



Issued by: Test-Rite International Co. Ltd (Ticker: 2908 TT/ 2908 TW)
Subject: Test-Rite 1Q18 Earnings Result Announcement

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Test-Rite reported 1Q18 revenue of NT\$10.3 billion, net income of NT\$312 million, and basic EPS of NT\$0.61, which was an increase of NT\$0.01 from 1Q17.

Our consolidated revenue and net profit in the first quarter increased by 6.5% and 1.6% YoY, respectively. The increase in revenue was driven mainly by our trading business. Notably, shipments to our strategic partner, Hillman, grew by 59% during the quarter. However, the overall gross margin for our trading business and the group on a consolidated basis decreased due to Hillman's growth. Our net profit picked up slightly, which was attributable to the 2.0% YoY increase (to NT\$201 million in the first quarter) from our trading business, and 15.9% reduction in the loss from HOLA China.

Our Taiwan retail business reported revenue of NT\$4.4 billion in the first quarter, which was 1.1% lower than in the previous year. Net profit came in at NT\$194 million (a decrease of 17.8% YoY). In the absence of a meaningful recovery in the overall economy, activities in our main retail channels, TLW and HOLA, remain subdued as they posted declines in revenue of 2.1% and 1.3% YoY, respectively, during the quarter. Providing some offset against this were sales from our brand agency, which rose by 33.1%, and TLW HISU (Home Improvement Service Unit, a provider of renovations and home maintenance services), which delivered sales growth of 5.1% comparing to last year. Along with growing sales of our private label products, there were sufficient growth drivers in our retail business to maintain a largely flat overall gross margin compared to a year ago.

HOLA China reported revenue of NT\$599 million in the first quarter (down 20.3% YoY), with the net loss narrowing by 15.9% to NT\$58 million. The improvement was driven by our strategic cutting back of poorly performance stores and efforts to enhance the profitability and operational efficiency of existing stores. We expect to extend these efforts and reduce the loss over the remaining of the year.

As of the end of the first quarter, Test-Rite Group operated 27 TLW (DIY) stores and 24 HOLA stores in Taiwan, 2 Crate & Barrel stores, and 26 HOLA stores in China.

(Please refer to Figure 1 for our 1Q18 consolidated P&L)

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Figure 1 – Test-Rite IFRS-based consolidated P&L for 1Q18

(NT\$mn)	1Q18	1Q17	YoY%
Consolidated sales	10,348	9,717	6.5%
COGS	(7,575)	(6,780)	11.7%
Gross profit	2,773	2,937	-5.6%
Operating expense	(2,475)	(2,530)	-2.6%
Operating profit	298	407	-26.8%
Non-operating income/loss	(40)	(25)	165.3%
Pre-tax profit	258	382	-32.6%
Net profit	312	307	1.6%
Other net profit	18	(105)	NA
Total net profit	330	202	63.3%
Net profit attributable to TRIC shareholders	309	307	0.7%
NT\$ (After Tax)			
Basic EPS	0.61	0.60	1.1%
Diluted EPS	0.61	0.60	1.1%
Gross margin	26.8%	30.2%	-3.4%
Operating margin	2.9%	4.1%	-1.2%
Pretax margin	2.5%	3.9%	-1.4%
Net margin	3.0%	3.2%	-0.1%

Figure 2 – Test-Rite IFRS-based consolidated sales and profit by business unit for 1Q18

Sales by BU (NT\$mn)	1Q18	1Q17	YoY %
Taiwan Retail [▲]	4,399	4,447	-1.1%
HOLA China [^]	599	752	-20.3%
Trading [®]	5,000	4,302	16.2%
Others [#]	350	216	62.0%
Consolidated Sales	10,348	9,717	6.5%
Net Profit by BU (NT\$mn)	1Q18	1Q17	YoY %
Taiwan Retail [▲]	194	236	-17.8%
HOLA China [^]	(58)	(69)	-15.9%
Trading [®]	201	197	2.0%
Others [#]	(25)	(57)	-56.1%
Consolidated Net Profit	312	307	1.6%

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

[^] HOLA China includes only HOLA China.

[®] Trading includes Greater China, TRPC, SO/RO, and related-party transactions write-off.

[#] Others include Life 1 Plaza, TRR others, Chung Cin, group office expenses, and gains from sale and leaseback.