



Test Rite Group

Test Rite International Co., Ltd. (2908)
Tong Lung Metal Industry Co., Ltd. (8705)

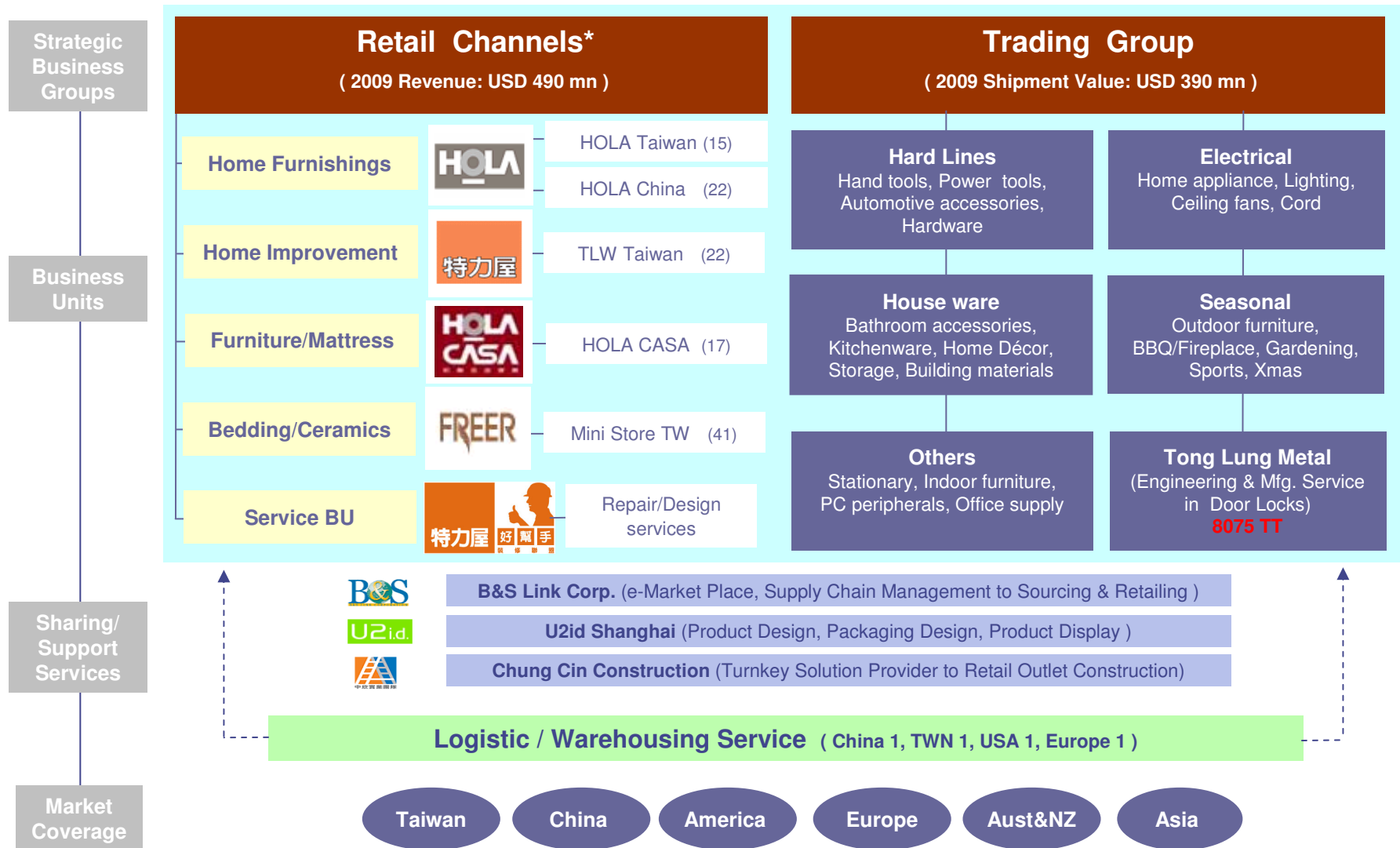
June 2010



Test Rite Group Strategy

- Vision願景:** To form a globally integrated enterprise
構築一個全球性整合的企業集團
- 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:** Double group revenue in 5 years
五年倍數成長
Integrate Retail Operation
整合零售集團
- Culture文化:** High Performance 高績效
Customer focus 顧客導向
Sales oriented 銷售導向

