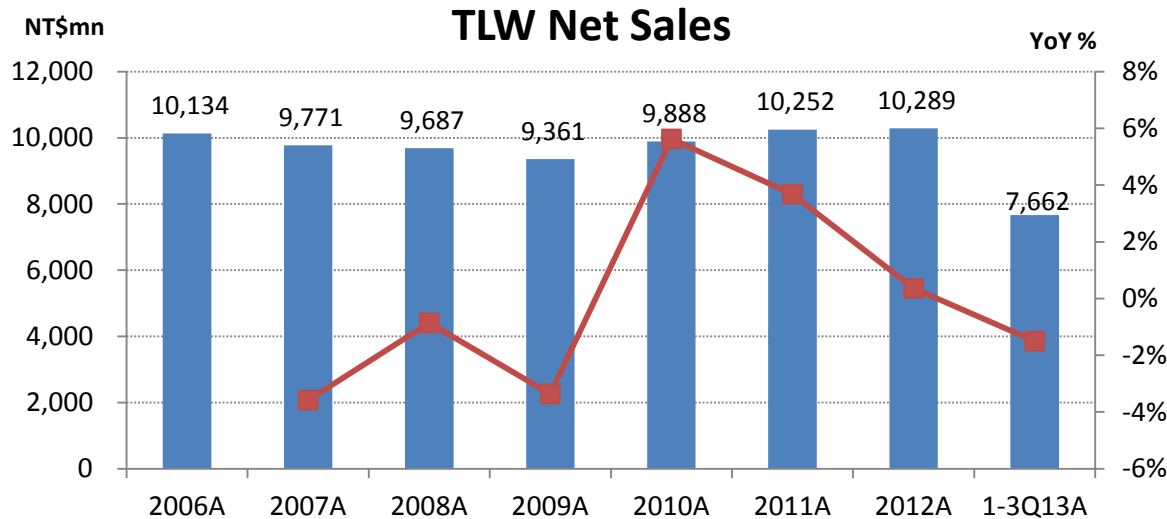
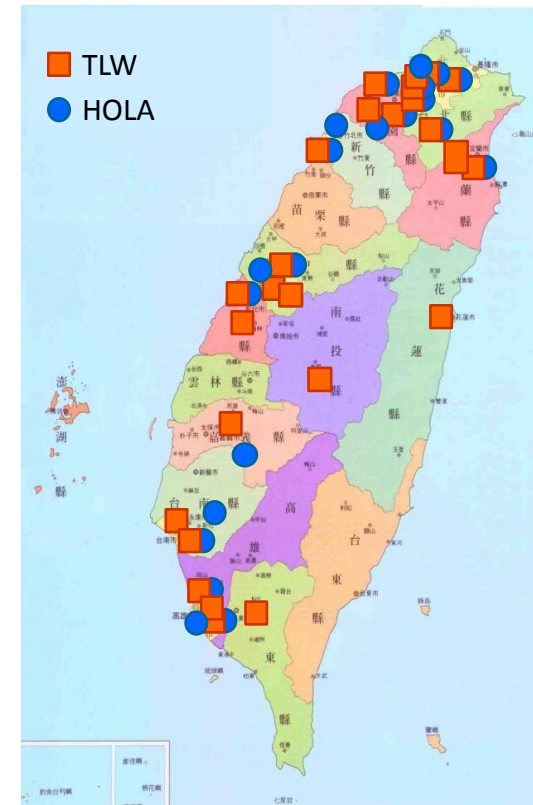


- Leading DIY player with ~30% market share and new business opportunities with TLW Plus and TLW 好幫手.

- +1 store in Nantou in Sept.2012; +1 store in Jan. 2013 (Sanxia), and +1 store in Sept. 2013 ( Taichung), totaled 26 stores in Sept. 2013.

- Revenue totaled NT\$2.5 bn, +4.7%YoY for 3Q13 and totaled NT\$7.7bn, -1.5%YoY for 1-3Q13.

