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Test Rite Group 特力集團

Legal Disclaimer



- The information contained in this presentation, including all forward-looking statements, is subject to change without notice, whether as a result of new information, future events or otherwise, and Test-Rite Int'l Ltd. (the “Company”) undertakes no obligation to update or revise the information contained in this presentation.
- Actual results may differ materially from those expressed or implied in these forward-looking statements and no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is the information intended to be a complete statement of the Company, markets or developments referred to in this presentation.
- 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.

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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 completed 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”.

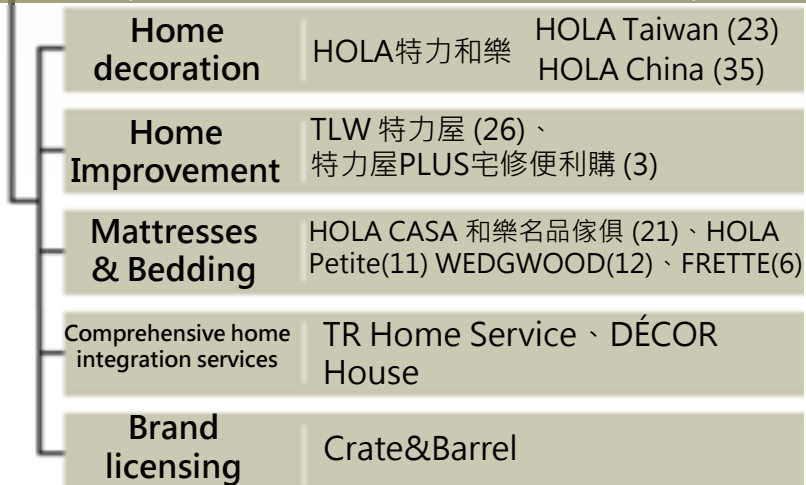


Sophia Tong, Group CEO. Sophia joined Test-Rite in March 2009 to lead both Trading and Retail businesses. Prior to Test-Rite Sophia was the General Manager of IBM Taiwan from 2006 to 2009 and the Director of China Banking Cluster for IBM Greater China Group. Sophia was previously with IBM for over 25 years.

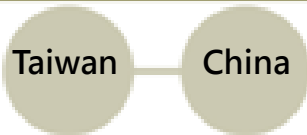
Group Structure



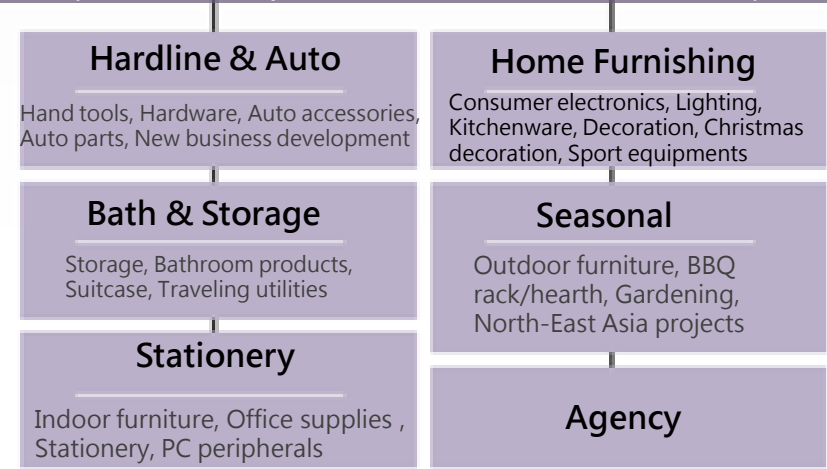
Test Rite Retail Business Group (1-3Q14 Revenue: ~NTD\$ 15.8 bn)



Market deployment



Test Rite Trading Business Group (1-3Q14 Shipment Value: ~NTD\$ 14.4 bn)



Market deployment



Other investment holdings

Creative Design/ Product Development

Theme Trend & Product Concept;
Product Design; VI & Graphic Design;
Packaging & Purchasing

Chung Cin Corp.

Shopping mall construction; Office
building construction; Booth
recruitment

Logistics/ warehousing services

China Taiwan
USA Europe

Test Rite Group Objectives



Milestones





FINANCIAL HIGHLIGHT IN 1-3Q14 TEST RITE

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1-3Q14 Highlights

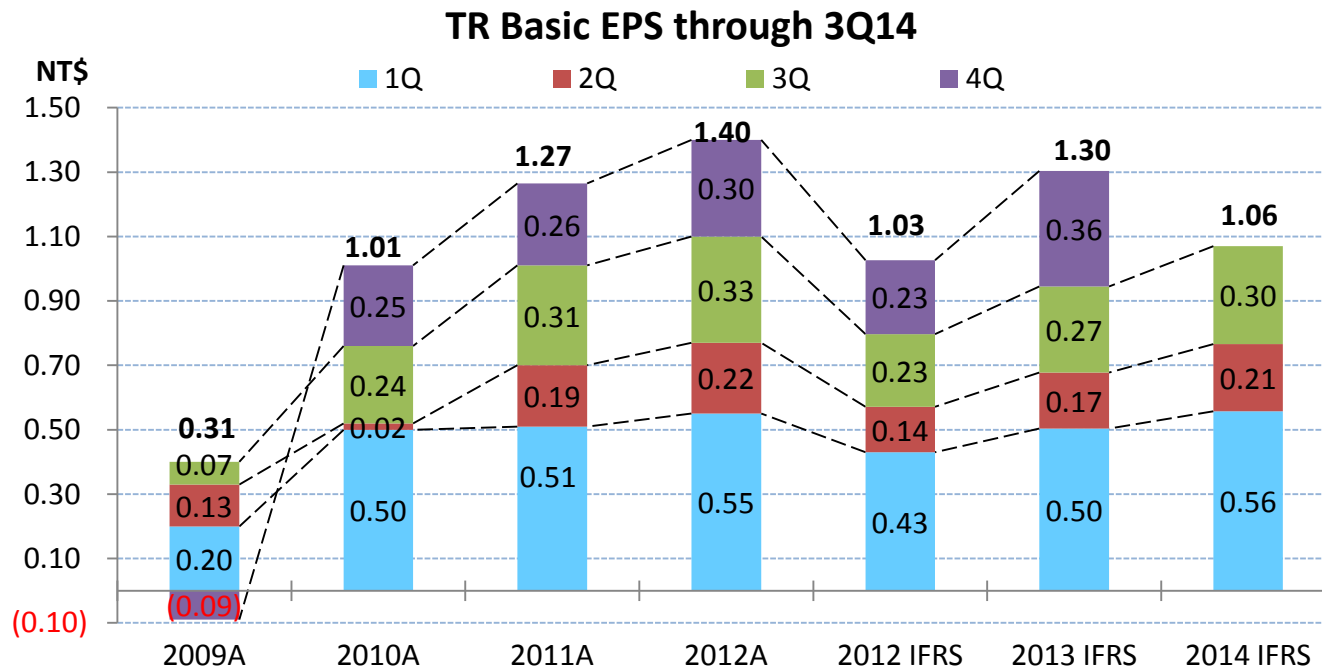


- Taiwan retail businesses net profit increased 1.8% to NT\$ 105.2 mn in 3Q14, driven by improving consumer demand and higher sales contribution from private label products
- Opened 2 HOLA stores (Suzhou and Chengdu) and closed 1 in China
- Opened 1 HOLA store (Hualien) in Taiwan
- Opened online store on T-mall in June, 2014
- Gain new agency customer - Fred's
- Sign a franchise agreement with Crate&Barrel, and expect to open new store before year end of 2015

Financial Highlights 1-3Q14



- 17th consecutive YoY increase of quarterly net income and EPS on the same accounting basis
- Basic EPS increased 10.6% to NT\$ 1.06 for 1-3Q14; Recurring fully-diluted EPS was NT\$ 0.95, + 14.5% YoY for 1-3Q14