Group Structure*



* Store numbers updated as of June 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



Trading Sector





Global Worldwide Network

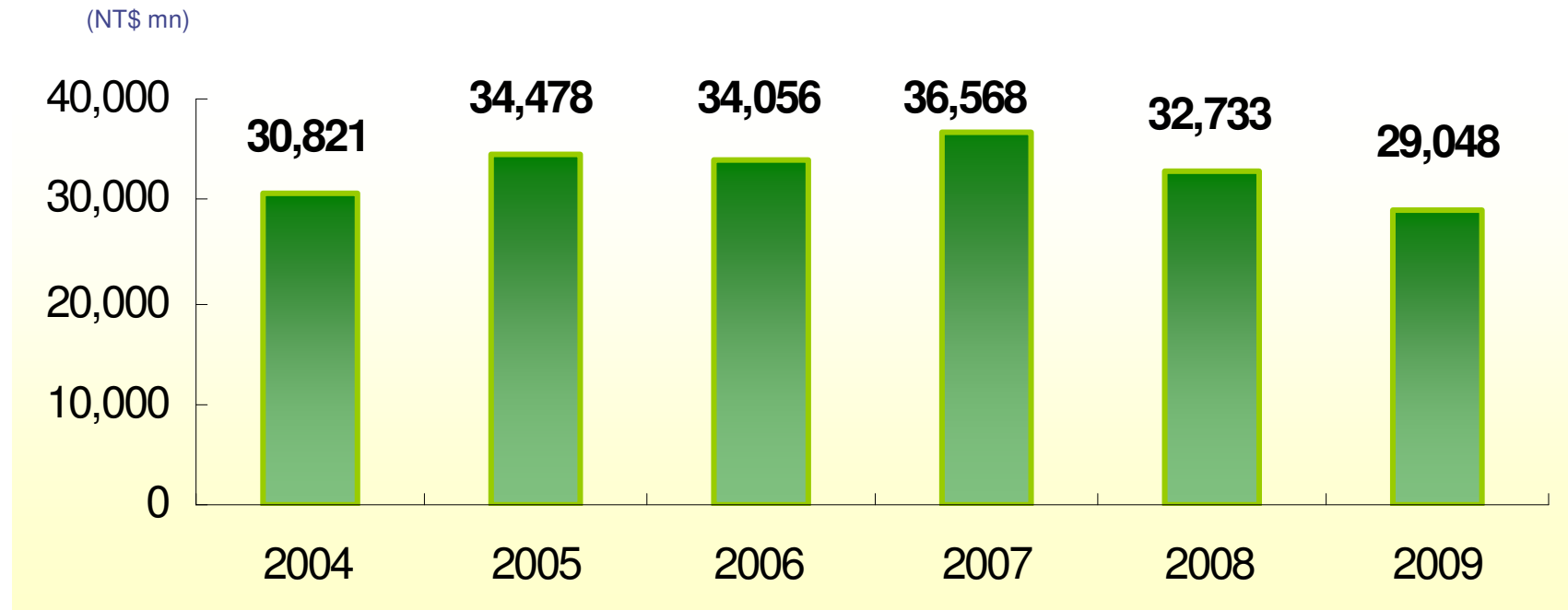
(with local service 26 offices in 16 countries)



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).**

Consolidated sales of TR Group in past 5 years



Test Rite Group

Consolidated P&L for 2007- 2009

(NT\$m)	2007	2008	2009
Turnover	36,568	32,733	29,048
Gross profit	9,361	8,951	8,340
Operating profit	949	536	406
Net non-Opt. Income/loss	17	-280	-172
Pre-tax profit	966	256	387
Net profit	872	180	233
less: Minority shareholders	295	-105	97
Net profit for Test Rite	577	285	137
EPS (NT\$)	1.30	0.64	0.31
Gross margin (%)	25.6%	27.3%	28.7%
Operating margin (%)	2.6%	1.6%	1.4%
Pretax margin (%)	2.6%	0.8%	1.3%
Net margin (%)	2.4%	0.5%	0.8%

Consolidated B/S for 2007- 2009

(NT\$m)	2007	2008	2009
Cash & Equivalents	3,428	1,263	1,320
Current Assets	13,088	10,196	8,968
Net PP&E	6,370	6,377	6,205
L/T Investments	340	190	221
Total Assets	24,552	23,535	22,222
S/T Debts	5,420	5,093	3,351
Current Liability	11,094	10,118	8,464
L/T Debts	2,800	5,273	5,349
Total Liabilities	16,373	17,624	15,775
Shareholders Equities	8,179	5,912	6,447
Current Ratio (%)	117.97%	100.77%	105.96%
Net Debt/Equity (%)	58.59%	153.97%	114.47%
Total Liab/Assets (%)	66.69%	74.88%	70.99%

* The "Deferred Credit" account (resulted from the real estate transaction: sale-and-leaseback) should be considered while calculating the Net 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 Group will literally be around 60.5% & 43.0% at the end of 2008 & 2007 respectively.

