TEST RITE

Issued by: Test-Rite International Co. Ltd **Date: August 11th, 2014**
(Ticker: 2908 TT/ 2908 TW)

Re: Test-Rite Int'l's 2Q14 and 1H14 earnings result announcement

Test-Rite reports 2Q14 net income of NT$ 103.1mn, +22.0% YoY; basic EPS of NT$ 0.21, +20.1% YoY; 16th consecutive YoY increase of quarterly EPS on the same accounting basis.

Test-Rite reported 2Q14 consolidated revenue of NT$ 8.88 bn, an increase of 3.2% YoY. Net profit attributable to TRIC shareholders totaled to NT$ 103.1 mn, an increase of 22.0%, and basic EPS of NT$ 0.21 per share, an increases of 20.1% YoY. Excluding FOREX, net profit from recurring businesses increased 19.8% YoY to NT$ 97.6 mn in 2Q14, with recurring EPS of NT$ 0.19 on a fully diluted basis. The catalyst for earnings growth can be attributed to higher average sales per ticket and gross margin for Taiwan retail business, and strong shipments from our agency business, benefitting from improving demand from global retailers in North America and Europe. On a consolidated basis, gross margin slightly declined 0.2 ppts to 28.4%, while operating margin improved 0.8 ppts doubling to 1.6%.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, reported a robust 64.3% rise in net profit to NT$ 85.5 mn in 2Q14. The growth was driven by higher average sales per ticket and continued improvement in consumer demand. Gross margin of our Taiwan retail business increased 0.4 ppt in 2Q14, largely driven by higher sales contribution from private label products, particularly for Hola Taiwan. Separately, Hola China posted a net loss of NT$ 51.3 mn in 2Q14, an increase of 23.1%, resulted from new store opening expense incurred during the quarter. 18 Hola China stores were profitable at store level during the period vs. 19 stores in 2Q13.

As of 2Q14, we operate 26 TLW (DIY) stores in Taiwan, 23 HOLA stores in Taiwan and 35 HOLA stores in China, respectively. At the end of 2Q13 we operated 25 TLW (DIY) stores and 22 HOLA stores in Taiwan, and 31 HOLA stores in China.

Test-Rite reports 1H14 net income of NT$ 374.6 mn, +13.5% YoY; basic EPS of NT$ 0.76, +11.8% YoY.

Test-Rite reported 1H14 consolidated revenue of NT$ 17.9 bn, an increase of 2.6% YoY. Net profit attributable to TRIC shareholders totaled to NT$ 374.6 mn, an increase of 13.5%, and basic EPS of NT$ 0.76 per share, an increases of 11.8% YoY. Excluding FOREX, net profit from recurring businesses increased 12.9% YoY to NT$ 369.1 mn in 1H14, with recurring EPS of NT$ 0.71 on a fully diluted basis. Net income growth can be attributed to loss reduction in China retail operation and the strong shipments driven by improving demand from retailers in North America and Europe. Gross margin declined 0.4 ppts to 29.0%, while operating margin improved 0.6 ppts to 2.6%. The decline in gross margin percentage was resulted from higher margin in 1Q13, driven by one time impact from the expiration of cashback reward program.

Please see Figure 1 for our 2Q14 and 1H14 consolidated P&L.

Sophia Tong
Group CEO
TEL: 886-2-8791-5888

For further information, please contact
Jack Chang
Spokesperson/ IR Officer:
TEL: 886-2-8791-5349
Email : investor@testritegroup.com

Hannis Chang
CFO & Deputy Spokesperson
TEL: 886-2-8791-5888

Charity Lin
Investor Relations Office
TEL: 886-2-8791-5888 ext.6270

Figure 1 –Test-Rite IFRS based consolidated P&L for 2Q14

NT$ mn	2Q14	2Q13	YoY%	1H14	1H13	YoY%
Consolidated sales	**8,877.1**	**8,602.1**	**3.2%**	**17,929.6**	**17,471.0**	**2.6%**
COGS	-6,356.3	-6,140.1	3.5%	-12,725.4	-12,329.0	3.2%
Gross profit	2,520.8	2,462.1	2.4%	5,204.2	5,142.1	1.2%
Operating Expense	-2,381.9	-2,390.3	-0.3%	-4,730.0	-4,795.3	-1.4%
Operating profit	138.8	71.8	93.4%	474.2	346.8	36.7%
Non-operating income/loss	8.0	7.3	9.9%	-3.9	8.6	NA
Pre-tax profit	146.9	79.1	85.7%	470.3	355.4	32.3%
Net profit	108.3	86.3	25.6%	385.7	334.8	15.2%
Other net profit	-13.9	-14.7	-6.0%	-5.5	11.0	NA
Total net profit	94.5	71.6	32.0%	380.3	345.7	10.0%
Net profit attribute to TRIC shareholders	**103.1**	**84.6**	**22.0%**	**374.6**	**329.9**	**13.5%**
Recurring net profit attribute to TRIC shareholders*	**97.6**	**81.5**	**19.8%**	**369.1**	**326.9**	**12.9%**
Basic EPS(Aft-tax)	0.21	0.17	20.1%	0.76	0.68	11.8%
Diluted EPS(Aft-tax)	0.21	0.17	20.5%	0.76	0.67	12.2%
Fully-diluted EPS(Aft-tax)	0.20	0.16	22.0%	0.72	0.63	13.5%
Recurring fully-diluted EPS(Aft-tax)*	0.19	0.16	19.8%	0.71	0.63	12.9%
Gross margin	**28.4%**	**28.6%**		**29.0%**	**29.4%**	
Operating margin	**1.6%**	**0.8%**		**2.6%**	**2.0%**	
Pretax margin	**1.7%**	**0.9%**		**2.6%**	**2.0%**	
Net margin	**1.2%**	**1.0%**		**2.1%**	**1.9%**	

** Recurring net profit exclude FOREX. FOREX contribution for 2Q14 and 2Q13 was NT$ 5.50mn and NT$ 3.06mn; 2Q14 and 2Q13 was NT$ 13.07mn and NT$ 27.13mn*

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

Consolidated sales by BU (NT$mn)	2Q14	2Q13	YoY%	1H14	1H13	YoY%
Trading◎	3,406.0	3,364.7	1.2%	6,660.4	6,358.0	4.8%
Taiwan Retail▲	4,163.3	3,912.6	6.4%	8,546.8	8,403.2	1.7%
HOLA China^	906.6	871.9	4.0%	1,959.5	1,901.1	3.1%
Others#	401.2	453.0	-11.4%	762.9	808.7	-5.7%
Consolidated Sales	**8,877.1**	**8,602.1**	**3.2%**	**17,929.6**	**17,471.0**	**2.6%**

Consolidated net profit by BU (NT$mn)	2Q14	2Q13	YoY%	1H14	1H13	YoY%
Trading◎	202.1	196.5	2.8%	327.7	274.9	19.2%
Taiwan Retail▲	85.5	52.0	64.3%	313.4	317.8	-1.4%
HOLA China^	-51.3	-41.6	23.1%	-50.5	-54.4	-7.2%
Others#	-133.2	-122.3	0.1%	-216.0	-208.4	0.0%
Consolidated Net Profit	**103.1**	**84.6**	**22.0%**	**374.6**	**329.9**	**13.5%**
Consolidated Recurring Net Profit	**97.6**	**81.5**	**19.8%**	**369.1**	**326.9**	**12.9%**

◎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.