



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

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Subject: Test-Rite 4Q15 and FY2015 earnings result announcement

**Test-Rite reports FY2015 revenue of NT\$35.98 bn, net income of NT\$671 mn, and basic EPS of NT\$1.32; The Board approved management's proposal to distribute cash dividend payout of NT\$0.95 per share.**

Even though trading volume is declining worldwide in 2015, Test-Rite trading business maintains its growth of 0.4% YoY. Being the supplier of many of the world's major retailers, we have closely observed the rapid changes of global retail industry. Therefore, Test-Rite focuses more on providing value-added services and products to our global partners. As for our retail business in Taiwan, TLW and HOLA remain its leading position in DIY and home décor category in Taiwan. Taiwan retail business has slight growth of 0.6%. Along with the growth of E-Commerce, TLW and HOLA continue strengthening its online sales and offline shopping experiences. To better achieve Omni-channel, we also encourage customers to transfer online/mobile browsing to offline traffic. As for China, HOLA China declines 2.4% comparing to the last year. HOLA China is facing greater challenges in 2015 due to the changes of people's shopping behavior and incremental wages and rents.

Taiwan retail businesses, including TLW (DIY) and HOLA Taiwan saw sales of NT\$17.3 bn and a net profit of NT\$604 mn in FY2015. Private Label strategy has come into effects in the past year, contributing 0.6% increase in gross margin equivalent to NT\$140 mn increase. TLW Private Label products accounted for 8.5% TLW sales in 2015, along with 21.8% sales growth. On the other hand, HOLA Private Label products accounted for 19.8% HOLA sales, along with 46.9% sales growth. In 2015, Test-Rite opened two HOLA stores in Taiwan at Miaoli and Pintung. Test-Rite also becomes the franchisee of the reputed American home décor store, Crate&Barrel. By introducing the classic American style brand to Taiwan, Test-Rite expects to continue expanding its leading market share in home décor category. As for China, HOLA china opened 5 stores and closed 2 stores in 2015. HOLA china continues reviewing the profitability of each store and developing its business in EC and franchise. We have seen some progress after relaunching our EC plan in the mid-2014. HOLA China has now entered the TMall.com, JD.com and Xiaohongshu. These platforms together generated about RMB\$5.16 mn sales in 2015. Test-Rite group has about 26 TLW stores, 25 HOLA Taiwan stores, and 38 HOLA China stores as of the cut-off-date.

Given that worldwide trading is declining in 2015, Test-Rite is resilient. Test-Rite focuses more on core customers' relationship and development. By providing value-added services and products, our main market, North America and Europe, is showing steady growth. Total shipment to North America and Europe grew 0.2% and 28% respectively. Total trading revenue is about NT\$13 bn, 0.4% YoY. Gross margin is close to the last year, but net income has 14.5% growth in 2015 reaching NT\$615 mn.

The Board approved management's proposal to distribute cash dividend payout of NT\$0.95 per share, implying a payout ratio of 72%. 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.

(Please see Figure 1 for our FY2015 consolidated P&L)



Test-Rite reports 4Q15 revenue of NT\$8.37 bn, net income of NT\$99 mn, and basic EPS of NT\$0.19.

4Q15 was a challenging quarter for many global retailers while facing the deflationary macro environment. However, Test-Rite still maintains its stability. Taiwan retail business slightly decreases 1.9% YoY, but increases 0.5% in gross margin, creating strong cash flow to the group. The overall net income in the retail business decreases due to the new store expenses in 4Q (opening of HOLA pintung store and Crate& Barrel) and the loss of HOLA China for about NT\$55 mn.

Trading business revenue has decreased due to the worldwide trading decline. However, Test-Rite focuses more on the uplift of trading net income. 4Q15 trading business saw NT\$2.62 bn in revenue and NT\$64 mn in net income.

(Please see Figure 1 for our 4Q15 consolidated P&L)

**Figure 1 –Test-Rite IFRS based consolidated P&L for 4Q15 and FY2015**

(NT\$ mn)	4Q15	4Q14	YoY% chg	2015	2014	YoY% chg
Consolidated sales	8,367	8,813	-5.1%	35,981	35,946	0.1%
COGS	(5,586)	(5,959)	-6.3%	(24,678)	(25,114)	-1.7%
Gross profit	2,781	2,854	-2.5%	11,303	10,832	4.3%
Operating Expense	(2,684)	(2,555)	5.1%	(10,492)	(9,850)	6.5%
Operating profit	97	299	-67.5%	811	982	-17.5%
Non-operating income/loss	13	(82)	NA	54	(99)	NA
Pre-tax profit	110	217	-49.5%	865	883	-2.0%
Net profit	99	179	-44.8%	671	715	-6.2%
Other net profit	(116)	17	NA	(131)	37	NA
Total net profit	(17)	196	-108.8%	539	752	-28.3%
Net profit attribute to TRIC shareholders	99	181	-45.2%	671	706	-5.0%
NT dollar (After Tax)						
Basic EPS	0.19	0.36	-46.0%	1.32	1.42	-6.7%
Diluted EPS	0.19	0.36	-46.0%	1.32	1.42	-6.7%
Gross margin	33.2%	32.4%	0.9%	31.4%	30.1%	1.3%
Operating margin	1.2%	3.4%	-2.2%	2.3%	2.7%	-0.5%
Pretax margin	1.3%	2.5%	-1.2%	2.4%	2.5%	-0.1%
Net margin	1.2%	2.1%	-0.9%	1.9%	2.0%	-0.1%



**Figure 2 –Test-Rite IFRS based consolidated sales and profit by BU for 4Q15 and FY2015**

Sales by BU (NT\$ mn)	4Q15	4Q14	YoY% chg	2015	2014	YoY% chg
Taiwan Retail ▲	4,315	4,397	-1.9%	17,312	17,212	0.6%
HOLA China ^	1,085	1,144	-5.2%	3,997	4,097	-2.4%
Trading ©	2,625	2,848	-7.8%	13,038	12,990	0.4%
Others #	342	424	-19.3%	1,634	1,647	-0.8%
Consolidated Sales	8,367	8,813	-5.1%	35,981	35,946	0.1%

Net Profit by BU (NT\$ mn)	4Q15	4Q14	YoY% chg	2015	2014	YoY% chg
Taiwan Retail ▲	133	227	-41.3%	604	646	-6.4%
HOLA China ^	(55)	17	NA	(256)	(66)	290.7%
Trading ©	64	39	63.8%	616	538	14.5%
Others #	(43)	(102)	-57.2%	(293)	(412)	-28.9%
Consolidated Net Profit	99	181	-45.2%	671	706	-5.0%

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

▲ Taiwan Retail included TLW, HOLA, Décor House, TLW Service, Testrite Brand Agency, and Test Rite C&B.

^ HOLA China only included HOLA China.

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

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