



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

Date: May 8<sup>th</sup>, 2014

Re: Test-Rite Int'l's 1Q14 earnings result announcement

**Test-Rite reports 1Q14 net income of NT\$ 271.4 mn, +10.6% YoY; basic EPS of NT\$ 0.56, +10.6% YoY; 15<sup>th</sup> consecutive YoY increase of quarterly EPS on the same accounting basis.**

Test-Rite reported IFRS based 1Q14 consolidated revenue of NT\$ 9.05 bn, an increase of 2.1% YoY, while net profit attributable to TRIC shareholders totaled to NT\$ 271.4 mn, and basic EPS of NT\$0.56 per share, for increases of 10.6% YoY respectively. Excluding FOREX, net profit from recurring businesses increased 19.2% YoY to NT\$ 263.8 mn in 1Q14, with recurring EPS of NT\$ 0.51 on a fully diluted basis. The catalyst for earnings growth can be attributed to two reasons 1) higher shipments for our trading business and 2) second quarterly profit of Hola China. On a consolidated basis, gross margin declined 0.6 ppts to 29.6%, while operating margin improved 0.6 ppts to 3.7%. The decline was resulted from higher margin in 1Q14, driven by one time impact from the expiration of cashback reward program

Our trading business reported a net profit of NT\$ 125.5 mn in 1Q14, a significant improvement of 60.1% YoY. The growth can be attributed to realization of operating leverage, given the strong shipments to meet improving demand from retailers in Europe and North America. Including agency shipments, shipments to Europe surged 67.3% YoY for 1Q14, while shipments to North America increased 4.7% YoY.

For our retail businesses, Hola China reported second consecutive quarterly profit in 1Q14 with net profit of NT\$ 0.7 mn, versus a loss of NT\$ 12.8 mn in 1Q13. In addition, 19 stores were profitable at store level during the period vs. 17 stores in 1Q13. Separately, Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw net profit decreased 14.3% to NT\$ 227.9 mn in 1Q14. The decline was the result of one time impact from the expiration of cashback reward program that boosted revenue and profit during 1Q13. Excluding cashback reward program's impact, sales and gross margin of our Taiwan retail business increased 1.3% YoY and 1.8% ppt YoY in 1Q14, largely driven by higher sales contribution from private label products, particularly for Hola Taiwan.

As of 1Q14, we operate 26 TLW (DIY) stores in Taiwan and 22 HOLA stores in Taiwan and 33 HOLA stores in China, respectively.

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

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

NT\$ mn	1Q14	1Q13	YoY%
<b>Consolidated sales</b>	<b>9,052.5</b>	<b>8,868.9</b>	<b>2.1%</b>
COGS	-6,369.1	-6,188.9	2.9%
Gross profit	2,683.4	2,680.0	0.1%
Operating Expense	-2,348.1	-2,405.0	-2.4%
Operating profit	335.3	275.0	21.9%
Non-operating income/loss	-11.9	1.4	NA
Pre-tax profit	323.4	276.4	17.0%
Net profit	277.4	248.5	11.6%
Other net profit	8.4	25.7	-67.3%
Total net profit	285.8	274.2	4.2%
<b>Net profit attribute to TRIC shareholders</b>	<b>271.4</b>	<b>245.4</b>	<b>10.6%</b>
<b>Recurring net profit attribute to TRIC shareholders*</b>	<b>263.8</b>	<b>221.3</b>	<b>19.2%</b>
Basic EPS(Aft-tax)	0.56	0.50	10.6%
Diluted EPS(Aft-tax)	0.56	0.50	10.7%
Fully-diluted EPS(Aft-tax)	0.52	0.47	10.6%
Recurring fully-diluted EPS(Aft-tax)*	0.51	0.42	19.2%
<b>Gross margin</b>	<b>29.6%</b>	<b>30.2%</b>	
<b>Operating margin</b>	<b>3.7%</b>	<b>3.1%</b>	
<b>Pretax margin</b>	<b>3.6%</b>	<b>3.1%</b>	
<b>Net margin</b>	<b>3.0%</b>	<b>2.8%</b>	

\* Recurring net profit exclude FOREX. Total profit excluded in 1Q14 and 1Q13 was NT\$ 7.6mn and NT\$ 24.1mn, respectively.

**Figure 2 –Test-Rite IFRS based consolidated Sales and Profit by BU for 1Q14**

Consolidated sales by BU (NT\$m)	1Q14	1Q13	YoY%
Trading⊙	3,254.4	2,993.4	8.7%
Taiwan Retail▲	4,383.5	4,490.6	-2.4%
HOLA China^	1,052.9	1,029.2	2.3%
Others#	361.7	355.7	1.7%
<b>Consolidated Sales</b>	<b>9,052.5</b>	<b>8,868.9</b>	<b>2.1%</b>
Consolidated net profit by BU (NT\$m)	1Q14	1Q13	YoY%
Trading⊙	125.6	78.4	60.1%
Taiwan Retail▲	227.9	265.8	-14.3%
HOLA China^	0.7	-12.8	NA
Others#	-82.8	-86.1	-
<b>Consolidated Net Profit</b>	<b>271.4</b>	<b>245.4</b>	<b>10.6%</b>
<b>Consolidated Recurring Net Profit</b>	<b>263.8</b>	<b>221.3</b>	<b>19.2%</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.