



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

Date: March 25<sup>th</sup>, 2015

Re: Test-Rite Int'l's 4Q14 and FY2014 earnings result announcement

**Test-Rite reports FY2014 net income of NT\$ 705.8 mn, +11.1% YoY; basic EPS of NT\$ 1.42, +8.6% YoY; The Board approved management's proposal to distribute cash dividend payout of NT\$ 1.15 per share.**

Test-Rite reported FY2014 consolidated revenue of NT\$35.9 bn, an increase of 2.1% YoY. Net profit attributable to TRIC shareholders totaled to NT\$ 705.7 mn, an increase of 11.1%, and basic EPS of NT\$ 1.42 per share, an increase of 8.6%. Excluding one-time items, net profit from recurring businesses was NT\$ 676.0 mn in FY2014, with recurring EPS of NT\$ 1.32 on a fully diluted basis, an increase of 28.9% and 30.9% respectively. Test-Rite's earnings growth in 2014 was fueled by gross margin improvement in our retail business in Taiwan and operating margin expansion of our trading business.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw sales increased by 3.3% YoY NT\$17.2 bn and a net profit of NT\$ 745.7 mn in FY2014, flat versus FY2013. Excluding the impact from the cash bonus rewards program, net profit would have increased by NT\$100mn, driven by gross margin increase of 1.2ppt. The margin expansion was fueled by higher sales contribution from private label products. For FY2014, private label sales mix for TLW and Hola Taiwan increased 4.3 ppt and 6.0 ppt to 7.2% and 13.0% respectively compared to FY2013. Hola China posted a net loss of NT\$ 65.6 mn in FY2014, an increase of 44.6%. The increase in losses reflects higher operating expense from new stores openings (2 in 2Q14 and 1 in 4Q14).

Our trading business benefitted from improving demand of global retailers in North America and Europe in FY2014. As a result, sales totaled NT\$ 12.9 bn, an increase of 2.8% YoY and net profit totaled NT\$537.6 mn, an increase of 26.5%. The increase was driven operating margin expansion of 1.6 ppt.

The Board approved management's proposal to distribute cash dividend payout of NT\$ 1.15 per share, implying a payout ratio of 81.0% and dividend yield of 5.5% (based on closing price of NT\$21 on March 24, 2015). 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.

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**Test-Rite reports 4Q14 net income of NT\$ 180.8mn, +3.3% YoY; basic EPS of NT\$ 0.36, +0.2% YoY; 18<sup>th</sup> consecutive YoY increase of quarterly EPS on the same accounting basis.**

Test-Rite reported 4Q14 consolidated revenue of NT\$ 8.8 bn, an increase of 0.7% YoY. Net profit attributable to TRIC shareholders totaled to NT\$ 180.8 mn, an increase of 3.3%, and basic EPS of NT\$ 0.36 per share, an increase of 0.2% YoY. Excluding one-time expense, net profit from recurring businesses decreased 6.1% YoY to NT\$ 157.1 mn in 4Q14, with recurring EPS of NT\$ 0.31 on a fully diluted basis, a decrease of 4.7%.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw sales totaled NT\$4.4bn in 4Q14, an increase 4.4% YoY; net profit totaled NT\$227.1 mn, an increase of 1.3% YoY. The result was impacted by earlier CNY holidays in 1Q14 that resulted in a higher comparable base for 4Q13. For 4Q14, private label sales mix for TLW and Hola Taiwan increased 3.3 ppt and 4.5 ppt to 8.2% and 14.9% respectively compared to the same period last year. Hola China posted another profitable quarter in 4Q14, with net profit of NT\$ 16.5 mn, a decrease of 50.6%. The decline was resulted from higher operating expense from new stores opening (1 in 4Q14). However, there were 27 HOLA China stores that were profitable vs. 24 stores in 4Q13.

As of 4Q14, we operate 26 TLW (DIY) stores in Taiwan, 23 HOLA stores in Taiwan and 35 HOLA stores in China, respectively. At the end of 4Q13, we operated 26 TLW (DIY) stores and 22 HOLA stores in Taiwan, and 33 HOLA stores in China.

Sales of our trading business reached NT\$ 2.85bn in 4Q14 for an increased 2.0% YoY. Benefiting from economies of scale, operating margin increased by 0.8 ppt to 1.4% and net profit increased nearly 15x to NT\$30mn.



Please see Figure 1 for our 4Q14 and FY2014 consolidated P&L.