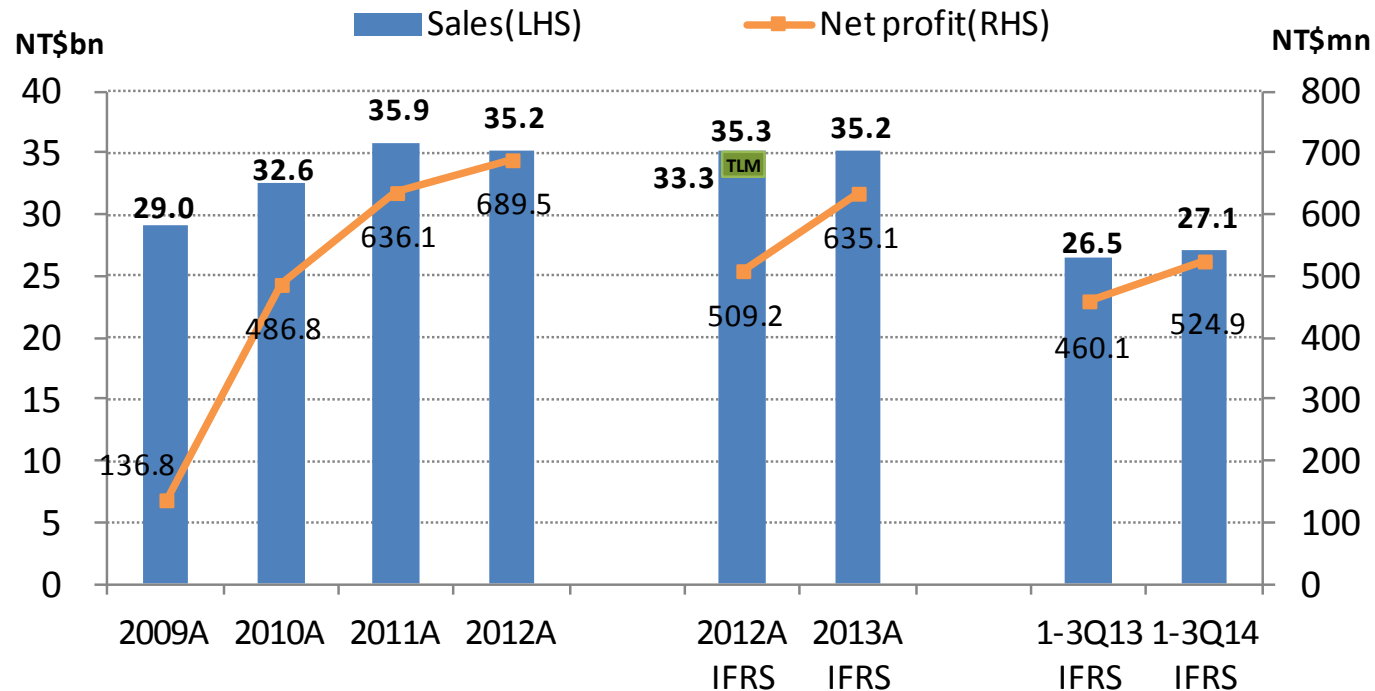


Financial Highlights 1-3Q14



- Consolidated sales was NT\$ 27.1 bn, increased 2.6% YoY for 1-3Q14, and consolidated net profit increased by 14.1% YoY to NT\$ 524.9 mn for 1-3Q14
- The catalyst for earnings growth can be attributed to the strong shipments driven by improving demand from retailers in North America and Europe

TR Group Sales & Profit

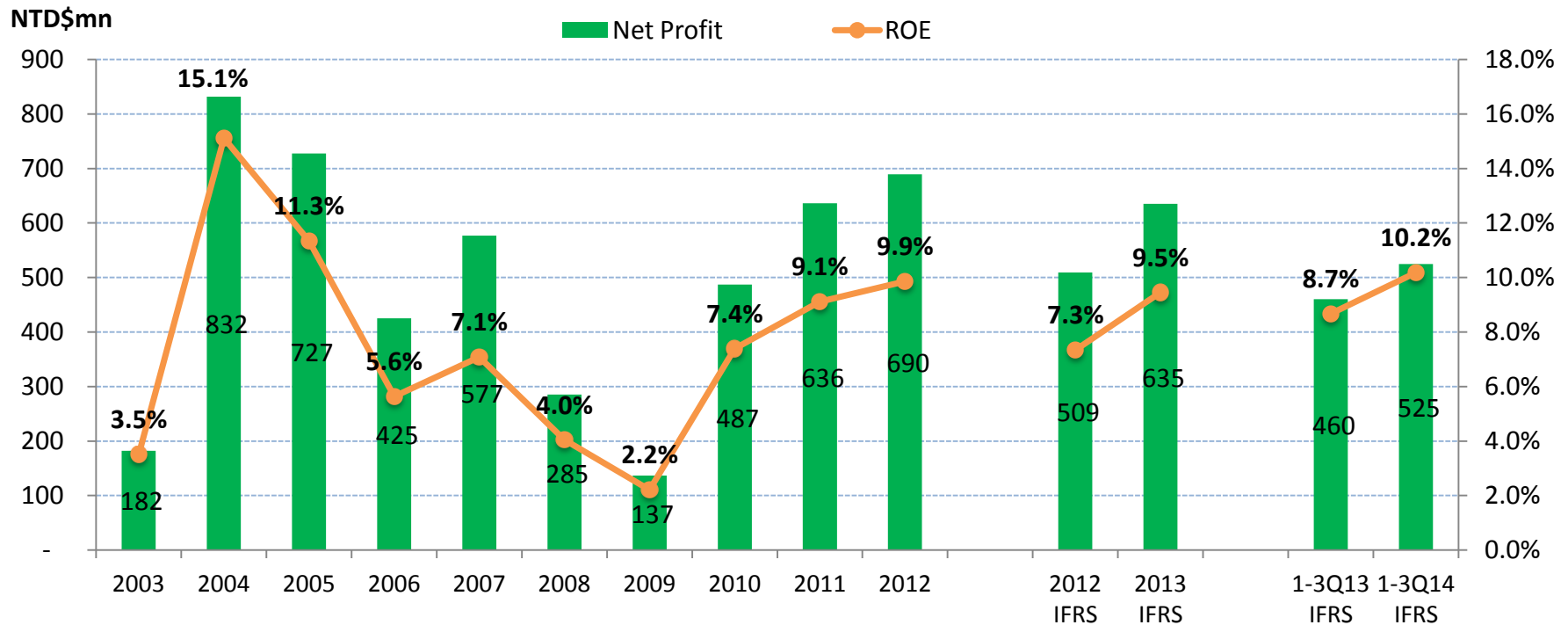


Financial Highlights 1-3Q14



- ROE continues to improve since 2009, mainly driven by higher margin and falling net debt ratio
- The decreased in net debt ratio is the result of
 - Disposal of Tong Lung Metal
 - Reduction of working capital

TR Group ROE & Net profit



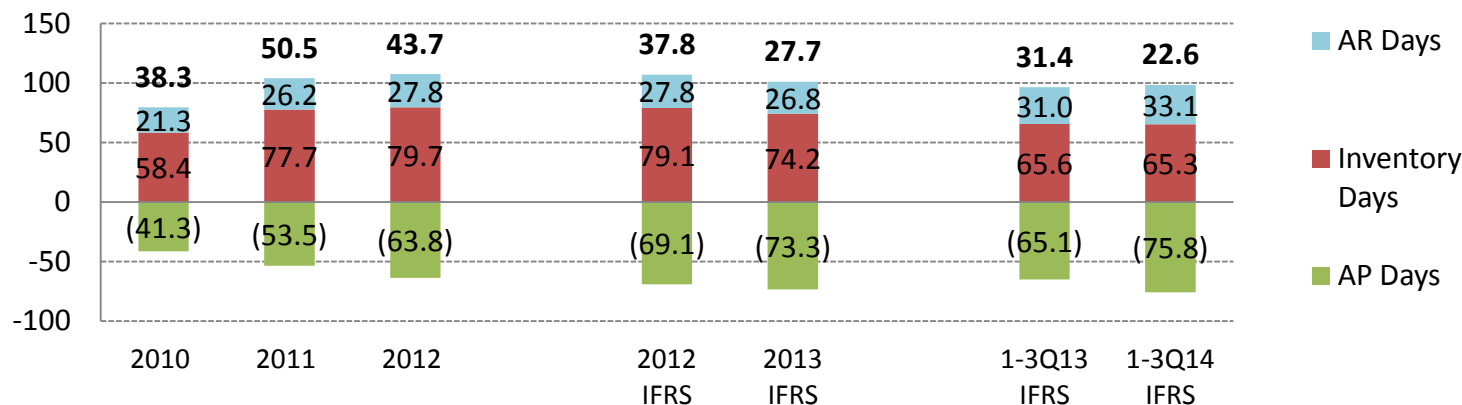
*ROE is defined as Net income/Average shareholders equity; for the trailing 4-quarters

Financial Highlights 1-3Q14



- The decline in working capital is the result of inventory control and payment extension in both trading (30 to 90 days) and retail (90 to 120 days)
- CCC improved to 27.7 days in 2013 and 22.6 days in 1-3Q14
- Net debt ratio decreased 40.1 ppt to 73.8% from 2011 to 2013. Interest expense decreased by 29.9% in 2013 versus 2011