Test Rite International Co., Ltd. (2908) – Parent only Financial Statements

P&L for 2008 - 2009

NT\$m	2008	2009
Turnover	13,517	10,628
Turnover (US\$ in mn)	387	327
Gross profit	2,216	1,961
Gross margin	16.4%	18.5%
Operating Expense	(1,880)	(1,794)
Operating profit	336	167
Operating margin	2.5%	1.6%
Non-operating income/loss	(31)	(1)
Pre-tax profit	305	166
Net profit	285	137
Net profit margin(%)	2.1%	1.3%
EPS(Pre-tax)	0.70	0.52
EPS(Aft-tax)	0.65	0.31

Non-operating for 2008 - 2009

NT\$m	2008	2009
Trading Subsidiaries	(419)	(261)
Retail Subsidiaries		
- Taiwan Retail (TLW + Hola TW)	502	327
- Hola China	(246)	(261)
- Life 1 Plaza	(149)	(166)
- Others	(2)	(16)
Sub-total Retail Subsidiaries	105	(116)
Tong Lung Metal	164	132
FX Gain/(Loss)	142	149
Interest net amount	(199)	(73)
Others	83	92
Non-Operating Profit	(35)	(1)

Test Rite International Co., Ltd. (2908)

Year end B/S (Parent only) 2007 - 2009

(NT\$m)	2007	2008	2009
Cash & Equivalents	2,572	454	298
Current Assets	6,820	4,837	3,624
Net PP&E	583	595	623
L/T Investments	6,371	8,533	8,924
Total Assets	15,330	14,709	13,993
S/T Debts	1,626	757	233
Current Liability	3,606	2,386	1,761
L/T Debts	2,800	4,500	3,967
Total Liabilities	9,219	9,364	7,958
Shareholders Equities	6,111	5,345	6,035
Current Ratio (%)	189%	203%	206%
Net Debt/Equity (%)	30%	90%	65%
Total Liab/Assets (%)	60%	64%	57%

C/F (Parent only) of 2007 - 2009

(NT\$m)	2007	2008	2009
Operating CF	337	322	561
Investment CF	1,455	(2,288)	(197)
Financing CF	338	(163)	(521)
Net Cash Flow	2,130	(2,118)	(156)
Cash at beg. Year	442	2,572	454
Cash at end Year	2,572	454	298

Dividend policy (NTD)

Dividend	2006	2007	2008	2009
Cash Dividend	0.80	1.00	0.35	0.26
Stock Dividend	0.20	0.10	0.15	0.00
EPS	1.02	1.32	0.65	0.31
Cash Payout Ratio	79%	76%	54%	84%

* 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.

Test Rite International Co., Ltd. (2908)

P&L for 1Q10 & 1Q09 (parent only)

(NT\$m)	1Q10A	1Q09A	% chg
Turnover	2,828	2,881	-1.8%
Gross profit	559	527	6.1%
Operating profit	48	97	-50.5%
Non-operating income/loss	224	(23)	n.m.
Pre-tax profit	272	74	268%
Net profit	242	84	188%
EPS	0.50	0.20	150%
Gross margin	19.8%	18.3%	
Operating margin	1.7%	3.4%	
Pretax margin	9.6%	2.6%	
Net profit margin(%)	8.6%	2.9%	

Breakdown of Non-operating income (loss)

