



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

Date: Aug. 7<sup>th</sup>, 2015

**Re: Test-Rite Int'l's 2Q15 and 1H15 earnings result announcement**

**Test-Rite reports 2Q15 net income of NT\$ 109.9 mn, +6.6% YoY; basic EPS of NT\$ 0.22, +5.5% YoY; 20<sup>th</sup> consecutive YoY increase of quarterly EPS on the same accounting basis.**

Test-Rite reported 2Q15 consolidated revenue of NT\$ 9.0 bn, an increase of 1.0% YoY. Net profit attributable to TRIC shareholders totaled to NT\$ 109.9 mn, an increase of 6.6%, and basic EPS of NT\$ 0.22 per share, an increase of 5.5% YoY.

Taiwan retail businesses, including TLW (DIY) and HOLA Taiwan, posted sales of NT\$ 4.15 bn in 2Q15, a decrease of 0.3% YoY. Private label sales mix for TLW and HOLA Taiwan increased 0.8 ppt and 5.0 ppt to 7.5% and 17.6% respectively, and total net profit increased 0.1% YoY to NT\$ 85.6 mn. 2Q15 HOLA China sale rose 2.7% YoY to NT\$ 930.8 mn, but net loss totaled NT\$ 84.3 mn in the quarter, as result of higher operating expenses.

During 2Q15, we opened one HOLA Taiwan store in Miaoli, one HOLA China store in Qingdao, and closed one HOLA China Shanghai store. As of 2Q15, we operate 26 TLW (DIY) stores in Taiwan, 24 HOLA stores in Taiwan and 38 HOLA stores in China, respectively. At the end of 1Q14, we operated 26 TLW (DIY) stores and 23 HOLA stores in Taiwan, and 35 HOLA stores in China.

Sales of our trading business totaled NT\$ 3.4 bn in 2Q15, a decreased 0.2% YoY, negatively impacted by weak demand in Australia and South/Central America markets. However, net profit totaled NT\$ 248.3 mn, an increase of 12.3% YoY. The increase is the result of earnings contribution from German subsidiaries and margin improvements, despite flattish revenue during the quarter.

Please see Figure 1 for our 2Q15 and 1H15 consolidated P&L.

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**Test-Rite reports 1H15 net income of NT\$ 419.8 mn, +12.1% YoY; basic EPS of NT\$ 0.83, +9.8% YoY.**

Test-Rite reported 1H15 consolidated revenue of NT\$ 18.6 bn, an increase of 3.9% YoY. Net profit attributable to TRIC shareholders totaled to NT\$ 419.8 mn, an increase of 12.1%, and basic EPS of NT\$ 0.83 per share, an increase of 9.8%. The increase can be attributed to sales and margin improvement in our retail business in Taiwan, and improving demand in Europe for our trading business.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw sales increased by 3.6% YoY NT\$ 8.85 bn and a net profit of NT\$ 365.9 mn in 1H15, an increase of 16.7% YoY. The growth was benefitting from higher private label sales mix. Private label sales mix for TLW and Hola Taiwan increased 1.4 ppt and 4.9 ppt to 8.1% and 16.7% respectively compared to 1H14. HOLA China sales for 1H15 increased 2.6% YoY to NT 2.01 bn. However, HOLA China posted a net loss of NT\$ 114.5 mn in 1H15, as a result of higher operating expense and new stores openings (4 in 1H15 and 2 in 1H14). 16 HOLA China stores were profitable in 1H15 versus 17 profitable stores in 1H14.

Our trading business sales totaled NT\$ 6.84 bn, an increase of 2.7% YoY and net profit totaled NT\$ 379.9 mn, an increase of 9.5%. The increase benefitted from higher gross margin for our overall trading business and acquisitions of German trading subsidiaries.