TR Group Cash Conversion Cycle



NT\$ bn	2010A	2011A	2012A	2013A	1-3Q13A	1-3Q14A
Accounts receivables	2,186.4	2,961.8	2,413.5	2,759.4	3,021.5	3,545.0
Inventory	4,735.7	5,928.5	4,840.9	5,154.3	4,370.7	4,760.7
Accounts payable	3,212.7	4,471.9	4,531.4	5,467.0	5,024.9	5,747.2
Working Capital	3,709.4	4,418.4	2,723.0	2,446.7	2,367.2	2,558.5
YoY%		19.1%	-38.4%	-10.1%		8.1%

3Q14 & 1-3Q14 Consol. Revenue by BU



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

(NT\$ '000)	3Q13A	3Q14A	YoY%	1-3Q13A	1-3Q14A	YoY%
Trading sales	3,480,855	3,481,949	0.0%	9,838,896	10,142,348	3.1%
Taiwan retail sales	4,055,081	4,268,336	5.3%	12,458,316	12,815,112	2.9%
HOLA China sales	917,612	993,684	8.3%	2,818,700	2,953,172	4.8%
Total retail sales	4,972,693	5,262,020	5.8%	15,277,016	15,768,284	3.2%
Other sales	526,748	459,403	-12.8%	1,335,412	1,222,351	-8.5%
Consolidated Sales	8,980,296	9,203,372	2.5%	26,451,323	27,132,983	2.6%

- Consolidated sales for 1-3Q14 totaled NT\$ 27.1 bn, increased 2.6% YoY, growth can be attributed to higher sales per ticket and new store openings in Taiwan and China
- Accumulated sales for trading business totaled NT\$ 10.1 bn, +3.1% YoY, while accumulated shipments totaled NT\$ 14.4 bn, +6.5% YoY during the period. Agency business accounted for 2.0% of sales and 31.1% of total shipments
- Total retail revenue was NT\$ 15.8 bn, +3.2% YoY. Accumulated sales for Taiwan retail totaled NT\$ 12.8 bn, +2.9% YoY, and for HOLA China totaled NT\$ 2.95 bn (RMB\$ 600.3mn), +4.8% YoY

2014 Guidance



- Trading Business
 - Expect total shipment to ~5%

- TW Retail Business
 - Expect sales growth of 3~7%
 - Private label as % of sales to increase by 10 ppt to 15% for Hola

- HOLA China
 - Expect sales growth of 4~10%
 - Opened 2 new stores in April 2014; 1 in November 2014
 - Plan to open 1-2 additional new stores in December 2014

2015 Guidance



➤ Trading Business

- 3~5% growth total shipment growths
- Added one agency customers in 3Q14

➤ Retail Business

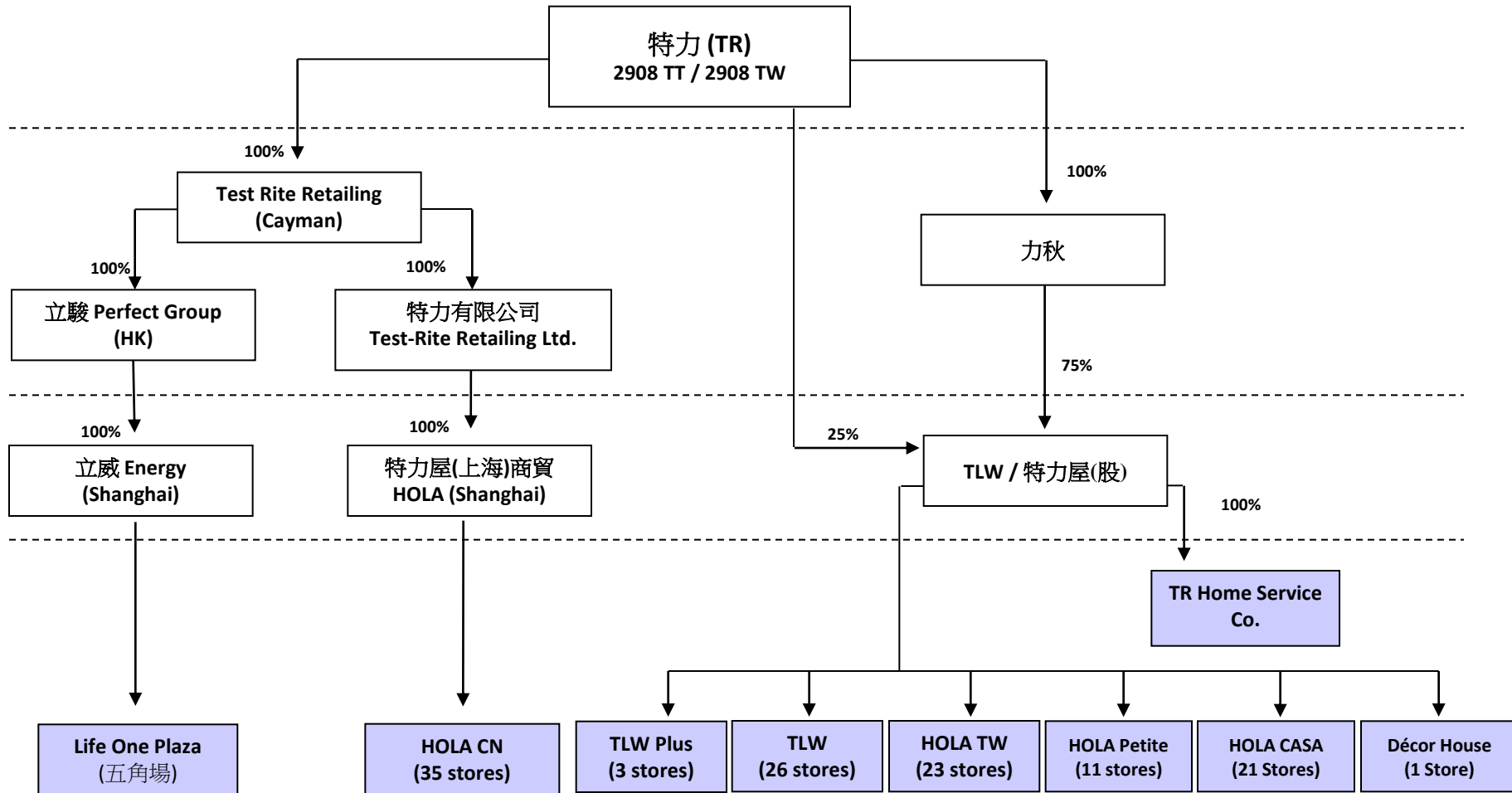
- Sales growth of 3~5% for Taiwan; 5-10% for Hola China, driven store openings and online sales
- GM% increase from higher sales % of PL products and joint procurement
- 5-8 store openings
 - +0 - 1 TLW; +2 Hola Taiwan;
 - Introduce first Crate & Barrel in Taiwan (4Q15)
 - +3-5 Hola China “New Concept Stores” (80-90% product overlap with Hola Taiwan)



RETAIL SECTOR 零售事業

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Holding structure of TR Retail Group



Store # are as of November 30th, 2014 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.

