



Issued by: Test-Rite International Co. Ltd (Ticker: 2908 TT/ 2908 TW)
Subject: Test-Rite 2Q17 earnings result announcement

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Test-Rite reports 2Q17 revenue of NT\$ 9.3 bn, net income of NT\$132 mn, and basic EPS of NT\$0.26
Accumulated revenue of NT\$ 19 bn, net income of NT\$440 mn, and basic EPS of NT\$0.86.

Financial result has showed positive growth in the comparable period. Revenue and net income has soared 5.9% and 12.9% separately. Revenue is benefited from the double-digit growth of trading in the U.S. market. Net income is further improved by the reduction of losses in China retail business.

The consolidated trading revenue has reached NT\$4.3 billion, 28.9% growth YoY, in the second quarter. Taiwan retail businesses, including TLW (DIY) and Hola Taiwan saw sales of NT\$ 4.1bn, are affected by the chill real-estate market in Taiwan. To tackle the macroeconomic downturn, Test Rite has implemented tighter control of operating expenses. Besides, the success of private label products and direct purchase from factories have contributed additional gross margin which greatly balanced all the unfavorable factors. TLW Private Label products accounted for 12.1% TLW sales in2Q17. On the other hand, HOLA Private Label products accounted for 32.1% HOLA sales.

HOLA China showed revenue of NT\$ 0.6 bn and net loss of NT\$ 84 mn in 2Q17. The net loss has greatly improved by 35.7% due to continuous improvement of underperformed stores. We have negotiated to lower the rent of existing stores. Operating expense of HOLA China has substantially decreased. We expect the net losses 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 28 HOLA stores in China.

(Please see Figure 1 for our 2Q17 consolidated P&L)

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Figure 1 –Test-Rite IFRS based consolidated P&L for 2Q17

(NT\$mn)	2Q17	2Q16	YoY%	FY2017	FY2016	YoY%
Consolidated sales	9,278	8,758	5.9%	18,995	18,400	3.2%
COGS	(6,611)	(6,022)	9.8%	(13,391)	(12,560)	6.6%
Gross profit	2,667	2,736	-2.5%	5,604	5,840	-4.0%
Operating Expense	(2,473)	(2,549)	-3.0%	(5,002)	(5,299)	-5.6%
Operating profit	194	187	3.9%	602	541	11.3%
Non-operating income/loss	(46)	26	NA	(71)	67	NA
Pre-tax profit	148	213	-30.1%	531	608	-12.6%
Net profit	132	117	12.9%	440	423	3.9%
Other net profit	66	(43)	NA	(39)	(52)	-25.0%
Total net profit	198	74	167.1%	401	371	7.9%
Net profit attribute to TRIC shareholders	132	117	12.9%	440	423	3.9%
NT dollar (After Tax)						
Basic EPS	0.26	0.23	11.2%	0.86	0.83	3.5%
Gross margin	28.7%	31.2%	-2.5%	29.5%	31.7%	-2.2%
Operating margin	2.1%	2.1%	0.0%	3.2%	2.9%	0.2%
Pretax margin	1.6%	2.4%	-0.8%	2.8%	3.3%	-0.5%
Net margin	1.4%	1.3%	0.1%	2.3%	2.3%	0.0%

Figure2–Test-Rite IFRS based consolidated sales and profit by BU for 2Q17

Sales by BU (NT\$ mn)	2Q17	2Q16	YoY%	FY2017	FY2016	YoY%
Taiwan Retail	4,062	4,240	-4.2%	8,512	9,078	-6.2%
HOLA China	628	853	-26.4%	1,380	1,797	-23.2%
Trading	4,345	3,370	28.9%	8,643	6,959	24.2%
Others	243	295	-17.5%	460	566	-18.8%
Consolidated Sales	9,278	8,758	5.9%	18,995	18,400	3.2%
Net Profit by BU (NT\$ mn)	2Q17	2Q16	YoY%	FY2017	FY2016	YoY%
Taiwan Retail	80	91	-12.2%	315	341	-7.5%
HOLA China	(84)	(130)	-35.7%	(153)	(227)	-32.8%
Trading	148	198	-25.0%	348	401	-13.2%
Others	(12)	(42)	-70.8%	(70)	(92)	-21.9%
Consolidated Net Profit	132	117	12.9%	440	423	3.9%