



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

Date: November 7<sup>th</sup>, 2014

Re: Test-Rite Int'l's 3Q14 and 1-3Q14 earnings result announcement

**Test-Rite reports 3Q14 net income of NT\$ 150.4mn, +15.5% YoY; basic EPS of NT\$ 0.30, +12.1% YoY; 17<sup>th</sup> consecutive YoY increase of quarterly EPS on the same accounting basis.**

Test-Rite reported 3Q14 consolidated revenue of NT\$ 9.2 bn, an increase of 2.5% YoY. Net profit attributable to TRIC shareholders totaled to NT\$ 150.4 mn, an increase of 15.5%, and basic EPS of NT\$ 0.30 per share, an increase of 12.1% YoY. Excluding one-time expense, net profit from recurring businesses increased 3.4% YoY to NT\$ 134.5 mn in 3Q14, with recurring EPS of NT\$ 0.26 on a fully diluted basis. Earnings growth was mainly driven by a 1.2% gross margin improvement in TW Retail business.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, reported a 1.8% rise in net profit to NT\$ 105.2 mn in 3Q14, benefiting from improvement in consumer demand and higher sales contribution from private label products. For 3Q14, private label sales mix for TLW and Hola Taiwan increased 3.3 ppt and 7.1 ppt to 7.2% and 13.1% respectively compared to the same period last year. Hola China posted a net loss of NT\$ 32.8 mn in 3Q14, an increase of 29.6%. The increase in losses reflect higher operating expense from new stores opening (2 in 2Q14). In 3Q14, there were 22 HOLA China stores that were profitable vs. 20 stores in 3Q13.

As of 3Q14, we operate 26 TLW (DIY) stores in Taiwan, 23 HOLA stores in Taiwan and 34 HOLA stores in China, respectively. At the end of 3Q13, we operated 26 TLW (DIY) stores and 22 HOLA stores in Taiwan, and 32 HOLA stores in China.

**Test-Rite reports 1-3Q14 net income of NT\$ 524.9 mn, +14.1% YoY; basic EPS of NT\$ 1.06, +10.6% YoY.**

Test-Rite reported 1-3Q14 consolidated revenue of NT\$ 27.1 bn, an increase of 2.6% YoY. Net profit attributable to TRIC shareholders totaled to NT\$ 524.9 mn, an increase of 14.1%, and basic EPS of NT\$ 1.06 per share, an increase of 10.6% YoY. Excluding one-time expense, net profit from recurring businesses was NT\$ 497.2 mn in 1-3Q14, with recurring EPS of NT\$ 0.95 on a fully diluted basis, an increase of 14.5%. Gross margin declined 0.2 ppts to 29.4%, while operating margin improved 0.5 ppts to 2.5%. 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. Excluding the impact from the rewards program, gross margin in 1-3Q14 increased by 0.2ppt.

Please see Figure 1 for our 3Q14 and 1-3Q14 consolidated P&L.

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**Figure 1 –Test-Rite IFRS based consolidated P&L for 3Q14**