Retail Business Strategy



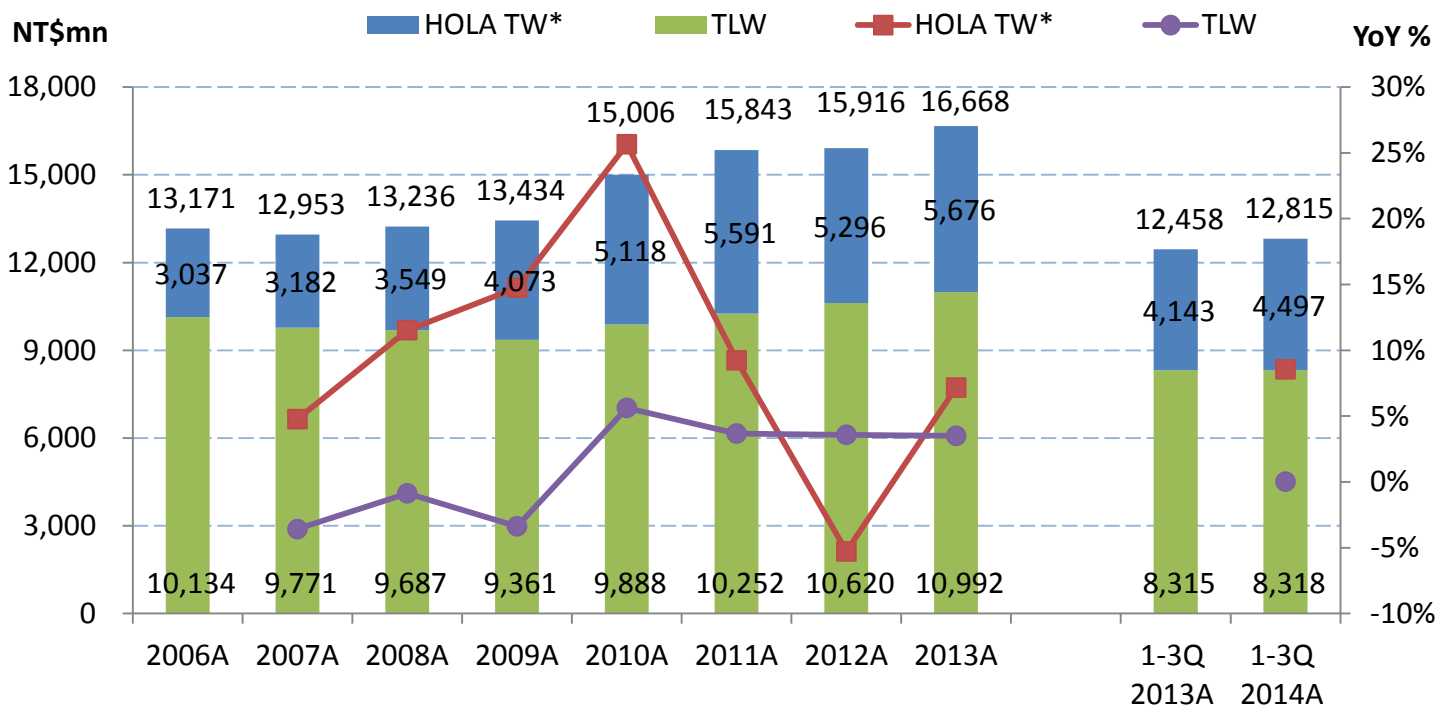
- TLW 特力屋
 - + 1 stores in 2015
- HOLA TW
 - + 1-2 stores in 2015 and +1 “HOLA Petite”
- Growth to leverage Omni-channel platform in China and Taiwan
- Gross margin expansions benefitting from
 - Higher private labels and private brands sales
 - Dual sourcing of Hola Taiwan and Hola China to reduced cost

TW Retail Business update



- TLW revenue totaled NT\$ 2.74 bn, +1.7%YoY for 3Q14, and totaled NT\$ 8.32 bn for 1-3Q14, flat compared with 1-3Q13
- Hola Taiwan revenue totaled NT\$ 1.53 bn, +12.4%YoY for 3Q14, and totaled NT\$ 4.50 bn, +8.6%YoY for 1-3Q14

TW Retail Net Sales



TW Retail Business update



Store #	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013A	1-3Q 2013A	1-3Q 2014A
TLW	21	22	22	22	23	23	24	26	26	26
HOLA TW	11	12	13	13	18	20	21	22	22	23
Total	32	34	35	35	41	43	45	48	48	49

Selling space(m ²)	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013A	1-3Q 2013A	1-3Q 2014A
TLW	91,756	93,938	93,938	93,938	89,727	87,966	88,711	92,060	92,494	92,071
HOLA TW	36,919	40,073	43,541	43,541	50,349	53,995	51,780	53,117	53,169	53,855
Total	128,675	134,011	137,479	137,479	140,076	141,961	140,491	145,177	145,663	145,927

Avg. selling space(m ²)	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013A	1-3Q 2013A	1-3Q 2014A
TLW	4,369.3	4,269.9	4,269.9	4,269.9	3,901.2	3,824.6	3,696.3	3,540.8	3,557.5	3,541.2
HOLA TW	3,356.3	3,339.4	3,349.3	3,349.3	2,797.2	2,699.8	2,465.7	2,414.4	2,416.8	2,341.5
Total	4,021.1	3,941.5	3,928.0	3,928.0	3,416.5	3,301.4	3,122.0	3,024.5	3,034.7	2,978.1

Omni-Channel

<http://www.i-house.com.tw/>



- Sales totaled NT\$ 79.8 mn in 3Q14, +6.2%YoY, and accounted for 2.9% of TLW sales
- Sales totaled NT\$ 185.7 mn in 1-3Q14, +17.2%YoY, and accounted for 3.2% of TLW sales
- Average sales growth is 28.3% YoY from 1Q13~3Q14
- Have ~15,000 SKUs online now, and target ~16,000 SKUs at the end of 2015
- TLW store have 30,000~40,000 SKUs in average

Omni-Channel

<http://www.hola.com.tw/>



- Sales totaled NT\$ 35.8 mn in 2Q14, +4.7%YoY, and accounted for 2.3% of HOLA TW sales
- Sales totaled NT\$ 114.5 mn in 1-3Q14, +14.1%YoY, and accounted for 2.5% of HOLA TW sales
- Average sales growth is 29.6% YoY from 1Q13~3Q14
- Have ~10,000 SKUs online now, and target ~11,000 SKUs at the end of 2015
- HOLA store have 30,000~40,000 SKUs in average

The screenshot shows the HOLA website interface. At the top, there's a navigation bar with the HOLA logo and various service links. Below that, a large banner promotes the mobile app with a QR code and the text 'HOLA手機版!全新登場! 24小時不打烊,隨時掌握最新優惠!'. To the left, there's a 'Today Only' special offer for a 62-inch TV. Below the banner, there are several product listings with images and prices, such as rice, shelves, and bedding. The bottom of the page features more promotional banners, including one for '佈置愛家 品味理想家園' and another for '幸福一百!'.