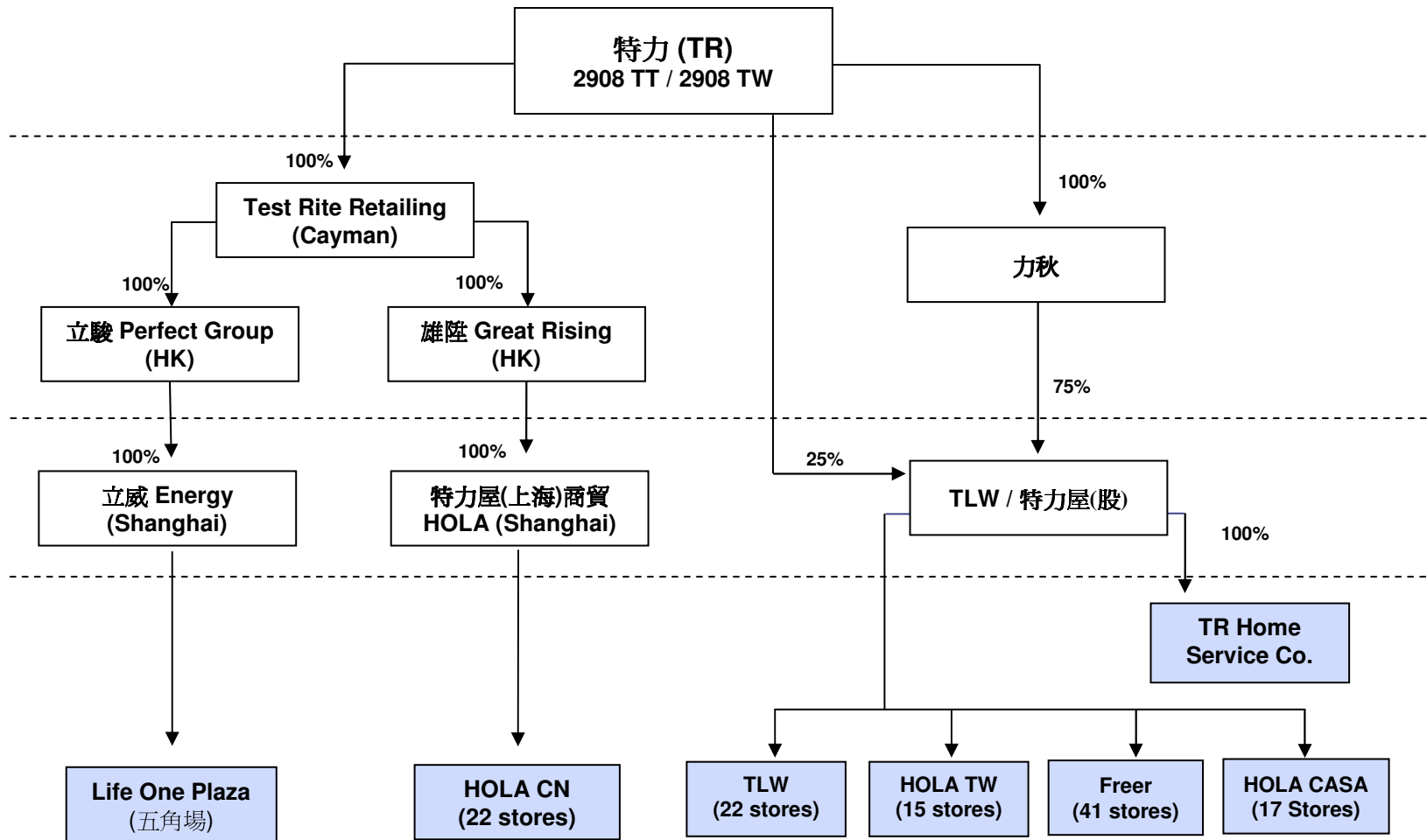
(NT\$m)	1Q10A	1Q09A	% chg
Trading Subsidiaries	(47)	(68)	n.m.
Retail Subsidiaries			
- TLW	230	123	87%
- Hola China	(46)	(88)	-48%
- Life 1 Plaza	(32)	(43)	-26%
- Others	(1)	0	n.m.
Subtotal: Retail Subs.	151	(8)	n.m.
Tong Lung Metal	24	19	26%
Other LT Investments	13	5	160%
FX Gain/(Loss)	90	58	55%
Interest income/(loss)	(17)	(26)	n.m.
Others	10	(3)	n.m.
Non-Operating Profit	224	(23)	n.m.



Retail Sector



Holding structure of TR Retail Group



Store # are as of June 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.