## Store Locations



	2006A	2007A	2008A	2009A	2010A	2011A	2012A	1H12A	1H13A
Selling space(m <sup>2</sup> )	91,756	93,938	93,938	93,938	89,727	87,966	88,711	91,822	90,473
Store #	21	22	22	22	23	23	24	23	25
Avg. sales per m <sup>2</sup> /NT\$K	110.4	104.0	103.1	99.7	110.2	116.5	116.0	55.9	53.5



# TLW Business Update



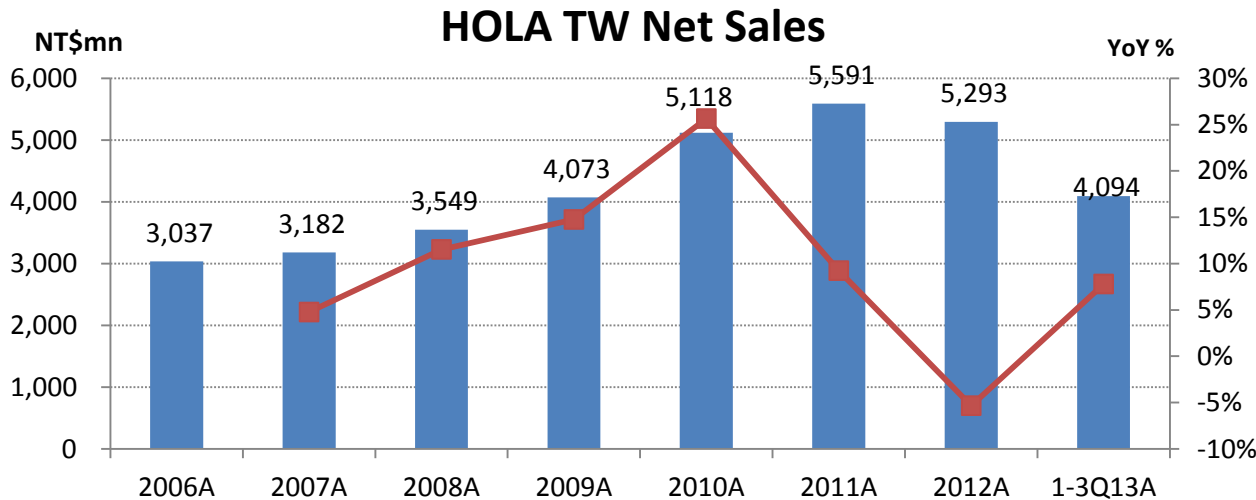
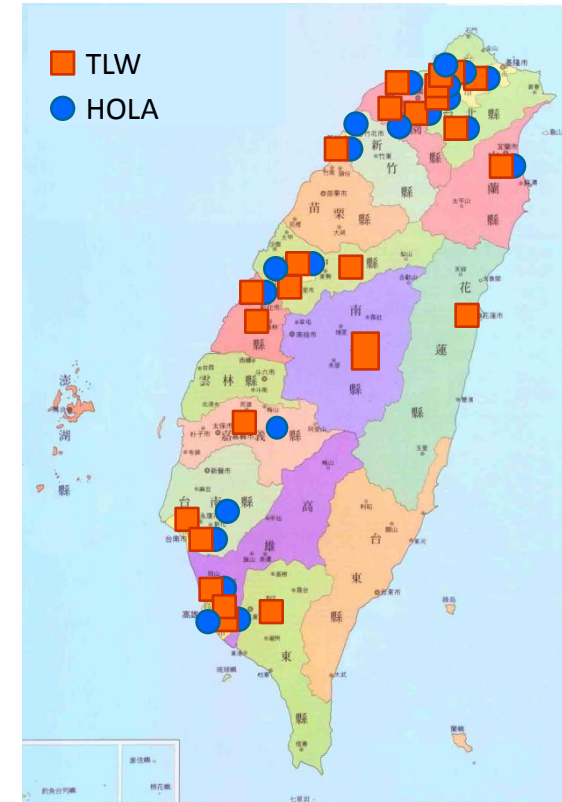
New business opportunities with smaller formats in the community TLW Plus and TLW 好幫手





- 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 totaled NT\$1.4 bn, +14.4%YoY for 3Q13 and totaled NT\$4.1bn, +7.8%YoY for 1-3Q13.