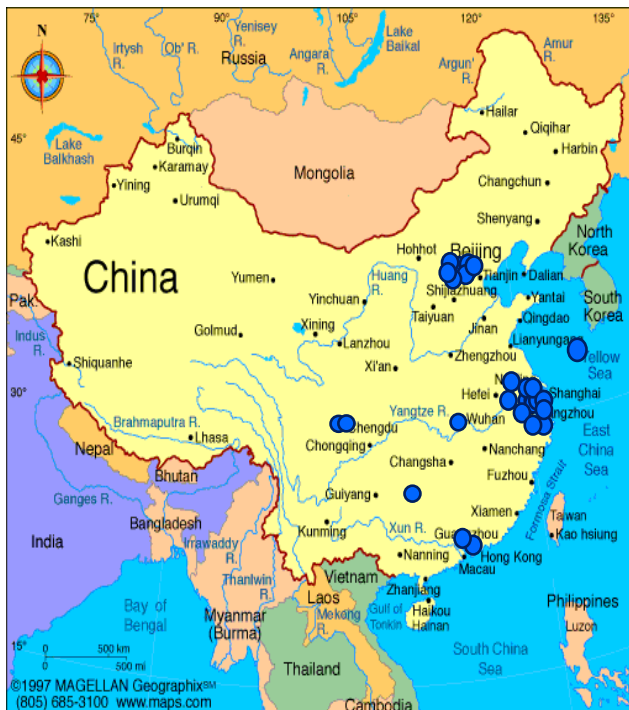
HOLA CN Business Strategy



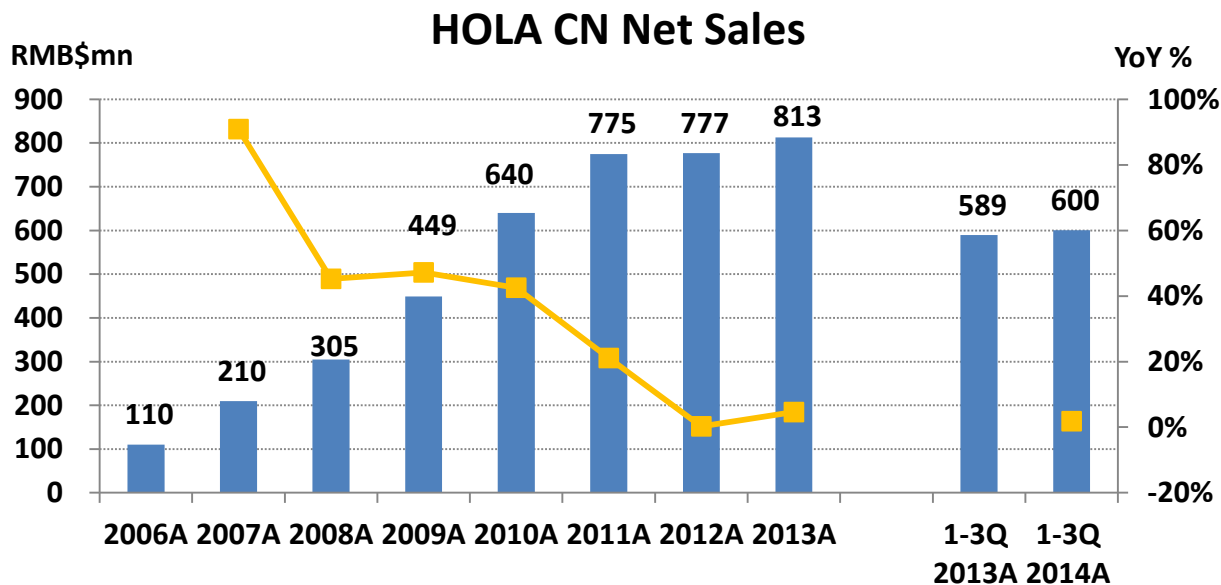
- Turn profitable: single quarter/ annual
 - Target breakeven for 2015
- Plan to open 3 – 5 stores in 2015 (target 38-40 stores by year end)
- Develop private labels and private brands, become a “Style Leader”
- Fine tune our operation strategy
 - store location 、 logistics 、 smart retail 、 Omni-channel
 - Dual sourcing with Taiwan
 - Launch of “New Concept Stores” in 4Q14 (80-90% product overlap with Hola Taiwan”
- Upgrade our service
 - CRM 、 people and consultative selling and accountable corporate culture



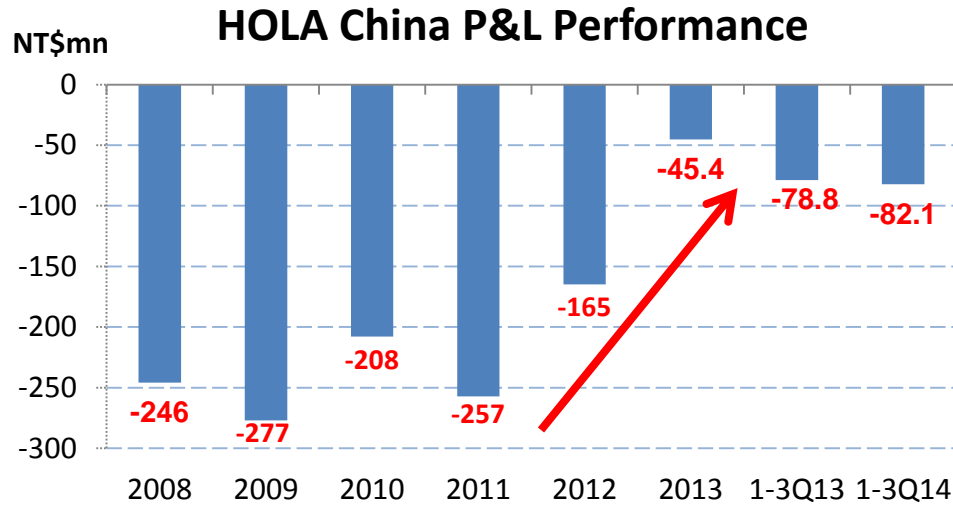
HOLA China (Private – 100% held by Test-Rite)



- Revenue totaled RMB\$ 204.1 mn, +7.3% YoY for 3Q14 and totaled RMB\$ 600.3 mn, +1.8% YoY for 1-3Q14



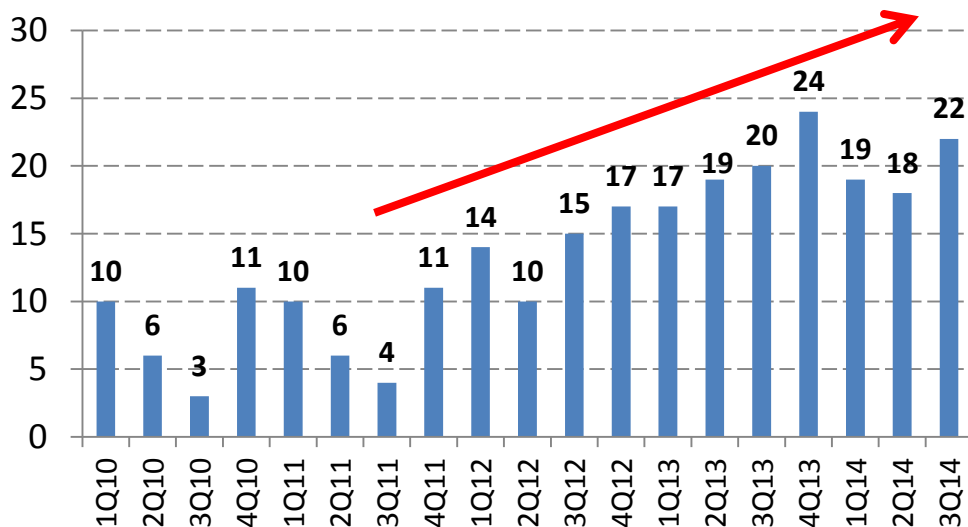
(m ²)	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013A	1-3Q 2013A	1-3Q 2014A
Selling space	25,593	32,595	46,442	51,506	59,481	60,116	63,686	62,848	60,953	62,316
Store #	7	9	14	18	27	28	31	33	32	34
Avg. sales per m ² /RMB\$K	4.3	6.4	6.6	8.7	10.8	12.9	12.2	12.9	12.7	13.0



- Loss increased by 4.2% YoY to net loss NT\$ 82.1 mn for 1-3Q14, mainly resulted from new store opening expense incurred during 2Q14

- 22 out of 34 stores were at breakeven for 3Q14, versus 20 out of 33 stores in 3Q13

HOLA CN Breakeven store numbers

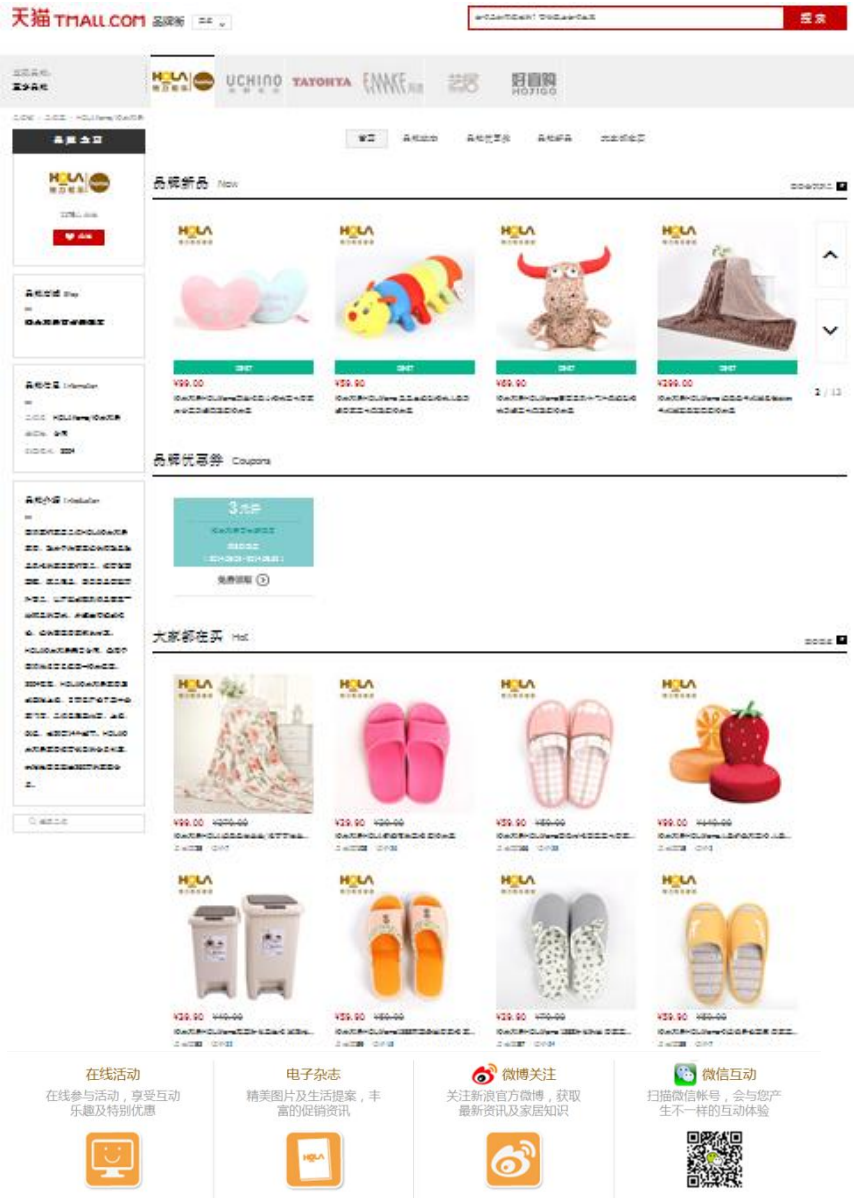


- Same-store-sales, calculated for stores opened for more than one year, was 3.1% for 3Q14 and 3.2% for 1-3Q14

