



Issued by: Test-Rite International Co. Ltd (Ticker: 2908 TT/ 2908 TW)
Subject: Test-Rite 1Q16 earnings result announcement

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Test-Rite reports 1Q2016 consolidated revenue of NT\$9.6 bn, net income of NT\$306 mn, and basic EPS of NT\$0.6; The earning result is close to the same period last year.

Test-Rite Group continues to improve gross margin in 1Q16 by increasing the sales mix of private label and providing value-added services to our trading customers. Both of the two major business units, Taiwan retail and trading businesses, achieve higher gross margin. Consolidated gross margin in 1Q16 is 32.2%, increased 0.8% comparing to the same period last year. However, consolidated operating profit is less due to the increases of operating expenses in Taiwan retail and more losses in China retail business.

Trading business has reported revenue of NT\$3.56 bn, a 4.3% increase YoY. Both principal trading and agency business are growing in 1Q16. The prosperous U.S. housing and auto market has driven the demand of hand/electrical tools. Besides, strong growth of agency shipment also contributes to the trading business. Although agency business only recognized commission revenue in the consolidated revenue under IFRS, the bottom line of net profit is close to principal trading. 1Q16 trading net profit is NT\$203 mn, 54% growth YoY.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan saw sales of NT\$4.8 bn, a 2.9% growth YoY. The Private Label strategy has led continuous improvement of gross margin. Private label sales mix of TLW and HOLA has reached to 13.8% and 23.7% respectively in 1Q16. Taiwan retail net profit is NT\$250 mn, decreases 10.8% YoY. It is affected by higher operating expenses in 1Q16. As for the China retail business, China market is still challenging to retailers. HOLA China reported 14 break even stores in 1Q16 and net loss of NT\$97mn.

By the end of 1Q16, TLW (DIY) has 27 stores in Taiwan; HOLA has 25 stores in Taiwan and 36 stores in China. During 1Q16, we have closed two stores in China to improve profitability. We will continue to review the profitability of each store in China and actively make adjustments to minimize losses. Although HOLA China has no store opening plan this year, we will continue to expand our Chinese operation through franchise model. By cooperating with the franchise owners, HOLA will be able to expand its presence to cities that we didn't have exposure before and strengthen our brand image to Chinese consumers.

(Please see Figure 1 for our 1Q16 consolidated P&L)

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Figure 1 –Test-Rite IFRS based consolidated P&L for 1Q16

(NT\$ mn)	1Q16	1Q15	YoY% chg
Consolidated sales	9,642	9,656	-0.2%
COGS	(6,538)	(6,626)	-1.3%
Gross profit	3,104	3,030	2.4%
Operating Expense	(2,761)	(2,651)	4.1%
Operating profit	343	379	-9.5%
Non-operating income/loss	52	11	384.5%
Pre-tax profit	395	389	1.4%
Net profit	306	310	-1.2%
Other net profit	(9)	(62,223)	-100.0%
Total net profit	297	(61,913)	NA
Net profit attribute to TRIC shareholders	306	310	-1.2%
NT dollar (After Tax)			
Basic EPS	0.60	0.62	-2.7%
Diluted EPS	0.60	0.62	-2.7%
Gross margin	32.2%	31.4%	2.6%
Operating margin	3.6%	3.9%	-9.3%
Pretax margin	4.1%	4.0%	1.6%
Net margin	3.2%	3.2%	-1.0%

Figure 2 –Test-Rite IFRS based consolidated sales and profit by BU for 1Q16

Sales by BU (NT\$ mn)	1Q16	1Q15	YoY% chg
Taiwan Retail ▲	4,838	4,701	2.9%
HOLA China ^	944	1,080	-12.6%
Trading ©	3,589	3,440	4.3%
Others #	271	435	-37.7%
Consolidated Sales	9,642	9,656	-0.1%
Net Profit by BU (NT\$ mn)	1Q16	1Q15	YoY% chg
Taiwan Retail ▲	250	280	-10.8%
HOLA China ^	(97)	(30)	222.1%
Trading ©	203	132	54.5%
Others #	(50)	(72)	-30.6%
Consolidated Net Profit	306	310	-1.2%

© Trading included Great China, TRPC, SO/RO, and related party transactions write-off.

▲ Taiwan Retail included TLW, HOLA, Décor House, TLW Service, Testrite Brand Agency, and Test Rite C&B.

^ HOLA China only included HOLA China.

Others included Life 1 Plaza, TRR others, Chung Cin, group office expense, and gain on sale and leaseback