



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

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Subject: Test-Rite 3Q16 earnings result announcement

Test-Rite Group reports 3Q2016 consolidated revenue of NT\$8.7 bn, net income of NT\$152 mn, and basic EPS of NT\$0.30. The earning result is similar to the same period of last year. The accumulated earning of basic EPS is NT\$1.13. The earning result is stable.

Despite the real-estate market is chill in Taiwan, Test-Rite continues investing in the “home” industry to acquire more market share and widen the gap with competitors. We continues investing in the areas of increasing the brand agency portfolio, enhancing merchandise and private brand, revamping the next generation stores for experiential marketing. In general, Taiwan retail’s operation and profitability is stable. The growth of trading business has offset the increased loss of HOLA China, resulting in minimal growth of EPS this year.

Trading business has reported consolidated sales of NT\$3.4 bn and net profit of NT\$195 mn in 3Q16. 7.6% YoY growth, as well as 23.9% YoY growth YTD in terms of net profit. The robust US economy and thriving agency business remains to be the momentum of trading in the third quarter. The demands of hardline products, including hand tools, power tools and auto, are surging while US housing and auto market is strong. North America market is showing double-digit growth in 3Q16.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan saw sales of NT\$4.1 bn. Benefited from the increasing product mix % of private label, the gross margin has been improved. Private label sales mix of TLW and HOLA has reached to 12.5% and 25.9% respectively in 3Q16. Operating expenses has gone up due to increasing investment in new agency brands and more rental expenses while opening new stores. Therefore, Taiwan retail business is showing less net profit of NT\$73 mn comparing to the same period of last year. Cross the strait in China, HOLA is still facing strong headwinds. It has reported net loss of NT\$90mn in 3Q16, which is lower than the loss of 2Q16; and net loss of NT\$319 mn YTD.

We have opened the 2nd Crate & Barrel store in Taichung in 3Q16. By the end of 2Q16, TLW (DIY) has 27 stores in Taiwan; Crate and Barrel has 2 stores in Taiwan; HOLA has 25 stores in Taiwan and 33 stores in China.

(Please see Figure 1 for our 3Q16 consolidated P&L)

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Figure 1 –Test-Rite IFRS based consolidated P&L for 3Q16

(NT\$mn)	3Q16	3Q15	YoY% chg	FY2016	FY2015	YoY% chg
Consolidated sales	8,658	8,991	-3.7%	27,057	27,614	-2.0%
COGS	(5,894)	(6,211)	-5.1%	(18,454)	(19,092)	-3.3%
Gross profit	2,764	2,780	-0.6%	8,603	8,522	1.0%
Operating Expense	(2,592)	(2,607)	-0.6%	(7,908)	(7,808)	1.3%
Operating profit	172	173	-0.7%	695	714	-2.6%
Non-operating income/loss	11	26	-56.6%	96	42	129.2%
Pre-tax profit	183	200	-8.1%	791	755	4.7%
Net profit	152	152	0.5%	576	571	0.8%
Other net profit	(65)	44	NA	(117)	(14)	694.0%
Total net profit	87	195	-55.2%	459	557	-17.5%
Net profit attribute to TRIC shareholders	152	152	0.5%	576	571	0.8%
NT dollar (After Tax)						
Basic EPS	0.30	0.30	-1.1%	1.13	1.13	0.1%
Gross margin	31.9%	30.9%	1.0%	31.8%	30.9%	0.9%
Operating margin	2.0%	1.9%	0.1%	2.6%	2.6%	0.0%
Pretax margin	2.1%	2.2%	-0.1%	2.9%	2.7%	0.2%
Net margin	1.8%	1.7%	0.1%	2.1%	2.1%	0.1%

Figure2–Test-Rite IFRS based consolidated sales and profit by BU for 3Q16

Sales by BU (NT\$ mn)	3Q16	3Q15	YoY% chg	FY2016	FY2015	YoY% chg
Taiwan Retail	4,114	4,144	-0.7%	13,192	12,997	1.5%
HOLA China	797	902	-11.6%	2,594	2,913	-10.9%
Trading	3,438	3,573	-3.8%	10,397	10,414	-0.2%
Others	309	372	-16.8%	874	1,291	-32.3%
Consolidated Sales	8,658	8,991	-3.7%	27,057	27,614	-2.0%
Net Profit by BU (NT\$ mn)	3Q16	3Q15	YoY%chg	FY2016	FY2015	YoY%chg
Taiwan Retail	73	105	-30.8%	414	471	-12.1%
HOLA China	(92)	(87)	5.6%	(319)	(202)	58.3%
Trading	195	181	7.7%	596	481	23.9%
Others	(24)	(47)	-50.7%	(115)	(179)	-36.0%
Consolidated Net Profit	152	152	0.5%	576	571	0.8%

Business units definition is following the management report