Figure 1 – Test-Rite IFRS based consolidated sales and profit by BU for 2Q15 and 1H15

Consolidated sales by BU (NT\$m)	2Q15	2Q14	YoY%	1H15	1H14	YoY%
Taiwan Retail ▲	4,152.2	4,163.3	-0.3%	8,853.1	8,546.8	3.6%
HOLA China ^	930.8	906.6	2.7%	2,011.0	1,959.5	2.6%
Trading ◎	3,400.9	3,406.0	-0.2%	6,840.4	6,660.4	2.7%
Others #	483.6	401.2	20.5%	918.8	762.9	20.4%
<b>Consolidated Sales</b>	<b>8,967.5</b>	<b>8,877.1</b>	<b>1.0%</b>	<b>18,623.3</b>	<b>17,929.6</b>	<b>3.9%</b>

Consolidated net profit by BU (NT\$m)	2Q15	2Q14	YoY%	1H15	1H14	YoY%
Taiwan Retail ▲	85.6	85.5	0.1%	365.9	313.4	16.7%
HOLA China ^	-84.3	-50.6	66.4%	-114.5	-49.9	129.4%
Trading ◎	248.3	221.0	12.3%	379.9	347.1	9.5%
Others #	-139.6	-152.7	-8.6%	-211.5	-236.0	-10.4%
<b>Consolidated Net Profit</b>	<b>109.9</b>	<b>103.1</b>	<b>6.6%</b>	<b>419.8</b>	<b>374.6</b>	<b>12.1%</b>
<b>Consolidated Recurring Net Profit</b>	<b>89.0</b>	<b>97.6</b>	<b>-8.9%</b>	<b>372.6</b>	<b>362.6</b>	<b>2.8%</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

Figure 2 – Test-Rite IFRS based consolidated P&L for 2Q15 and 1H15

NT\$ mn	2Q15	2Q14	YoY%	1H15	1H14	YoY%
<b>Consolidated sales</b>	<b>8,967.5</b>	<b>8,877.1</b>	<b>1.0%</b>	<b>18,623.3</b>	<b>17,929.6</b>	<b>3.9%</b>
COGS	-6,255.5	-6,356.3	-1.6%	-12,881.5	-12,725.4	1.2%
Gross profit	2,712.0	2,520.8	7.6%	5,741.8	5,204.2	10.3%
Operating Expense	-2,550.2	-2,381.9	7.1%	-5,201.5	-4,730.0	10.0%
Operating profit	161.8	138.8	16.5%	540.3	474.2	14.0%
Non-operating income/loss	4.6	8.0	-42.7%	15.4	-3.9	NA
Pre-tax profit	166.4	146.9	13.3%	555.7	470.3	18.2%
Net profit	110.0	108.3	1.5%	419.8	385.7	8.8%
Other net profit	3.8	-13.9	NA	-58.4	-5.5	971.5%
Total net profit	113.7	94.5	20.4%	361.3	380.3	-5.0%
<b>Net profit attribute to TRIC shareholders</b>	<b>109.9</b>	<b>103.1</b>	<b>6.6%</b>	<b>419.8</b>	<b>374.6</b>	<b>12.1%</b>
<b>Recurring net profit attribute to TRIC shareholders*</b>	<b>89.0</b>	<b>97.6</b>	<b>-8.9%</b>	<b>372.6</b>	<b>362.6</b>	<b>2.8%</b>
Basic EPS(Aft-tax)	0.22	0.21	5.5%	0.83	0.76	9.8%
Diluted EPS(Aft-tax)	0.22	0.21	5.5%	0.83	0.76	9.8%
Fully-diluted EPS(Aft-tax)	0.21	0.20	6.6%	0.82	0.72	13.8%
Recurring fully-diluted EPS(Aft-tax)*	0.17	0.19	-8.9%	0.72	0.69	4.4%
<b>Gross margin</b>	<b>30.2%</b>	<b>28.4%</b>	<b>1.8%</b>	<b>30.8%</b>	<b>29.0%</b>	<b>1.8%</b>
<b>Operating margin</b>	<b>1.8%</b>	<b>1.6%</b>	<b>0.2%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>0.3%</b>
<b>Pretax margin</b>	<b>1.9%</b>	<b>1.7%</b>	<b>0.2%</b>	<b>3.0%</b>	<b>2.6%</b>	<b>0.4%</b>
<b>Net margin</b>	<b>1.2%</b>	<b>1.2%</b>	<b>0.1%</b>	<b>2.3%</b>	<b>2.1%</b>	<b>0.2%</b>

\* Recurring net profit exclude FOREX and one-time expense. FOREX contribution for 2Q15 and 2Q14 was NT\$ 24.2 mn and NT\$ 5.5 mn, for 1H15 and 1H14 was NT\$ 53.3 mn and NT\$ 12.0 mn