## Store Locations



\*Sales and selling space include HOLA TW and HOLA small stores (HOLA CASA and HOLA Petite)

	2006A	2007A	2008A	2009A	2010A	2011A	2012A	1H12A	1H13A
Selling space*(m <sup>2</sup> )	45,157	48,311	51,779	51,779	58,587	58,938	60,004	53,993	62,146
Store #	11	12	13	13	18	20	21	20	22
Avg. sales per m <sup>2</sup> /NT\$K	67.3	65.9	68.5	78.7	87.4	94.9	88.2	41.2	43.9





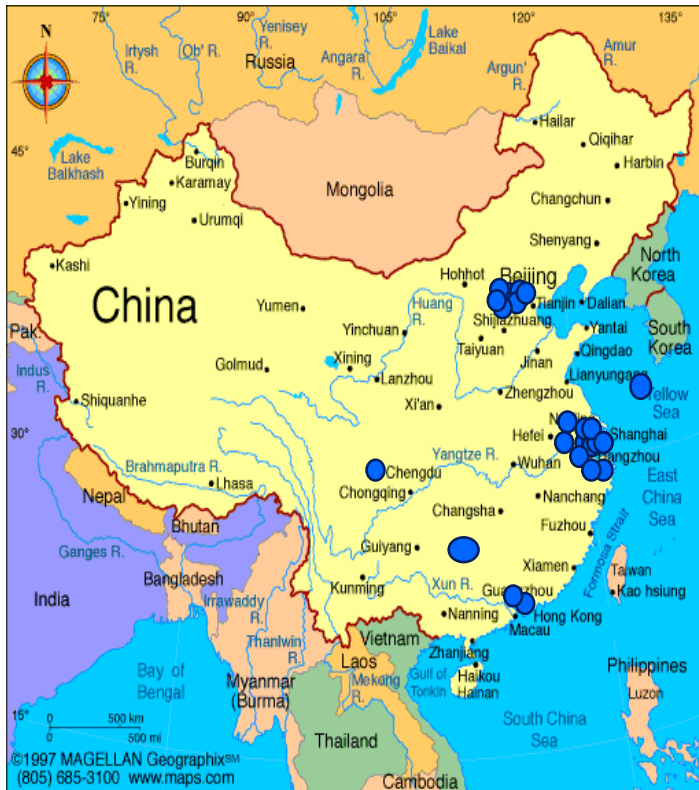
# HOLA CN Business Strategy



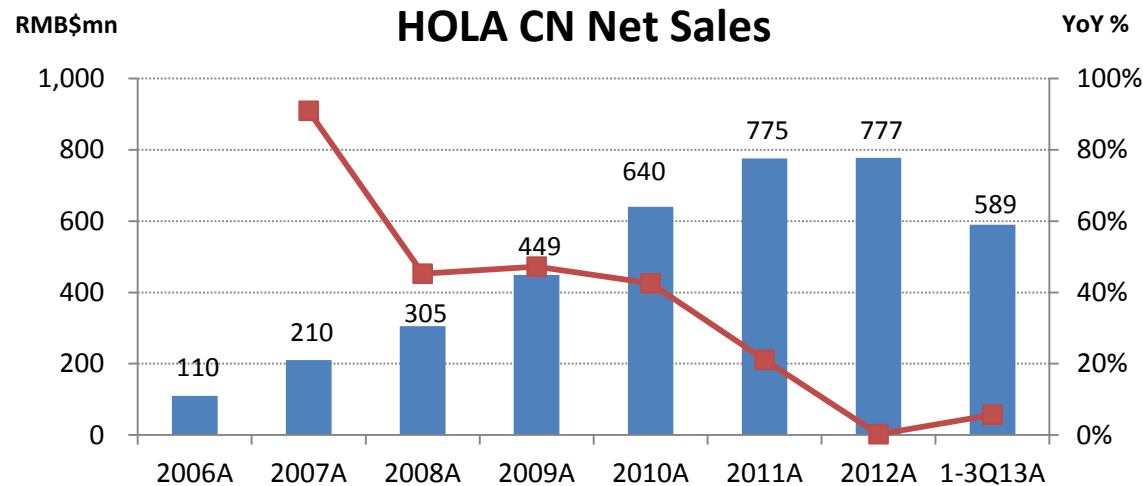
- Turn profitable: single quarter/ annual
  - HOLA CN loss less than NT\$100mn in 2013
- Plan to open 3 – 5 stores per year
- Leverage Taiwan product design
- Develop private labels and private brands, become a “Style Leader” as our target
- Adjust operation strategy
  - store location 、 logistics 、 smart retail 、 Omni-channel
  - adjust store size and scale, target to set in shopping mall and department store
- Upgrade our service
  - CRM 、 people and consultative selling and accountable corporate culture