- Opened 2 new stores in Suzhou and Chengdu in April 2014, and closed one store during 3Q14, totaled 34 stores at the end of 3Q14

HOLA CN Omni-Channel

<http://holahome.taiwan.tmall.com/>



- Communicate promotional events and with customers by WeChat every week
- Open online store on T-mall in June, 2014
- September revenues totaled \$96.8K RMB, +46.0% MoM, and accounted for 0.1% of sales
- 3Q14 revenues totaled \$203.4K RMB, accounted for 0.1% of sales
- ~300 SKUs online
- Prepare to launch additional platform and micropayment services in 4Q14~1Q15



HOME

TRADING SECTOR



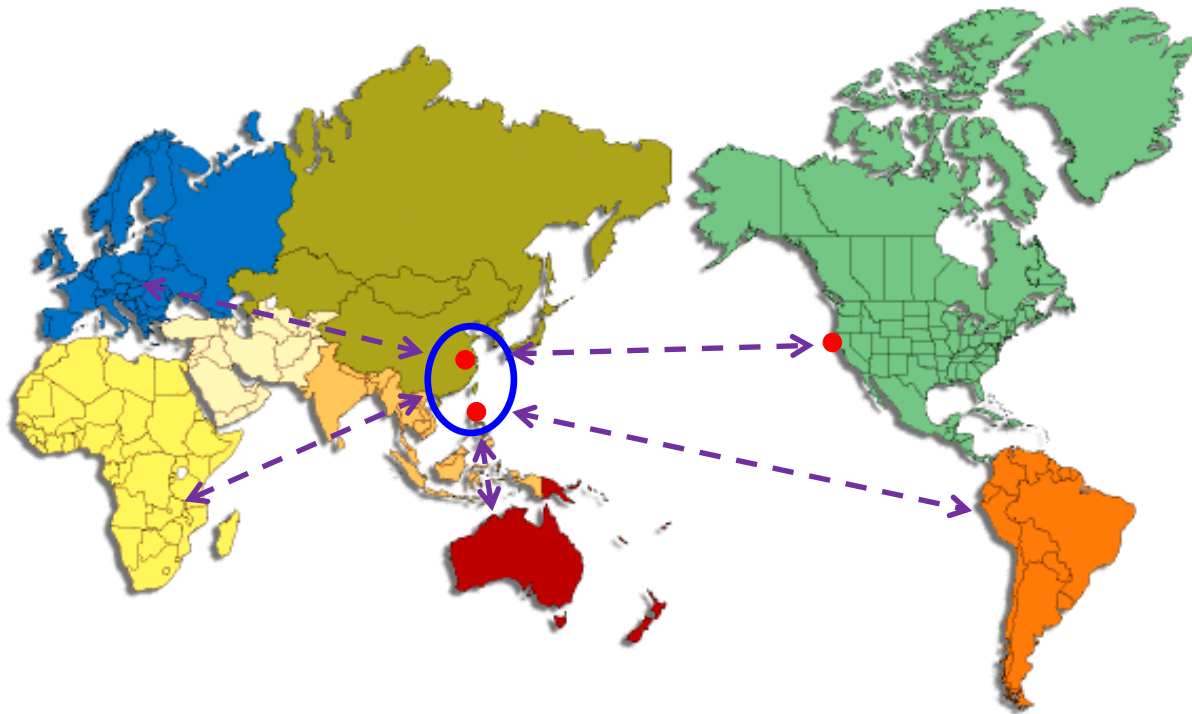
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Global Worldwide Network



- 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.

Worldwide Trading Service



● TESTRITE's Warehouse

Greater China Retail Service



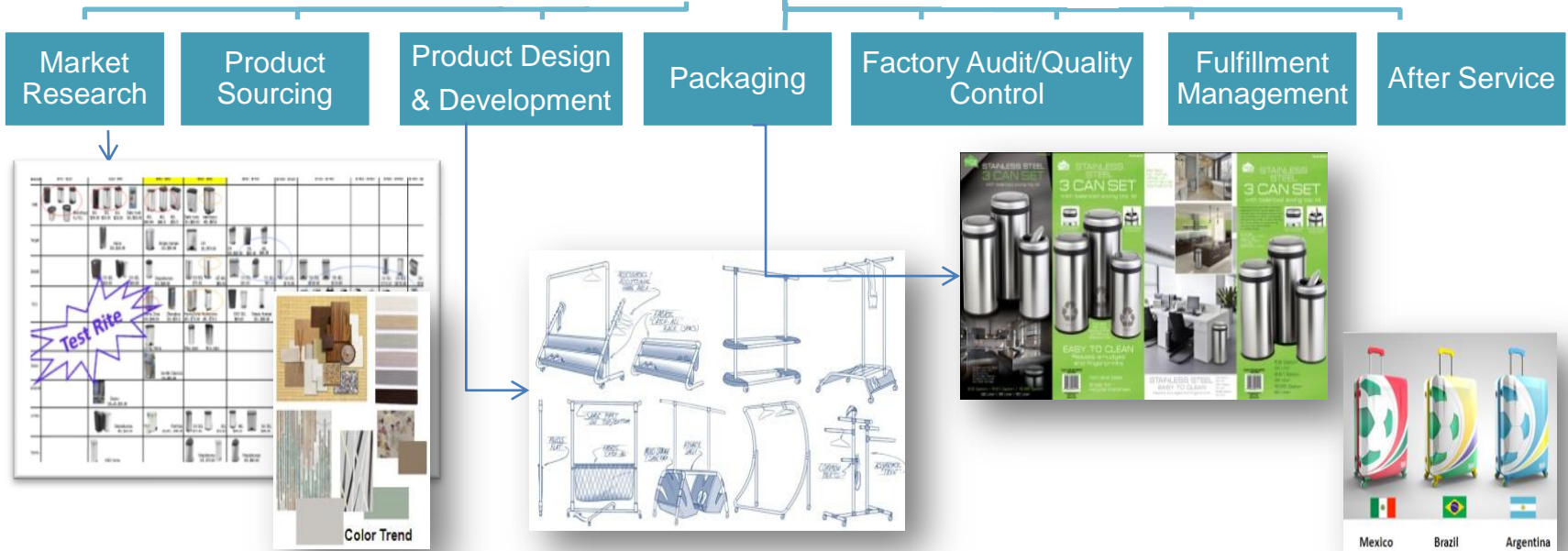
Trading Sourcing Ability



- Experienced global sourcing and partnership with renowned retailers
- Offer end-to-end sourcing/logistics/warehousing solutions

Sourcing Solutions

Solution Consolidation



Trading Growth Opportunities



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



- ❑ Continue agency business' growth momentum



- ❑ Seek for potential acquisition targets
- ❑ Leverage Shanghai FTZ warehouse capabilities
- ❑ Grow brand licensing business

Trading Growth Opportunities - Brand agency



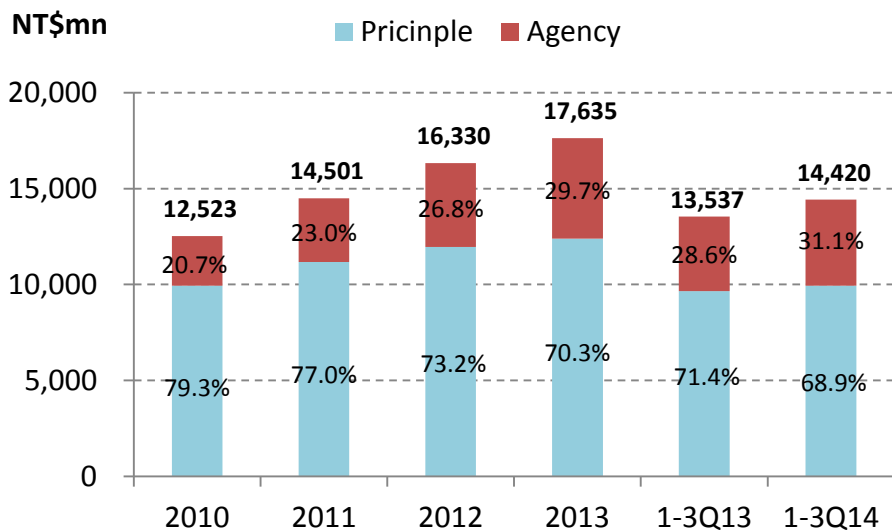
		<u>Kitchenware</u>	<u>Appliance</u>	<u>Storage</u>	<u>Décor/Textile</u>
Product Brand	2013	 	 		
	2014	 	 	 	
	2015			 	
Channel Brand (Franchising)					
Channel Brand (Licensing)					

