



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

Date: Nov. 11<sup>th</sup>, 2015

**Re: Test-Rite Int'l's 3Q15 and 1-3Q15 earnings result announcement**

Test-Rite reports 1-3Q15 net income of NT\$ 571.4 mn, an increase of 8.8% YoY, with basic EPS of NT\$ 0.83, an increase of 6.8% YoY. The growth was driven by earnings growth from our Taiwan retail and Trading businesses, along with foreign exchange gain. The foreign exchange gain for the first three quarter in 2015 totaled NT\$ 106 mn, 3.4 times of last year's gain.

3Q15 net profit attributable to TRIC shareholders totaled NT\$ 151.6 mn, an increase of 0.8%, and EPS was NT\$ 0.30, flat with the same period last year. While core businesses are negatively impacted by macro headwinds in 3Q15, higher private label sales mix and FX gains boosted overall bottom line for the company. 3Q15 foreign exchange gain was NT\$ 47.9 mn, 2.7 times the contribution in 3Q14. Private label as a percentage of sales was 8.5% for TLW, and 20.1% for HOLA Taiwan.

Please see Figure 1 for our 3Q15 and 1-3Q15 consolidated P&L.

**Figure 1 – Test-Rite IFRS based consolidated P&L for 3Q15 and 1-3Q15**

NT\$ mn	3Q15	3Q14	YoY%	1-3Q15	1-3Q14	YoY%
<b>Consolidated sales</b>	<b>8,991.0</b>	<b>9,203.4</b>	<b>-2.3%</b>	<b>27,614.3</b>	<b>27,133.0</b>	<b>1.8%</b>
COGS	-6,211.3	-6,429.1	-3.4%	-19,092.7	-19,154.5	-0.3%
Gross profit	2,779.7	2,774.3	0.2%	8,521.6	7,978.5	6.8%
Operating Expense	-2,606.5	-2,565.2	1.6%	-7,808.0	-7,295.2	7.0%
Operating profit	173.2	209.1	-17.2%	713.5	683.3	4.4%
Non-operating income/loss	26.4	-13.7	NA	41.7	-17.6	NA
Pre-tax profit	199.6	195.4	2.1%	755.3	665.7	13.5%
Net profit	151.6	150.0	1.1%	571.4	535.7	6.7%
Other net profit	43.6	25.9	68.1%	-14.9	20.5	-172.6%
Total net profit	195.2	175.9	10.9%	556.5	556.2	0.1%
<b>Net profit attribute to TRIC shareholders</b>	<b>151.6</b>	<b>150.4</b>	<b>0.8%</b>	<b>571.4</b>	<b>524.9</b>	<b>8.8%</b>
<b>Recurring net profit attribute to TRIC shareholders*</b>	<b>103.7</b>	<b>132.4</b>	<b>-21.7%</b>	<b>471.3</b>	<b>493.9</b>	<b>-4.6%</b>
Basic EPS(Aft-tax)	0.30	0.30	-	1.13	1.06	6.8%
Diluted EPS(Aft-tax)	0.30	0.30	-	1.13	1.06	6.9%
Fully-diluted EPS(Aft-tax)	0.30	0.29	1.6%	1.12	1.01	11.4%
Recurring fully-diluted EPS(Aft-tax)*	0.20	0.26	-21.1%	0.92	0.95	-2.3%
<b>Gross margin</b>	<b>30.9%</b>	<b>30.1%</b>	<b>0.8%</b>	<b>30.9%</b>	<b>29.4%</b>	<b>1.5%</b>
<b>Operating margin</b>	<b>1.9%</b>	<b>2.3%</b>	<b>-0.3%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>0.1%</b>
<b>Pretax margin</b>	<b>2.2%</b>	<b>2.1%</b>	<b>0.1%</b>	<b>2.7%</b>	<b>2.5%</b>	<b>0.3%</b>
<b>Net margin</b>	<b>1.7%</b>	<b>1.6%</b>	<b>0.1%</b>	<b>2.1%</b>	<b>1.9%</b>	<b>0.1%</b>

\* Recurring net profit exclude FOREX and one-time expense. FOREX contribution for 3Q15 and 3Q14 was NT\$ 47.9 mn and NT\$ 18.0 mn, for 1-3Q15 and 1-3Q14 was NT\$ 106.3 mn and NT\$ 31.0 mn

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### 1-3Q15 :

Test-Rite reported 1-3Q15 consolidated revenue of NT\$ 27.6 bn, an increase of 1.8% YoY. Net profit attributable to TRIC shareholders totaled NT\$ 571.4 mn, an increase of 8.8%, with basic EPS of NT\$ 1.13 per share, an increase of 6.8%. Gross margin improved 1.5 ppt while operating margin increased 0.1 ppt, and pre-tax profit increased 13.5% YoY. Recurring net profit, excluding FX and one-time expense, declined 4.6% YoY, negatively impacted by higher tax rates.