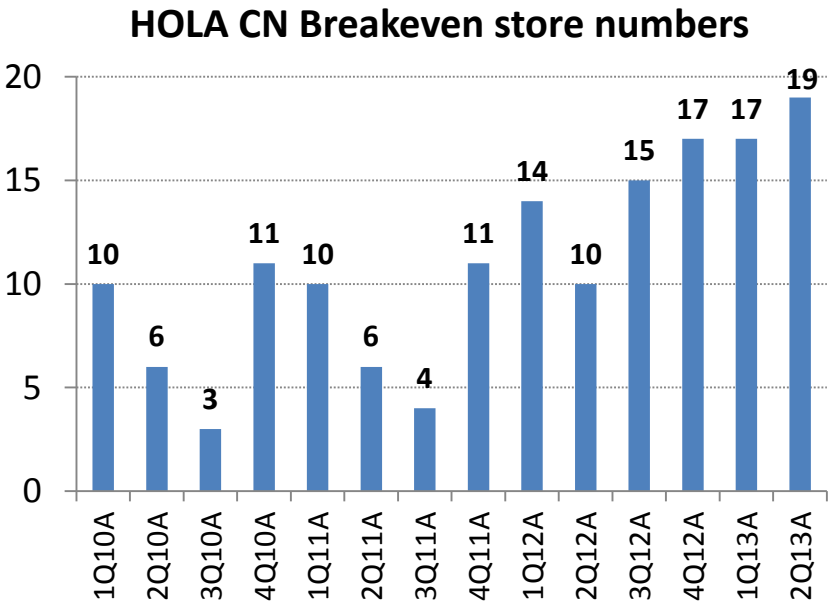
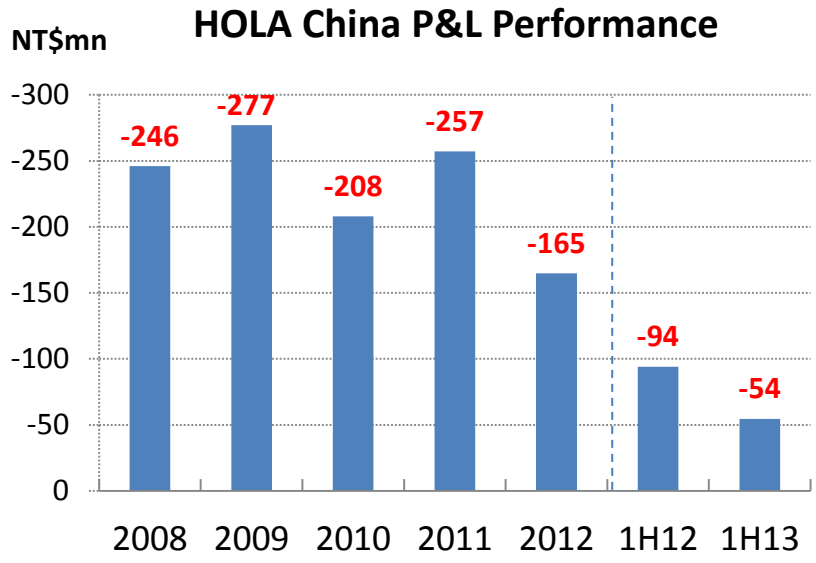
## HOLA China (Private – 100% held by Test-Rite)



- Revenue totaled RMB\$ 190.2mn, +5.5% YoY for 3Q13 and totaled RMB\$ 589.5mn, +5.7% YoY for 1-3Q13.
- +1 store in Jan. 2013, and close 1 store in Shenzhen, and +1 store in Sept. 2013, totaled 32 stores at the end of Sept., also plans to +1 store in 4Q13, plan to open 3 stores in 2013.