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 June-10)	2009 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
			Hola TW: 15 HOLA CASA: 17 FREER: 41	NT\$ 4,073 mn
HOLA China		Home Décor In China	22	RMB 449 mn



家的守護神
- 讓您家中大小事，一輩子都是特力零售的事



Designer
Home Renovation services

Home Deco solutions 軟裝天后



Home Improvement solutions 硬裝
天王



Affordable Indulgence

低調奢華 輕鬆擁有

Value for Money

物超所值

Simple Easy Exciting

to chose

to buy

experience

顧客匯集模式

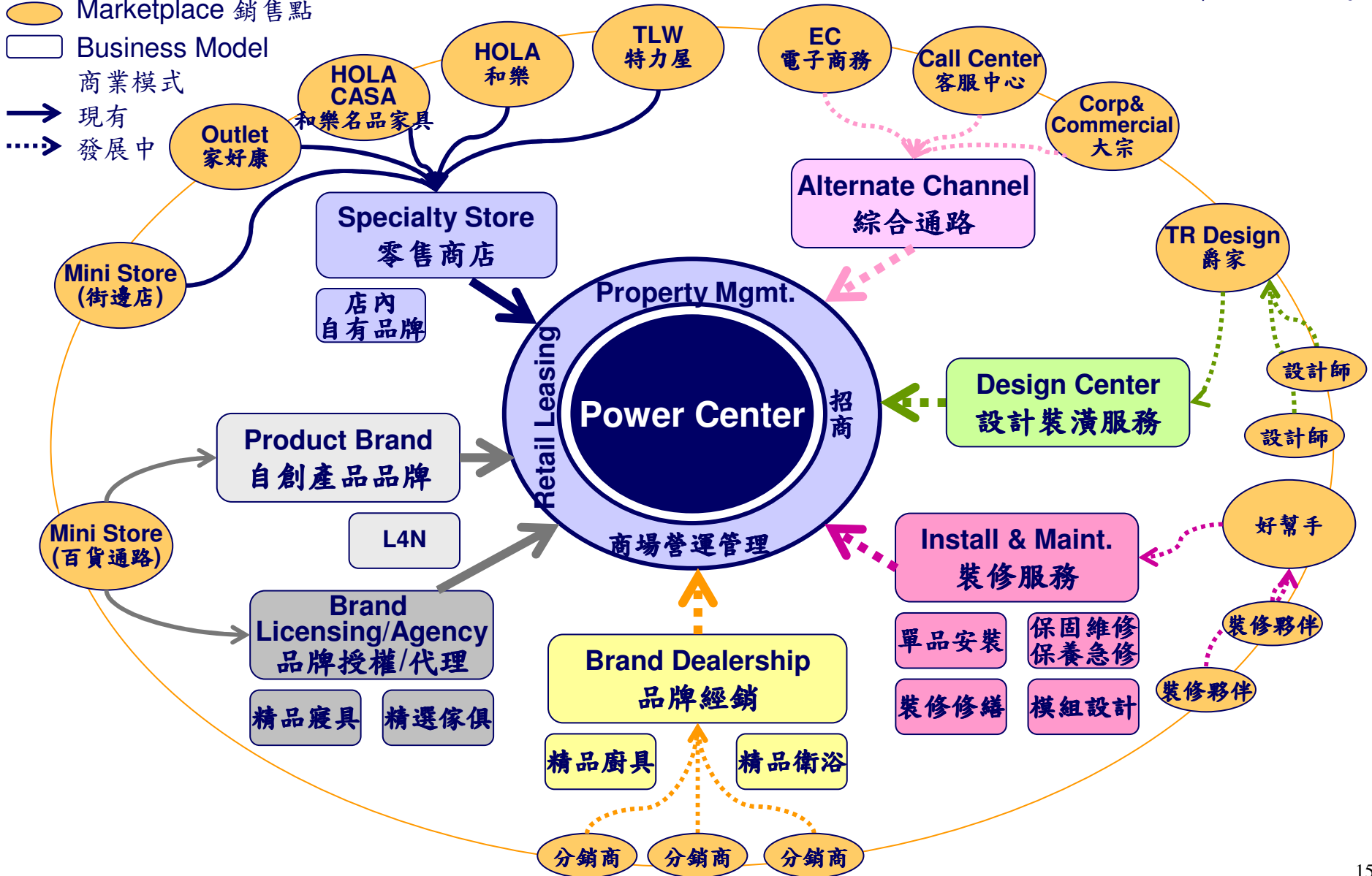
Note:

Marketplace 銷售點

Business Model
商業模式

現有

發展中



Growth Driver – Retail Group



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)