Trading Overview – 1-3Q14

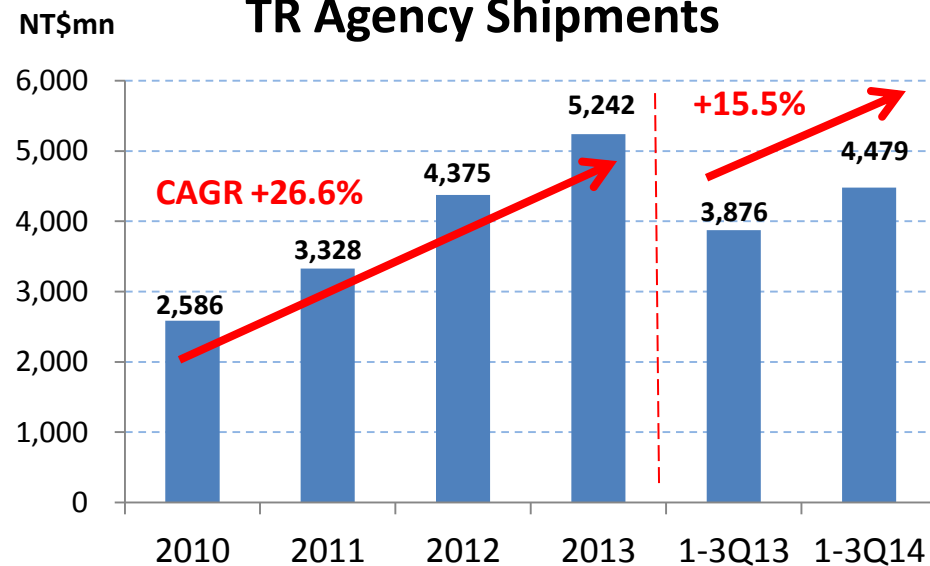


- Principle trading shipments totaled NT\$ 9.94 bn, +2.9% YoY for 1-3Q14 and accounted for 68.9% of total shipments
- Agency business shipments totaled NT\$ 4.48 bn, +15.5% YoY for 1-3Q14, accounted for 31.1% of total shipments
- Commission revenue total NT\$ 201.2 mn, +12.8% YoY for 1-3Q14, accounted for 2.0% of total trading sales

TR Trading Shipments



TR Agency Shipments

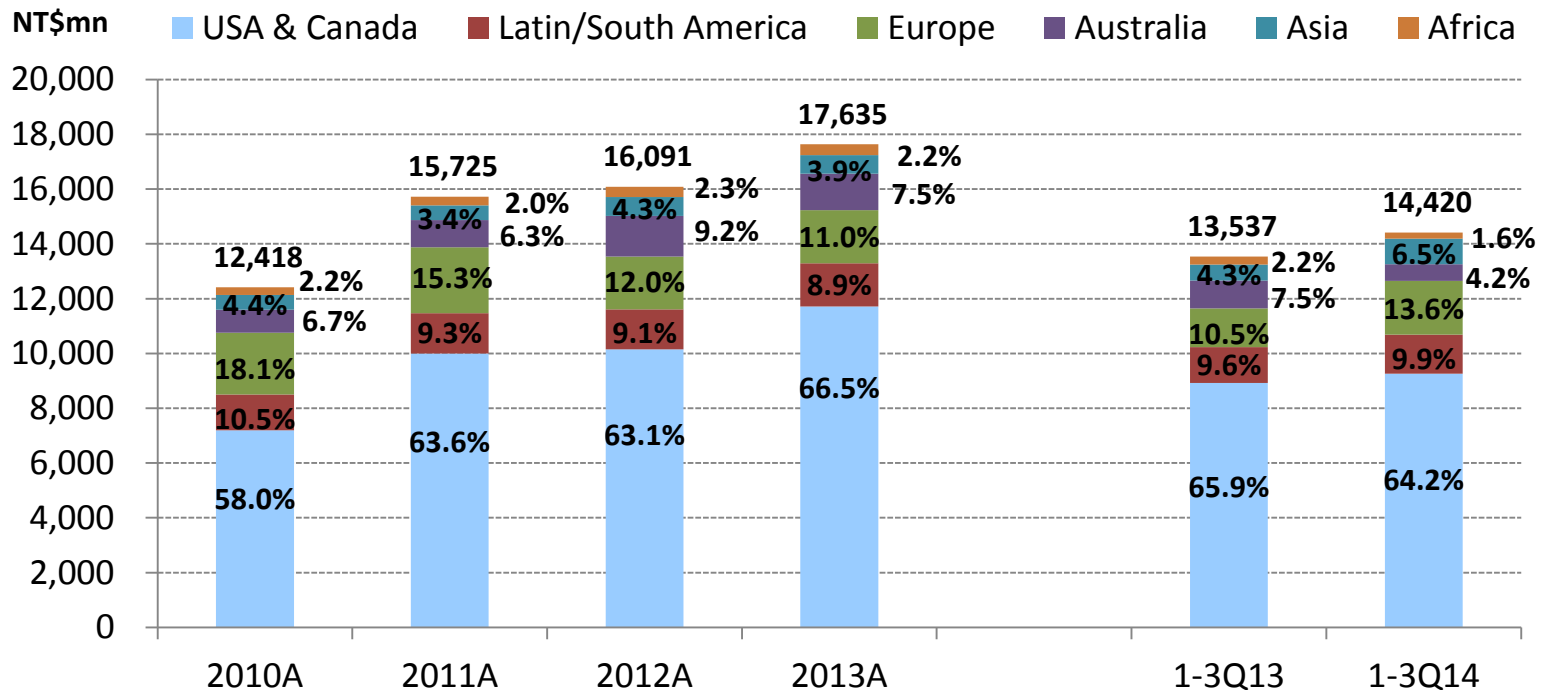


Trading Overview – 1-3Q14



- Trading consolidated shipments breakdown by region
 - The Americas usually accounted for 55-75%, Europe around 10-15%, Asia and Australia around 5-10%
 - Saw strong growth in Europe in 1-3Q14