(m <sup>2</sup> )	2006A	2007A	2008A	2009A	2010A	2011A	2012A	1H12A	1H13A
Selling space	25,593	32,595	46,442	51,506	59,481	60,116	63,686	54,738	59,601
Store #	7	9	14	18	27	28	31	27	31
Avg. sales per m <sup>2</sup> /RMB\$K	4.3	6.4	6.6	8.7	10.8	12.9	12.2	6.9	6.7



- Loss reduced by 26.2% YoY to net loss NT\$ 41.6mn for 2Q13 and loss reduced by 42.2% YoY to net loss NT\$ 54.4mn for 1H13.
- 19 out of 31 stores were at breakeven for 2Q13 and 18 stores were at store level breakeven for 1H13
- Same-store-sales, calculated for stores opened for more than one year, increased to 0.2% for 2Q13 and -0.2% for 1H13.
- Opened 1 store in Jan. 2013 in Shijiazhuang and closed 1 store in Shenzhen in 2Q13, then open 1 store in Sept. 2013 in Wuxi, totaled 32 stores at the end of Sept., also plan to open 1 store in 4Q13, and plan to add 3 stores in 2013.

# HOLA China Product Layouts





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Q & A



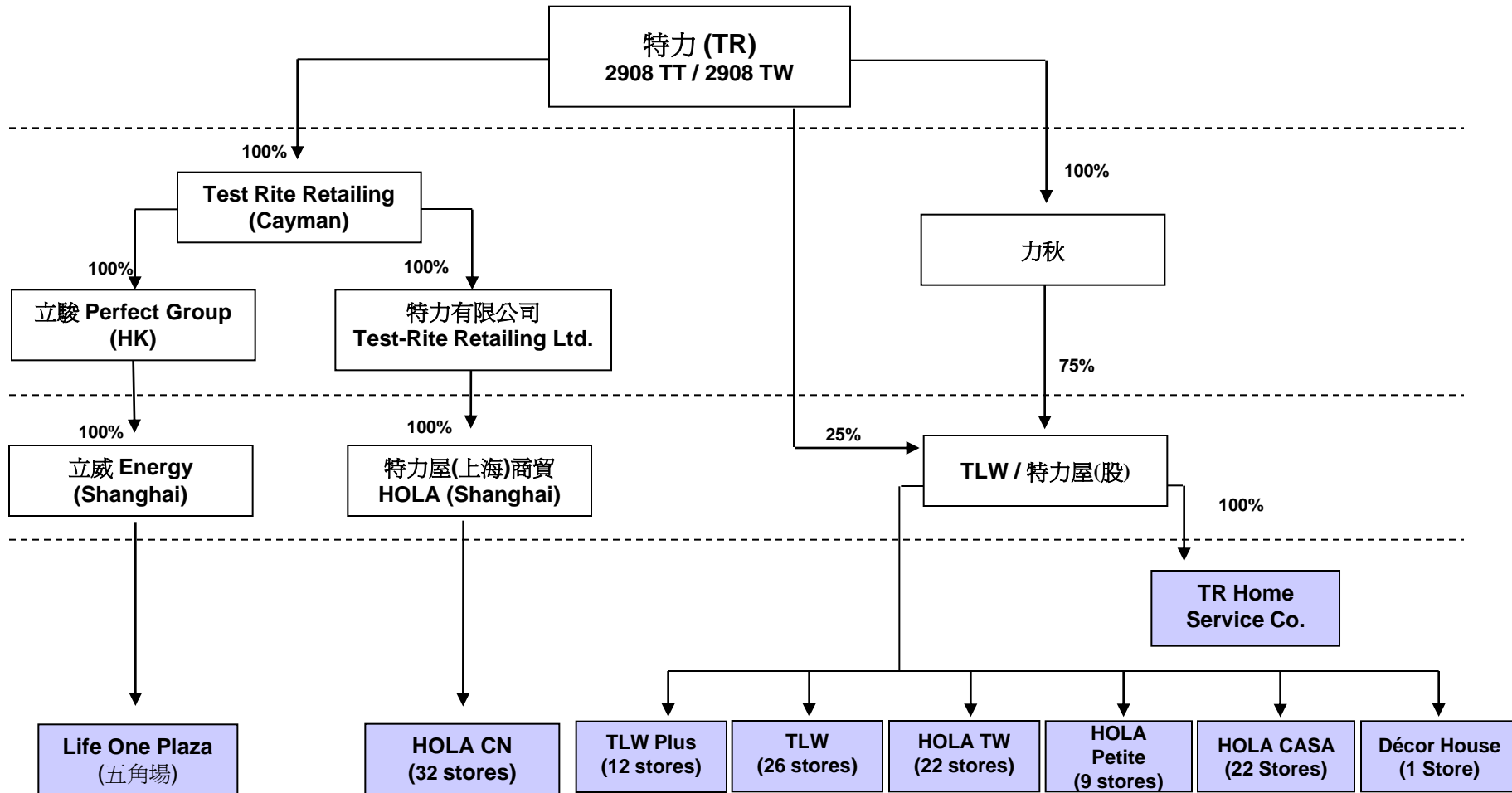


**APPENDIX:  
RECENT FINANCIAL RESULTS**



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# Holding structure of TR Retail Group



Store # are as of Sept. 30<sup>th</sup>, 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.

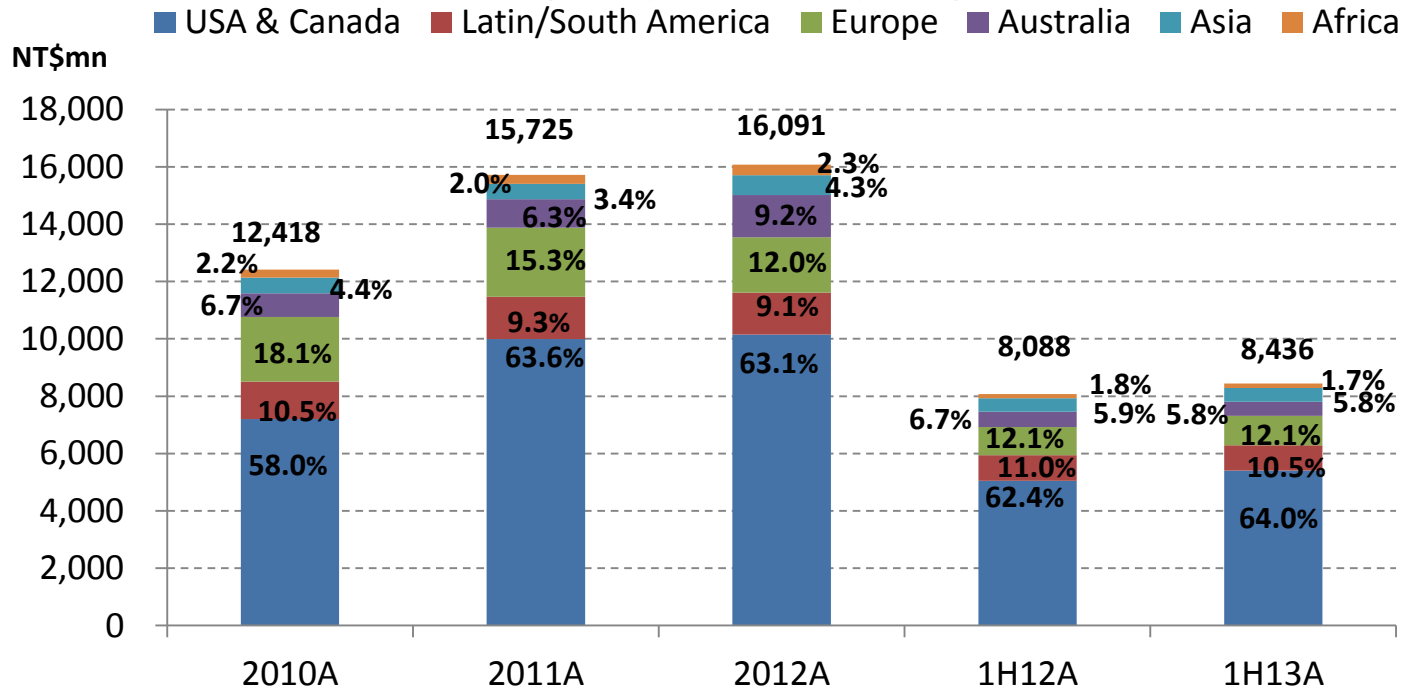


# Trading Overview– 1H13



- Trading consolidated shipments breakdown by region
  - America usually accounted for 65-75%, Europe around 10-15%, Asia and Australia around 5-10%.
  - Saw strong growth in America in 1Q13.
  - Europe market remain challenging, but we saw it showed slowly recovery recently.

