



Issued by: Test-Rite International Co. Ltd
(Ticker: 2908 TT/ 2908 TW)

Date: March 25th, 2014

Re: Test-Rite Int'l's 4Q13 and FY2013 earnings result announcement

Test-Rite reports FY2013 net profit of NT\$ 635.1mn, up 24.7% YoY; basic EPS of NT\$ 1.30 increased 26.4%; The Board approved management's proposal to distribute cash dividend payout of NT\$ 1.00 per share.

Test-Rite reported IFRS based FY2013 consolidated revenue of NT\$ 35.2bn, flat on YoY basis. Net profit totaled increased to NT\$ 635.1 mn, an increase of 24.7% YoY in 2013, with basic EPS of NT\$ 1.30 per share, an increase of 26.4% YoY. Net profit from recurring businesses was increased by 73.2% YoY to NT\$ 624.4 mn for 2013, with recurring EPS of NT\$ 1.20 on a fully diluted basis. Gross margin increased 0.6 ppts to 30.1%, benefiting from higher agency shipment and higher gross margin from our retail businesses.

Net income growth can be attributed to improvements in both our trading and retail business. In particular, Hola China posted its firstever single quarterly profit in 4Q13; with net loss for the year reduced by 73.6% to NT\$ 45.4mn. The number of profitable stores increased to 23 stores during the period compared to 18 stores in 2012. Separately, our trading and Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw net profit increase 15.2% YoY to NT\$ 645.4 mn and 20.7% YoY to NT\$ 428.3 mn, respectively.

The Board approved management's proposal to distribute cash dividend payout of NT\$ 502.1mn, or NT\$ 1.00 per share, implying a payout ratio of 80.4%. The per share dividend payout amount is subject to shareholder approval and may change, based actual number shares outstanding at the time of the ex-dividend date.

We currently operate 26 TLW stores, 22 Hola stores in Taiwan and 33 stores in Hola China. Please see Figure 1 for our 2013 consolidated P&L.

Figure 1 –Test-Rite IFRS based consolidated P&L for FY2013

NT\$ mn	IFRS FY2013	IFRS FY2012	YoY%	IFRS FY2012 (Ex TLM)	YoY%
Consolidated sales	35,203.9	35,252.1	0%	33,262.4	5.8%
Gross profit	10,610.3	10,403.2	2.0%	9,992.2	6.2%
Operating Expense	-9,833.6	-9,682.8	1.6%	-9,429.8	4.3%
Operating profit	776.7	720.3	7.8%	562.4	38.1%
Non-operating income/loss	-44.0	-33.6	31.0%	-44.5	-1.0%
Pre-tax profit	732.7	686.7	6.7%	517.9	41.5%
Net profit	640.6	564.7	13.4%	422.5	51.6%
Other net profit	10.9	-8.9	N/A	-8.9	N/A
Total net profit	651.5	555.8	17.2%	413.6	57.5%
Net profit attribute to TRIC shareholders	635.1	509.2	24.7%	418.8	51.7%
Recurring net profit attribute to TRIC shareholders*	624.4	360.6	73.2%	360.6	73.2%
Basic EPS(Aft-tax)	1.30	1.03	26.4%	0.85	53.7%
Diluted EPS(Aft-tax)	1.30	1.02	26.9%	0.84	54.4%
Fully-diluted EPS(Aft-tax)	1.22	0.98	24.7%	0.80	51.7%
Recurring fully-diluted EPS(Aft-tax)*	1.20	0.69	73.2%	0.69	73.2%
Gross margin	30.1%	29.5%		30.0%	
Operating margin	2.2%	2.0%		1.7%	
Pretax margin	2.1%	1.9%		1.6%	
Net margin	1.8%	1.4%		1.3%	

* Recurring net profit exclude FOREX, one time charges, and earnings contribution from TLM. Total profit exclude in FY2013 and FY2012 was NT\$ 10.7mn and NT\$ 149mn, respectively.



Test-Rite reports 4Q 13 net income of NT\$ 175.0mn, +57.4% YoY; basic EPS of NT\$ 0.36, +59.6% YoY; 14th consecutive YoY increase of quarterly EPS on the same accounting basis. Hola China posted firstever single quarterly profit in 4Q13 totaled NT\$ 33.4mn.