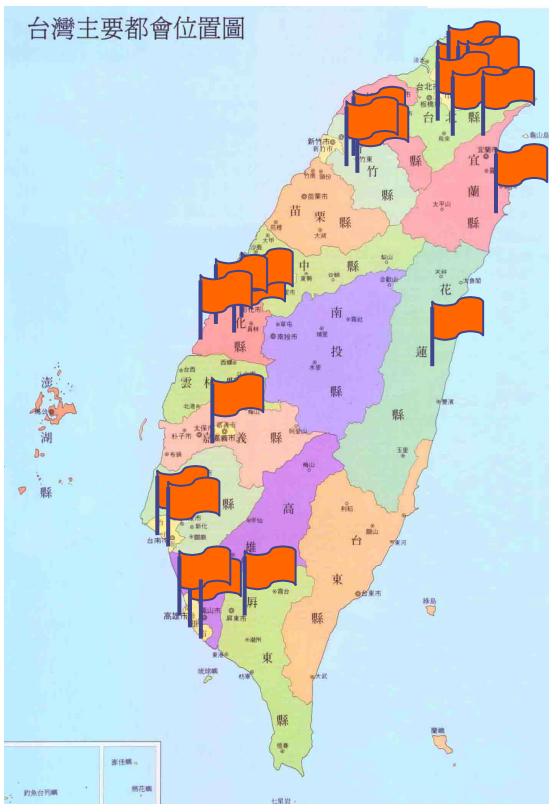


Leading DIY player with
~30% market share

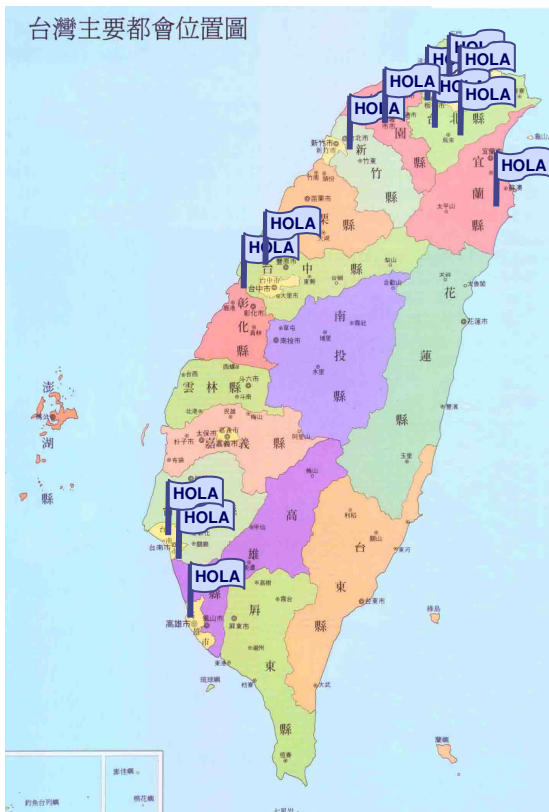


No. 1 home décor chain
in Taiwan with 15 stores

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\$mnn)	2006	2007	2008	2009
Revenue	10,134	9,771	9,687	9,361
YoY % chg	-6.2%	-3.6%	-0.9%	-3.4%
No. of stores	21	22	22	22