## TR Trading Shipments by Region

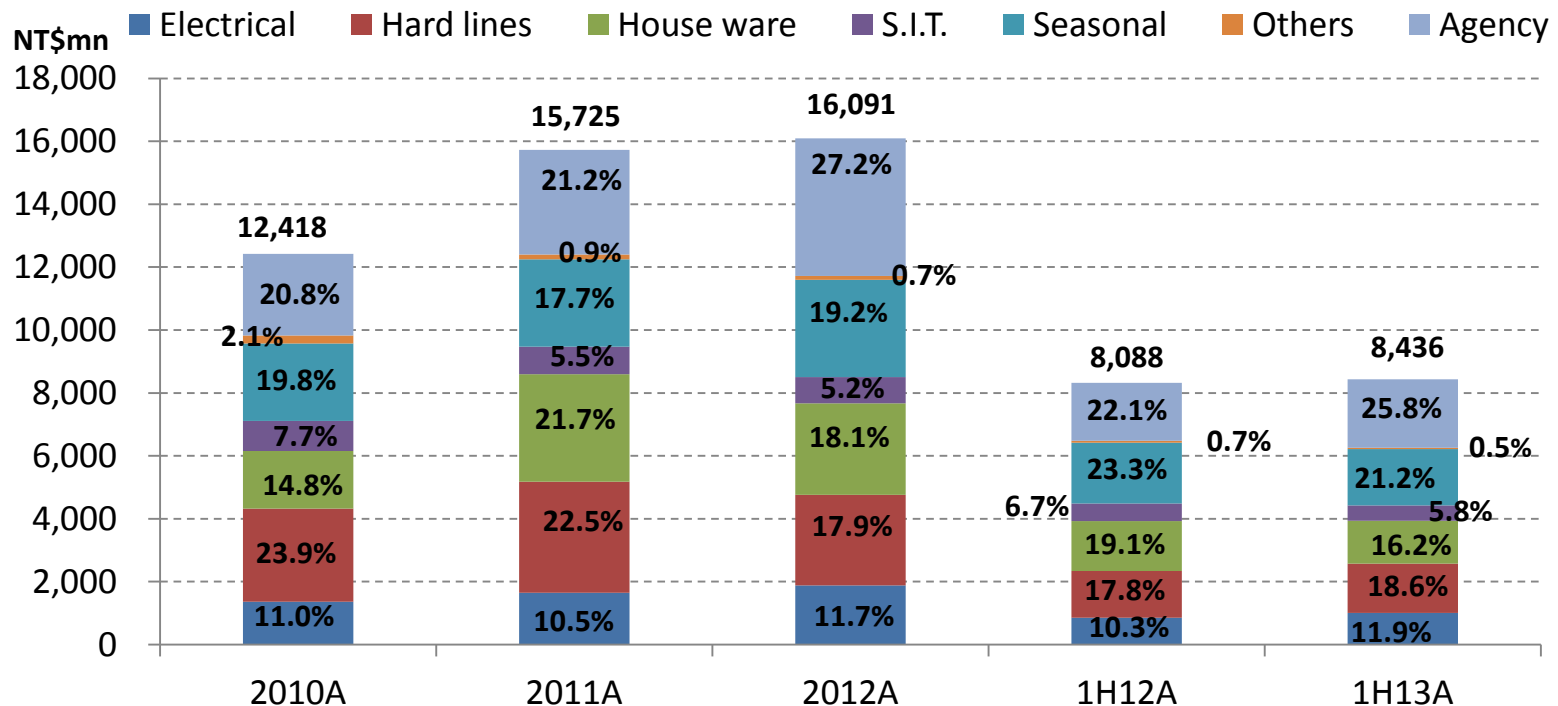


# Trading Overview– 1H13



- Principle trading shipments breakdown by products
  - Hard lines, house ware and seasonal are main product categories at 15-20% of total shipments each
- Agency business accounted for 25.8% of total shipments for 1H13.