**Figure 1 –Test-Rite IFRS based consolidated P&L for 4Q14 and FY2014**

NT\$ mn	4Q14	4Q13	YoY%	FY2014	FY2013	YoY%
<b>Consolidated sales</b>	<b>8,813.3</b>	<b>8,752.5</b>	<b>0.7%</b>	<b>35,946.2</b>	<b>35,203.9</b>	<b>2.1%</b>
COGS	-5,959.7	-5,985.7	-0.4%	-25,114.2	-24,593.5	2.1%
Gross profit	2,853.5	2,766.8	3.1%	10,832.0	10,610.3	2.1%
Operating Expense	-2,554.9	-2,513.5	1.6%	-9,850.1	-9,833.6	0.2%
Operating profit	298.6	253.3	17.9%	981.9	776.7	26.4%
Non-operating income/loss	-81.2	-29.5	175.2%	-98.8	-44.0	124.4%
Pre-tax profit	217.5	223.8	-2.8%	883.1	732.7	20.5%
Net profit	179.4	176.0	2.0%	715.2	640.6	11.6%
Other net profit	16.8	23.1	-27.1%	37.3	29.7	25.5%
Total net profit	196.3	199.1	-1.4%	752.5	670.3	12.3%
<b>Net profit attribute to TRIC shareholders</b>	<b>180.8</b>	<b>175.0</b>	<b>3.3%</b>	<b>705.7</b>	<b>635.1</b>	<b>11.1%</b>
<b>Recurring net profit attribute to TRIC shareholders*</b>	<b>157.1</b>	<b>167.4</b>	<b>-6.1%</b>	<b>676.0</b>	<b>524.4</b>	<b>28.9%</b>
Basic EPS(Aft-tax)	0.36	0.36	0.2%	1.42	1.30	8.6%
Diluted EPS(Aft-tax)	0.36	0.36	0.4%	1.42	1.30	8.8%
Fully-diluted EPS(Aft-tax)	0.35	0.34	4.9%	1.37	1.22	12.8%
Recurring fully-diluted EPS(Aft-tax)*	0.31	0.32	-4.7%	1.32	1.00	30.9%
<b>Gross margin</b>	<b>32.4%</b>	<b>31.6%</b>		<b>30.1%</b>	<b>30.1%</b>	
<b>Operating margin</b>	<b>3.4%</b>	<b>2.9%</b>		<b>2.7%</b>	<b>2.2%</b>	
<b>Pretax margin</b>	<b>2.5%</b>	<b>2.6%</b>		<b>2.5%</b>	<b>2.1%</b>	
<b>Net margin</b>	<b>2.1%</b>	<b>2.0%</b>		<b>2.0%</b>	<b>1.8%</b>	

\* Recurring net profit exclude FOREX and one-time expense. FOREX contribution for 4Q14 and 4Q13 was NT\$ 28.0 mn and NT\$ 7.6 mn; FY2014 and FY2013 was NT\$ 35.5 mn and NT\$ 35.6 mn. M&A, cashback reward and store closing related one-time expense for 4Q14 was NT\$ 4.33 mn; FY2014 and FY2013 was NT\$ 5.74 mn and NT\$ 75.1 mn.

**Figure 2 –Test-Rite IFRS based consolidated sales and profit by BU for 4Q14 and FY2014**

Consolidated sales by BU (NT\$mn)	4Q14	4Q13	YoY%	FY2014	FY2013	YoY%
Taiwan Retail ▲	4,396.7	4,209.6	4.4%	17,211.9	16,667.9	3.3%
HOLA China ^	1,143.6	1,077.3	6.2%	4,096.8	3,896.0	5.2%
Trading ☉	2,848.2	2,792.2	2.0%	12,990.5	12,631.1	2.8%
Others #	424.7	673.5	-36.9%	1,647.1	2,008.9	-18.0%
<b>Consolidated Sales</b>	<b>8,813.3</b>	<b>8,752.5</b>	<b>0.7%</b>	<b>35,946.2</b>	<b>35,203.9</b>	<b>2.1%</b>
Consolidated net profit by BU (NT\$mn)	4Q14	4Q13	YoY%	FY2014	FY2013	YoY%
Taiwan Retail ▲	227.1	224.3	1.3%	645.7	645.4	0.0%
HOLA China ^	16.5	33.4	-50.6%	-65.6	-45.4	44.6%
Trading ☉	30.0	1.8	1,524.9%	537.6	424.9	26.5%
Others #	-92.8	-84.6	9.8%	-411.9	-389.8	5.7%
<b>Consolidated Net Profit</b>	<b>180.8</b>	<b>175.0</b>	<b>3.3%</b>	<b>705.7</b>	<b>635.1</b>	<b>11.1%</b>
<b>Consolidated Recurring Net Profit *</b>	<b>157.1</b>	<b>167.4</b>	<b>-6.1%</b>	<b>676.0</b>	<b>524.4</b>	<b>28.9%</b>

☉ 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

\* Including NT100mn impact from the cash bonus rewards program in FY2013