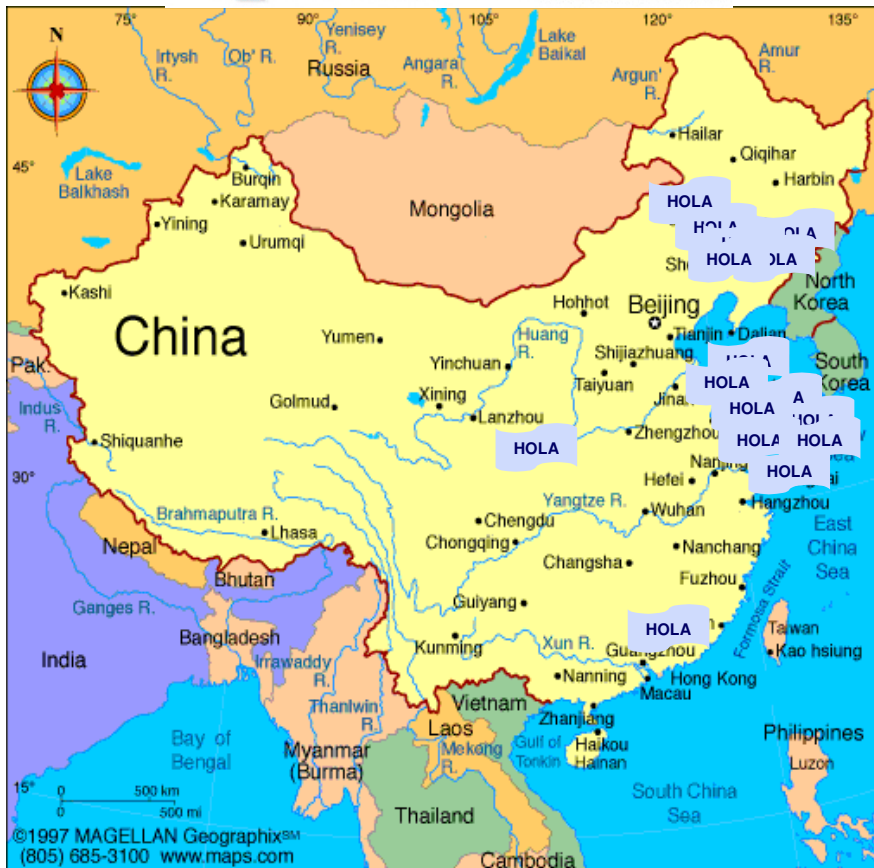
Hola Taiwan Revenue and Store #s

(NT\$mnn)	2006	2007	2008	2009
Revenue	3,037	3,182	3,549	4,073
YoY % chg	8.9%	4.8%	11.5%	14.8%
No. of stores	11	12	12	13



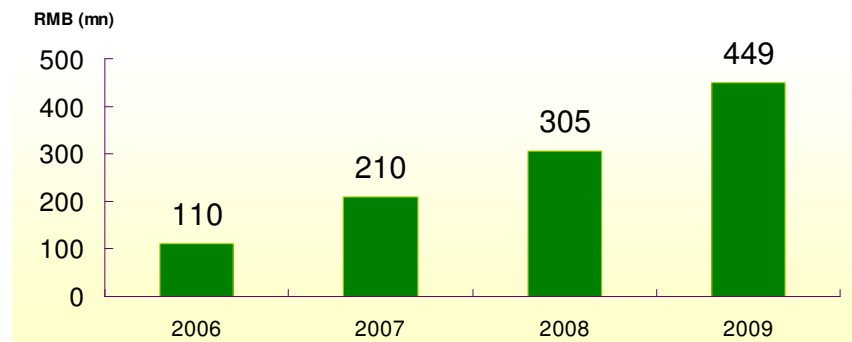
HOLA China (Private – 100% held by Test-Rite)

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



- HOLA China 22 stores as of June 2010
- Revenue for Jan. – May 2010 totaled RMB 250mn up 51% YoY

Net Sales



Store# **7** **9** **15** **18**

- 7 stores out of total 18 was profitable at store level in 2009; HOLA China turn profitable on a monthly basis for the first time in Dec-09
- Revenue in 1Q10 totaled RMB 155 mn, up 59% YoY; losses for 1Q09 reduced by 48% to RMB 46 mn. Revenue for January to May 2010 totaled RMB 250mn up 51% YoY
- Already added 4 stores in Shanghai and Beijing in 1H10; 5 additional stores planned for 2H10; total number of stores targeted to reach 27 by Dec-10.