TR Trading Shipments by Region

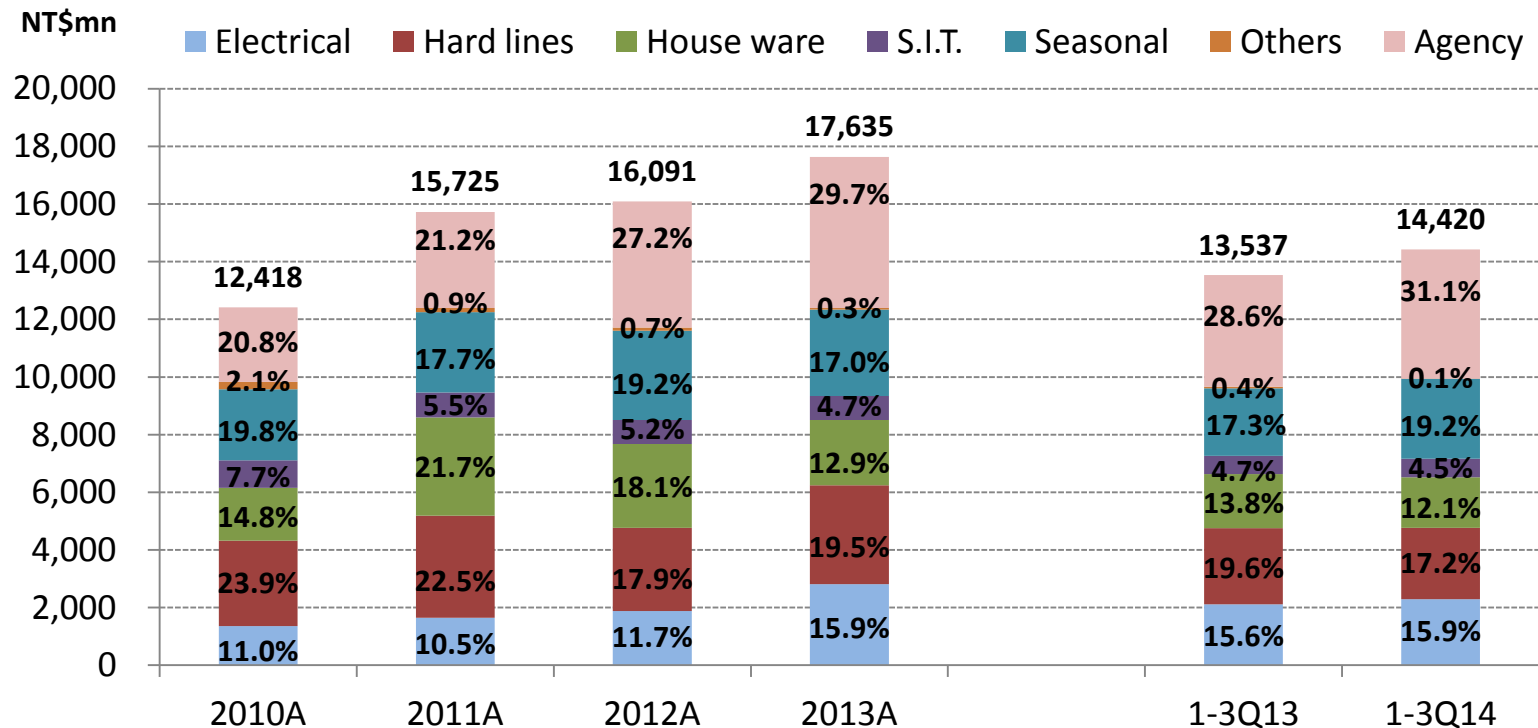


Trading Overview – 1-3Q14



- 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 31.1% of total shipments for 1-3Q14

TR Trading Shipments by Categories





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Q & A





**APPENDIX:
RECENT FINANCIAL RESULTS**



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Test Rite 3Q14 / 1-3Q14 Consolidated P&L



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

Consolidated P&L for 3Q14 & 1-3Q14 (IFRS Based)

(NT\$ mn)	3Q13	3Q14	YoY%	1-3Q13	1-3Q14	YoY%
Turnover	8,980.3	9,203.4	2.5%	26,451.3	27,133.0	2.6%
Gross profit	2,701.4	2,774.3	2.7%	7,843.5	7,978.5	1.7%
Gross margin %	30.1%	30.1%	0.1%	29.7%	29.4%	-0.2%
Operating Expense	-2,524.8	-2,565.2	1.6%	-7,320.1	-7,295.2	-0.3%
Operating profit	176.6	209.1	18.4%	523.4	683.3	30.5%
Operating margin %	2.0%	2.3%	0.3%	2.0%	2.5%	0.5%
Non-operating income/loss	-23.2	-13.7	-40.8%	-14.5	-17.6	21.2%
Pre-tax profit	153.5	195.4	27.4%	508.9	665.7	30.8%
Net profit	129.9	150.0	15.5%	464.6	535.7	15.3%
Other comprehensive income	-4.4	25.9	NA	6.6	20.5	209.1%
Total net profit	125.5	175.9	40.2%	471.3	556.2	18.0%
Net profit attribute to TRIC	130.2	150.4	15.5%	460.1	524.9	14.1%
Recurring Net profit attribute to TRIC *	130.0	134.5	3.4%	432.2	493.9	14.5%
Basic EPS(attributed to TRIC)(NT\$)	0.27	0.30	12.1%	0.95	1.06	10.6%
Recurring Fully-diluted EPS(Aft-tax)*	0.25	0.26	3.4%	0.83	0.95	14.5%

* Recurring net profit exclude FOREX and M&A related one-time expense. FOREX contribution for 3Q14 and 3Q13 was NT\$ 18.0 mn and NT\$ 0.83 mn; 1-3Q14 and 1-3Q13 was NT\$ 31.0 mn and NT\$ 28.0 mn. M&A related one-time expense is for 3Q14 and 3Q13 was NT\$ 2.04 mn and NT\$ 0.64 mn; 1-3Q14 and 1-3Q13 was NT\$ 3.32 mn and NT\$ 1.91 mn

Test Rite 3Q14/1-3Q14 Consolidated P&L (by BU)



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

Consolidated sales and net profit by BU for 3Q14 & 1-3Q14 (IFRS Based)

Consolidated sales (NT\$ mn)	3Q13	3Q14	YoY%	1-3Q13	1-3Q14	YoY%
Trading ☉	3,480.9	3,481.9	0.0%	9,838.9	10,142.3	3.1%
Taiwan Retail ▲	4,055.1	4,268.3	5.3%	12,458.3	12,815.1	2.9%
HOLA China ^	917.6	993.7	8.3%	2,818.7	2,953.2	4.8%
Others #	526.7	459.4	-12.8%	1,335.4	1,222.4	-8.5%
Consolidated Sales	8,980.3	9,203.4	2.5%	26,451.3	27,133.0	2.6%

Consolidated net profit (NT\$ mn)	3Q13	3Q14	YoY%	1-3Q13	1-3Q14	YoY%
Trading ☉	157.9	109.7	1.0%	432.8	437.4	17.2%
Taiwan Retail ▲	103.3	105.2	1.8%	421.1	418.5	-0.6%
HOLA China ^	-24.4	-31.6	29.6%	-78.8	-82.1	4.2%
Others #	-106.6	-32.8	-22.5%	-315.0	-248.8	1.1%
Consolidated Net Profit	130.2	150.4	15.5%	460.1	524.9	14.1%
Consolidated Recurring Net Profit	130.0	134.5	3.4%	434.1	497.2	14.5%

☉ Trading included Great China, TRPC, SO/RO, and related party transactions write-off.

▲ Taiwan Retail included TLW (DIY), DÉCOR House, Hola Taiwan, and TTS.

^ HOLA China only included HOLA China.

Others included Life 1 Plaza, TRR others, Chung Cin, group office expense, and gain on sale and leaseback.

Test Rite 3Q14 Consolidated Balance Sheet



Test Rite International Co., Ltd. (2908) – Consolidated (IFRS Based) Consolidated Balance Sheet for 3Q14 (IFRS Based)

(NT\$ mn)	3Q13A	3Q14A		3Q13A	3Q14A
Total cash and cash equivalents	1,550.9	2,939.9	Short-term borrowings	1,919.2	2,528.4
Total current financial assets at fair value through profit or loss	277.4	387.6	Short-term notes and bills payable	50.0	80.0
Current bond investment without active market, net	162.6	152.2	Total current financial liabilities at fair value through profit or loss	0.2	-
Accounts & Notes Receivable	3,021.5	3,545.0	Accounts and Notes Payable	5,024.9	5,747.2
Other Receivable	795.2	491.7	Other Payable	1,935.1	1,524.8
Total inventories	4,370.7	4,760.7	Current tax liabilities	61.1	56.8
Total prepayments	583.8	548.3	Total advance receipts	806.3	718.4
Other current financial assets	0.3	1.7	Total long-term liabilities, current portion	200.0	400.0
Other Current Assets	64.0	33.2	Other Current Liability	314.7	250.9
Total current assets	10,826.2	12,860.5	Total Current Liabilities	10,311.5	11,306.6

Test Rite 3Q14 Consolidated Balance Sheet



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

Consolidated Balance Sheet for 3Q14 (IFRS Based)

(NT\$ mn)	3Q13A	3Q14A		3Q13A	3Q14A
Non-current financial assets at cost, net	73.9	71.1	Long-term bank loans	5,155.6	5,548.6
Non-current bond investment without active market, net	50.0	50.0	Accrued pension liabilities	122.4	121.6
Total property, plant and equipment	6,189.3	6,071.8	Other Non-Current Liability	417.2	387.5
Goodwill And Intangible Assets	2,383.1	2,473.5	Total non-current liabilities	5,695.1	6,057.7
Deferred Assets	1,132.4	1,152.8	Total liabilities	16,006.6	17,364.2
Total other non-current assets	1,945.9	1,849.3			
Total Non-Current Assets	11,774.5	11,668.4	Capital	5,219.6	5,219.6
			Total capital surplus	694.5	711.8
			Total retained earnings	1,402.5	1,600.7
			Total other equity interest	-22.3	19.7
			Treasury shares	-729.1	-415.5
			Total equity attributable to owners of parent	6,565.0	7,136.3
			Non-controlling interests	29.1	28.4
			Total equity	6,594.1	7,164.7
Total assets	22,600.7	24,528.9	Total Liabilities & Equity	22,600.7	24,528.9



家的大小事
一輩子都是特力的事!

Thank you!



Test Rite Group 特力集團