



Issued by: Test-Rite International Co. Ltd (Ticker: 2908 TT/ 2908 TW)  
Subject: Test-Rite 1Q17 earnings result announcement

Date: May 11<sup>th</sup>, 2017

**Test-Rite reports 1Q17 revenue of NT\$ 9.7 bn, net income of NT\$307 mn, and basic EPS of NT\$0.6.**

Financial results slightly grew in the comparable period. The U.S. is the strongest market in the period. Test-Rite group had double-digit growth in the U.S. market due to continuously surging customers' demands, leading robust growth of both traditional trading and agency business. Trading Revenue as well as profit had improved in terms of the original currency, however, the recent appreciation of Taiwanese Dollar had greatly influenced the consolidated results, resulting in 1.6% decrease YOY of trading net profit.

Affected by the chill real-estate market in Taiwan, consumers' demands for replacement of household items are lowered. In the mean time, the government policy to increase labors' weekly holidays also increased the running cost in stores. Taiwan retail businesses, including TLW (DIY) and HOLA Taiwan saw sales of NT\$4.5 bn and a net profit of NT\$ 236mn in 1Q17. To tackle the situation, Test Rite has implemented tight control of operating expenses. Besides, the success of private label products have contributed additional 1% gross margin which greatly balanced all the unfavorable factors. TLW Private Label products accounted for 14.5% TLW sales in 1Q16, along with 3.7% sales growth. On the other hand, HOLA Private Label products accounted for 31.8% HOLA sales, along with 22.7% sales growth.

HOLA China showed revenue of NT\$ 0.7bn and net loss of NT\$69 mn in 1Q17. The net loss has greatly improved by 29.0% due to continuously closing underperform stores. Operating expense has substantially decreased by NT\$100 mn in the comparable period. The appreciation of Taiwanese dollar has further shrunk the net loss in the consolidated report. By reviewing the profitability of each store, we expect the net loss will be improved quarter by quarter. As of the cut-off date, Test-Rite Group operated 27 TLW (DIY) stores, 25 HOLA stores in Taiwan, and 30 HOLA stores in China.

(Please see Figure 1 for our 1Q17 consolidated P&L)

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Figure 1 –Test-Rite IFRS based consolidated P&L for 1Q17

(NT\$mn)	1Q17	1Q16	YoY%
Consolidated sales	9,717	9,642	0.8%
COGS	(6,780)	(6,538)	3.7%
Gross profit	2,937	3,104	-5.4%
Operating Expense	(2,540)	(2,761)	-8.0%
Operating profit	397	343	16.0%
Non-operating income/loss	(15)	52	NA
Pre-tax profit	382	395	-3.2%
Net profit	307	306	0.4%
Other net profit	(105)	(9)	1066.7%
Total net profit	202	297	-31.9%
<b>Net profit attribute to TRIC shareholders</b>	<b>307</b>	<b>306</b>	<b>0.4%</b>
NT dollar (After Tax)			
Basic EPS	0.6	0.6	0.0%
Gross margin	30.2%	32.2%	-2.0%
Operating margin	4.1%	3.6%	0.5%
Pretax margin	3.9%	4.1%	-0.2%
Net margin	3.2%	3.2%	0.0%

Figure2–Test-Rite IFRS based consolidated sales and profit by BU for 1Q17

Sales by BU (NT\$mn)	1Q17	1Q16	YoY%
Taiwan Retail	4,450	4,838	-8.0%
HOLA China	752	944	-20.4%
Trading	4,299	3,589	19.8%
Others	216	271	-20.3%
<b>Consolidated Sales</b>	<b>9,717</b>	<b>9,642</b>	<b>0.8%</b>
Net Profit by BU (NT\$mn)	1Q17	1Q16	YoY%
Taiwan Retail	236	250	-5.8%
HOLA China	(69)	(97)	-29.0%
Trading	200	203	-1.6%
Others	(60)	(50)	18.7%
<b>Consolidated Net Profit</b>	<b>307</b>	<b>306</b>	<b>0.4%</b>