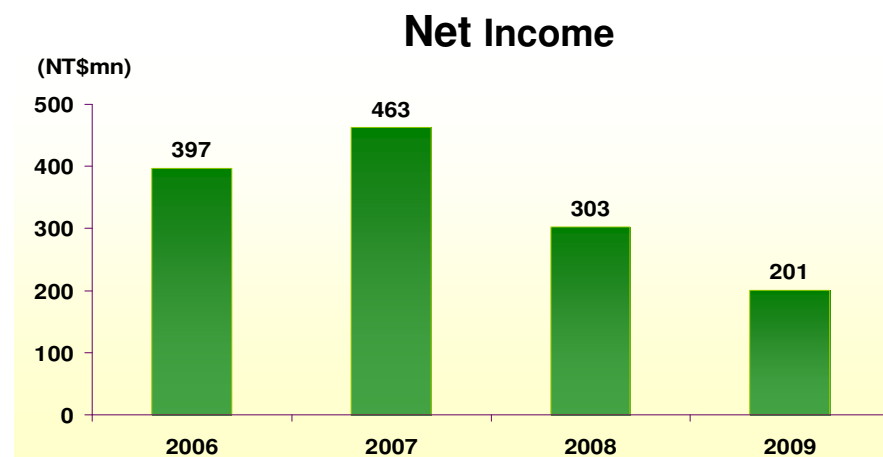
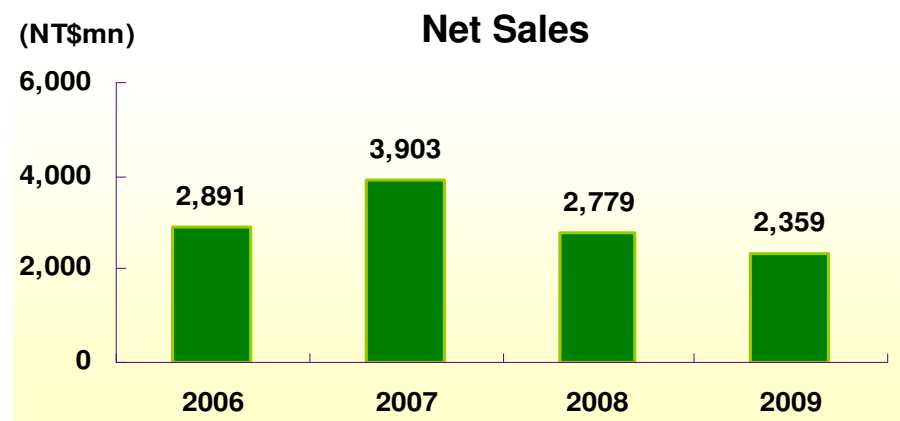


Tong Lung Metal Industry Co., Ltd. (8705 TT)

EZSET TLM – Leading manufacturer of door lockset

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 2007 - 09

NT\$m	2007	2008	2009
Turnover	3,930	2,779	2,359
Gross profit	747	419	367
Operating Expense	265	227	227
Operating profit	482	192	140
Non-operating income/loss	(12)	78	30
Pre-tax profit	470	271	170
Net profit	463	303	201
EPS	5.34	3.67	2.47
Gross margin	19.0%	15.1%	15.6%
Operating margin	12.3%	6.9%	5.9%
Pretax margin	12.0%	9.7%	7.2%
Net margin	11.8%	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 2007- 09

NT\$m	2007	2008	2009
Current Assets	1,837	1,237	1,181
Cash & equiv	161	59	97
A/R	429	463	429
Inventory	896	530	493
Net PP&E	395	431	410
Other Assets	1,134	1,009	968
Total Assets	3,015	2,492	2,397
S/T Debts	480	480	130
Current Liability	1,068	755	599
Other Liabilities	287	687	607
Total Liabilities	1,355	1,442	1,206
Shareholders Equities	1,660	1,051	1,191
Current Ratio (%)	172%	164%	197%
Liability ratio(%)	45%	58%	50%

TLM (8705)

P&L for 1Q10 and 1Q09

(NT\$m)	1Q10	1Q09	% chg
Net Sales	718.9	441.7	62.8%
Gross profit	112.1	80.3	39.5%
Operating profit	45.4	31.7	43.2%
Non-operating income/loss	2.6	(3.6)	-172.1%
Pre-tax profit	48.0	28.1	70.7%
Net profit	37.6	30.4	23.7%
EPS	0.46	0.37	23.7%
Gross margin	15.6%	18.2%	
Operating margin	6.3%	7.2%	
Pretax margin	6.7%	6.4%	
Net margin	5.2%	6.9%	

B/S as of 1Q10 and 1Q09

(NT\$m)	1Q10	1Q09
Current Assets	1271.0	1189.6
Cash & equiv	173.2	245.4
A/R	389.4	260.9
Inventory	553.9	488.1
Long-term investment	665.2	727.7
Net PP&E	410.5	422.2
Other Assets	150.1	99.7
Total Assets	2,496.9	2,439.3
S/T Debts	706.0	380.0
Current Liability	648.0	656.6
Other Liabilities	610.6	688.6
Total Liabilities	1,258.6	1,345.2
Shareholders Equities	1238.3	1094.1
Current Ratio (%)	196.2%	181.2%
Liability Ratio (%)	50.4%	55.1%

TONG-LUNG Milestone



EV/EC SERIES

COMMERCIAL CYLINDRICAL LEVER LOCK

- >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**



Thank you!