### 3Q15 :

Net profit attributable to TRIC shareholders totaled NT\$ 151.6 mn, an increase of 0.8%, and basic EPS was NT\$ 0.30, flat vs the same period last year. Consolidated revenue totaled NT\$ 9.0 bn, a decline of 2.3% YoY. The decrease can be attributed to macro headwinds. Gross profit improved 0.8 ppt in 3Q15, driven by higher private label sales mix for retail business, and higher value products/ service from our trading business. Although margin improved, OP% and recurring net profit decreased 0.3 ppt and 21.7% YoY respectively, given the year-over-year decline in sales during the quarter.

Taiwan retail businesses, including TLW (DIY) and HOLA Taiwan, posted sales of NT\$ 4.14 bn in 3Q15, a decrease of 2.9% YoY, and net income from Taiwan retail remains flat for 3Q15. However, higher private label sales mix boosted gross margin percentage by 1.4 ppt during the period. TLW private label as a percentage of sales increase at 8.5%, an increase of 1.3ppt, and HOLA Taiwan sales mix increased 7.0ppt to 20.1%, topped 20% for the first time in 3Q15.

3Q15 HOLA China sale totaled NT\$ 901.8 mn, a decrease of 9.2% YoY, reflecting the macro headwinds and weak consumer demand. HOLA China posted net loss of NT\$ 87.2 mn in the quarter.

As of the end of the quarter, we operate 26 TLW (DIY) stores in Taiwan, 24 HOLA stores in Taiwan and 38 HOLA stores in China, respectively. Versus one year ago, there is a net increase of +4 HOLA stores in China.

Sales of our trading business totaled NT\$ 3.57 bn in 3Q15, an increase of 2.6% YoY. Net income for our trading business was NT\$ 171.5 mn in 3Q15, an increase of 13.3% YoY, and gross margin % improved 1.3 ppt. The growth benefitted from higher product/service margin, improving demand from North America retailer, and NT Dollar's depreciation.

**Figure 2 – Test-Rite IFRS based consolidated sales and profit by BU for 3Q15 and 1-3Q15**

Consolidated sales by BU (NT\$mn)	3Q15	3Q14	YoY%	1-3Q15	1-3Q14	YoY%
Taiwan Retail ▲	4,143.5	4,268.3	-2.9%	12,996.6	12,815.1	1.4%
HOLA China ^	901.8	993.7	-9.2%	2,912.7	2,953.2	-1.4%
Trading ©	3,573.1	3,481.9	2.6%	10,413.5	10,142.3	2.7%
Others #	372.6	459.4	-18.9%	1,291.5	1,222.4	5.7%
<b>Consolidated Sales</b>	<b>8,991.0</b>	<b>9,203.4</b>	<b>-2.3%</b>	<b>27,614.3</b>	<b>27,133.0</b>	<b>1.8%</b>

Consolidated net profit by BU (NT\$mn)	3Q15	3Q14	YoY%	1-3Q15	1-3Q14	YoY%
Taiwan Retail ▲	105.2	105.2	0.0%	471.0	418.5	12.5%
HOLA China ^	-87.2	-32.2	170.6%	-201.7	-82.1	145.6%
Trading ©	171.5	151.4	13.3%	551.4	498.5	10.6%
Others #	-37.8	-73.9	-48.9%	-249.3	-309.9	-19.6%
<b>Consolidated Net Profit</b>	<b>151.6</b>	<b>150.4</b>	<b>0.8%</b>	<b>571.4</b>	<b>524.9</b>	<b>8.8%</b>
<b>Consolidated Recurring Net Profit</b>	<b>103.7</b>	<b>132.4</b>	<b>-21.7%</b>	<b>471.3</b>	<b>493.9</b>	<b>-4.6%</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