Test-Rite reported IFRS based 4Q13 consolidated revenue of NT\$ 8.75 bn, up 12.0% YoY. Net profit attributable to TRIC shareholders increased to NT\$ 175.0mn, up 57.4% YoY in 4Q13, with basic EPS of NT\$0.36 per share, up 59.6% YoY. Excluding FOREX and one-time charges, net profit from recurring businesses increased 58.6% YoY to NT\$ 167.4mn in 4Q13, with recurring EPS of NT\$ 0.32 on a fully diluted basis. The catalyst for earnings growth can be attributed to improving retail operations, with Hola China turning profitable for the first time in a single quarter and margin expansion for our retail operation, particularly for Hola Taiwan. On a consolidated basis, gross margin increased 0.4 ppts to 31.6%, while operating margin increased to 2.9% and improvement of 1.9 ppts.

Our trading business reported a net loss of NT\$ 4.5 in 4Q13, compared to net profit of NT\$ 34.3 mn in the same period last year. The loss was primarily the result of one-time expense incurred in 4Q13 and higher deferred tax assets recognized in 4Q12.

Hola China's net profit was NT\$ 33.4mn, compared to net loss of NT\$ 4.3mn in 4Q12. For 4Q13, 24 stores were profitable at store level vs. 17 stores in 4Q12.

Separately, Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw net profit increase 23.8% to NT\$ 224.3mn. The growth was driven by gross margin expansion, resulting from higher sales contribution from private label products, particularly for Hola Taiwan.

Please see Figure 2 for our 4Q13 consolidated P&L.

Figure 2 –Test-Rite IFRS based consolidated P&L for 4Q13

NT\$ mn	IFRS 4Q13	IFRS 4Q12	YoY%
Consolidated sales	8,752.5	7,814.7	12.0%
Gross profit	2,766.8	2,440.4	13.4%
Operating Expense	-2,513.5	-2,365.0	6.3%
Operating profit	253.3	75.4	235.9%
Non-operating income/loss	-29.5	-27.5	7.3%
Pre-tax profit	223.8	47.9	367.1%
Net profit	176.0	67.8	159.5%
Other net profit	-14.7	15.1	N/A
Total net profit	161.3	82.9	94.5%
Net profit attribute to TRIC shareholders	175.0	111.2	57.4%
Recurring net profit attribute to TRIC shareholders*	167.4	105.5	58.6%
Basic EPS(Aft-tax)	0.36	0.23	59.6%
Diluted EPS(Aft-tax)	0.36	0.22	60.2%
Fully-diluted EPS(Aft-tax)	0.34	0.21	57.4%
Recurring fully-diluted EPS(Aft-tax)*	0.32	0.20	58.6%
Gross margin	31.6%	31.2%	
Operating margin	2.9%	1.0%	
Pretax margin	2.6%	0.6%	
Net margin	2.0%	1.4%	

* Recurring net profit exclude FOREX and one time charges. Total profit exclude in 4Q13 and 4Q12 was NT\$ 7.6mn and NT\$ 5.6mn, respectively.



Figure 3 –Test-Rite IFRS based consolidated P&L by BU for 4Q13 and FY2013

Consolidated sales by BU (NT\$mn)	4Q13	4Q12	YoY%	FY2013	FY2012	YoY%
Trading◎	2,792.2	2,365.3	18.0%	12,631.1	12,151.0	4.0%
Taiwan Retail▲	4,209.6	4,025.9	4.6%	16,667.9	15,915.7	4.7%
HOLA China^	1,077.3	1,023.6	5.2%	3,896.0	3,633.9	7.2%
Others#	673.4	399.9	68.4%	2,008.9	3,551.6	-43.4%
Consolidated Sales	8,752.5	7,814.7	12.0%	35,203.9	35,252.1	-0.1%
Consolidated Sales (ex TLM) *			12.0%	35,203.9	33,262.4	5.8%

* 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.

Consolidated net profit by BU (NT\$mn)	4Q13	4Q12	YoY%	FY2013	FY2012	YoY%
Trading◎	-4.5	34.3	N/A	428.3	354.9	20.7%
Taiwan Retail▲	224.3	181.3	23.8%	645.4	560.3	15.2%
HOLA China^	33.4	-4.3	N/A	-45.4	-171.6	-73.6%
Others#	-78.2	-100.1	-0.2	-393.2	-234.4	67.7%
Consolidated Net Profit	175.0	111.2	57.4%	635.1	509.2	24.7%
Consolidated Recurring Net Profit	167.4	105.5	58.6%	624.4	360.6	73.2%

◎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, TLM, group office expense, and gain on sale and leaseback.

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