## TR Trading Shipments by Categories



# 3Q13 and 1-3Q13 Consolidated Revenue by BU



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

(NT\$ '000)	3Q13A	3Q12A	YoY%	1-3Q13A	1-3Q12A	YoY%
trading sales	3,480,855	3,222,174	8.0%	9,838,896	9,785,666	0.5%
Taiwan retail sales	4,055,081	3,904,284	3.9%	12,458,316	11,889,733	4.8%
HOLA China sales	917,612	845,133	8.6%	2,818,700	2,610,292	8.0%
Total retail sales	4,972,693	4,749,417	4.7%	15,277,016	14,500,025	5.4%
Other sales	526,748	401,729	31.1%	1,335,412	1,162,017	14.9%
<b>Consolidated Sales</b>	<b>8,980,296</b>	<b>8,783,237</b>	<b>2.2%</b>	<b>26,451,323</b>	<b>27,437,400</b>	<b>-3.6%</b>
<b>Consolidated Sales ex TLM</b>	<b>8,980,296</b>	<b>8,373,319</b>	<b>7.2%</b>	<b>26,451,323</b>	<b>25,447,708</b>	<b>3.9%</b>

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

# Test Rite 2Q13/1H13 Financial Results



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

### Consolidated P&L for 2Q13 & 1H13 ( IFRS Based )

(NT\$m)	2Q13A	2Q12A	YoY%	1H13A	1H12A	YoY%
Turnover	8,602.1	9,322.9	-7.7%	17,471.0	18,654.2	-6.3%
Gross profit	2,565.1	2,660.6	-3.6%	5,142.1	5,316.9	-3.3%
<b>Gross margin %</b>	<b>29.8%</b>	<b>28.5%</b>		<b>29.4%</b>	<b>28.5%</b>	
Operating Expense	- 2,493.3	- 2,455.2	1.6%	- 4,795.3	- 4,861.3	-1.4%
Operating profit	71.8	205.4	-65.0%	346.8	455.6	-23.9%
<b>Operating margin %</b>	<b>0.8%</b>	<b>2.2%</b>		<b>2.0%</b>	<b>2.4%</b>	
Non-operating income/loss	7.3	- 41.3	N/A	8.6	8.6	0.8%
Pre-tax profit	79.1	164.1	-51.8%	355.4	464.2	-23.4%
Net profit	86.3	132.9	-35.1%	334.8	360.0	-7.0%
Other comprehensive income	-14.7	15.1	N/A	11.0	- 9.0	-222.2%
Total net profit	71.6	148.0	-51.6%	345.8	351.0	-1.5%
<b>Net profit attribute to TRIC</b>	<b>84.6</b>	<b>70.6</b>	<b>19.7%</b>	<b>329.9</b>	<b>286.4</b>	<b>15.2%</b>
Recurring Net profit attribute to TRIC	75.6	4.8	1473.1%	302.7	163.5	85.1%
Basic EPS(attributed to TRIC)(NT\$)	0.17	0.14	21.4%	0.68	0.57	19.3%
Recurring Fully-diluted EPS(Aft-tax)	0.14	0.01	1473.1%	0.58	0.31	85.1%

# Test Rite 2Q13/1H13 Financial Results



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

### B/S (Consolidated ) 2Q13 and 2Q12

(NT\$ mn)	2Q13A	2Q12A	YoY %
Cash & Equivalents	1,519.5	1,268.6	19.8%
Current Assets	10,468.8	11,289.2	-7.3%
Net PP&E	6,294.6	7,392.9	-14.9%
L/T Investments	124.2	159.6	-22.2%
Total Assets	22,081.8	25,959.2	-14.9%
S/T Debts	1,937.1	3,126.0	-38.0%
Current Liability	10,280.8	10,657.3	-3.5%
L/T Debts	4,777.7	6,722.9	-28.9%
Total Liabilities	15,613.3	18,274.7	-14.6%
Shareholders Equities	6,468.6	7,684.5	-15.8%
Current Ratio (%)	101.8%	105.9%	
Net Debt/Equity (%)	76.2%	106.0%	
Total Liab/Assets (%)	70.7%	70.4%	

### C/F (Consolidated ) of 1H13 and 1H12

(NT\$ mn)	1H13A	1H12A	YoY%
Operating CF	537.3	1,131.7	-52.5%
Investment CF	- 650.9	- 517.5	25.8%
Financing CF	- 259.5	- 1,438.7	-82.0%
Net Cash Flow	- 362.2	- 827.2	-56.2%
Cash at beg. quarter	1,881.7	2,095.8	-10.2%
Cash at end quarter	1,519.5	1,268.6	19.78%



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