NT\$ mn	3Q14	3Q13	YoY%	1-3Q14	1-3Q13	YoY%
<b>Consolidated sales</b>	<b>9,203.4</b>	<b>8,980.3</b>	<b>2.5%</b>	<b>27,133.0</b>	<b>26,451.3</b>	<b>2.6%</b>
COGS	-6,429.1	-6,278.9	2.4%	-19,154.5	-18,607.8	2.9%
Gross profit	2,774.3	2,701.4	2.7%	7,978.5	7,843.5	1.7%
Operating Expense	-2,565.2	-2,524.8	1.6%	-7,295.2	-7,320.1	-0.3%
Operating profit	209.1	176.6	18.4%	683.3	523.4	30.5%
Non-operating income/loss	-13.7	-23.2	-40.8%	-17.6	-14.5	21.2%
Pre-tax profit	195.4	153.5	27.4%	665.7	508.9	30.8%
Net profit	150.0	129.9	15.5%	535.7	464.6	15.3%
Other net profit	25.9	-4.4	NA	20.5	6.6	209.1%
Total net profit	175.9	125.5	40.2%	556.2	471.3	18.0%
<b>Net profit attribute to TRIC shareholders</b>	<b>150.4</b>	<b>130.2</b>	<b>15.5%</b>	<b>524.9</b>	<b>460.1</b>	<b>14.1%</b>
<b>Recurring net profit attribute to TRIC shareholders*</b>	<b>134.5</b>	<b>130.0</b>	<b>3.4%</b>	<b>497.2</b>	<b>434.1</b>	<b>14.5%</b>
Basic EPS(Aft-tax)	0.30	0.27	12.1%	1.06	0.95	10.6%
Diluted EPS(Aft-tax)	0.30	0.27	12.0%	1.06	0.94	12.8%
Fully-diluted EPS(Aft-tax)	0.29	0.25	15.5%	1.01	0.88	14.1%
Recurring fully-diluted EPS(Aft-tax)*	0.26	0.25	3.4%	0.95	0.83	14.5%
<b>Gross margin</b>	<b>30.1%</b>	<b>30.1%</b>		<b>29.4%</b>	<b>29.7%</b>	
<b>Operating margin</b>	<b>2.3%</b>	<b>2.0%</b>		<b>2.5%</b>	<b>2.0%</b>	
<b>Pretax margin</b>	<b>2.1%</b>	<b>1.7%</b>		<b>2.5%</b>	<b>1.9%</b>	
<b>Net margin</b>	<b>1.6%</b>	<b>1.4%</b>		<b>1.9%</b>	<b>1.7%</b>	

\* Recurring net profit exclude FOREX and M&A related one-time expense. FOREX contribution for 3Q14 and 3Q13 was NT\$ 18.0 mn and NT\$ 0.83 mn; 1-3Q14 and 1-3Q13 was NT\$ 31.0 mn and NT\$ 28.0 mn. M&A related one-time expense is for 3Q14 and 3Q13 was NT\$ 2.04 mn and NT\$ 0.64 mn; 1-3Q14 and 1-3Q13 was NT\$ 3.32 mn and NT\$ 1.91 mn

**Figure 2 –Test-Rite IFRS based consolidated sales and profit by BU for 3Q14**

Consolidated sales by BU (NT\$m)	3Q14	3Q13	YoY%	1-3Q14	1-3Q13	YoY%
Trading⊙	3,481.9	3,480.9	0.0%	10,142.3	9,838.9	3.1%
Taiwan Retail▲	4,268.3	4,055.1	5.3%	12,815.1	12,458.3	2.9%
HOLA China^	993.7	917.6	8.3%	2,953.2	2,818.7	4.8%
Others#	459.4	526.7	-12.8%	1,222.4	1,335.4	-8.5%
<b>Consolidated Sales</b>	<b>9,203.4</b>	<b>8,980.3</b>	<b>2.5%</b>	<b>27,133.0</b>	<b>26,451.3</b>	<b>2.6%</b>
Consolidated net profit by BU (NT\$m)	3Q14	3Q13	YoY%	1-3Q14	1-3Q13	YoY%
Trading⊙	159.4	157.9	1.0%	507.1	432.8	17.2%
Taiwan Retail▲	105.2	103.3	1.8%	418.5	421.1	-0.6%
HOLA China^	-31.6	-24.4	29.6%	-82.1	-78.8	4.2%
Others#	-82.6	-106.6	-22.5%	-318.6	-315.0	1.1%
<b>Consolidated Net Profit</b>	<b>150.4</b>	<b>130.2</b>	<b>15.5%</b>	<b>524.9</b>	<b>460.1</b>	<b>14.1%</b>
<b>Consolidated Recurring Net Profit</b>	<b>134.5</b>	<b>130.0</b>	<b>3.4%</b>	<b>497.2</b>	<b>434.1</b>	<b>14.5%</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.