



Issued by: Test-Rite International Co. Ltd (Ticker: 2908 TT/ 2908 TW)  
Subject: 3Q18 Earnings Results Announcement

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**Test-Rite reported revenue of NT\$9.84 billion in 3Q18, net income of NT\$165 million, and basic EPS of NT\$0.32 (slightly higher than the 3Q17 result). Year-to-date revenue was NT\$30.1 billion while net income came in at NT\$609 million; basic EPS of NT\$1.19 marked an increase of NT\$0.01 from the comparable period a year ago.**

Our consolidated revenue and net profit in 3Q18 increased by 6.1% and 2.2% YoY, respectively. Revenue benefited from the growth of our trading business as well as from the completion of construction projects at Chung Cin. The increase in net profit meanwhile was driven by both our overall trading and Taiwan retail businesses.

On a consolidated basis, our trading revenue reached NT\$5.01 billion in 3Q18. Both our principal trading and agency businesses performed well, resulting in sales growth of 16% YoY. Supported by the demand of global retailers in North America, our trading business posted a net profit of NT\$159 million in 3Q18, an increase of 4% from the same period a year ago. Aside from principal trading, the agency business also contributed meaningfully, as new product categories for procurement were developed, such as automotive and building materials. These initiatives bolstered the growth in the number of customers and demand of various product categories.

Our Taiwan retail business reported revenue of NT\$3.94 billion in 3Q18, which was 2.7% lower than the comparable period a year ago. Net profit increased by 21% YoY to NT\$103 million. The significant increase in net profit was mainly attributable to an adjusted sales mix and the development of private label products with higher gross margins. Private label products accounted for 20.2% of TLW's sales during the quarter (up by 13.2 % YoY) and 33.1%(lower by 1.8 % YoY) of HOLA's sales. Mindful of the impact of the government's pension reform plans as well as changes in consumers' shopping behavior, Test-Rite Group joined forces with Taobao to launch the new brand "hoi". This brand is aimed at a younger generation of shoppers and provides high-quality and value-for-money products. Technology has been deployed in creating an online-offline shopping experience that is conducive to both online and physical store sales. As of the end of 3Q18, Test-Rite Group operated 27 TLW (DIY) stores in Taiwan, 26 HOLA stores, and 2 Crate & Barrel stores.

HOLA China reported revenue of NT\$525 million in 3Q18 (-20% YoY) and a net loss after tax of NT\$98 million. The bottom line was impacted by a one-time charge related to the closure of 2 stores in 3Q18. Excluding the one-time charge, the net loss would have narrowed compared to 3Q17. As of the end of 3Q18, Test-Rite Group operated 24 HOLA stores in China.

(Please see Figure 1 for our 3Q18 consolidated P&L)



Figure 1 – Test-Rite IFRS-based consolidated P&L for 3Q18

(NT\$m)	3Q18	3Q17	YoY%	FY2018	FY2017	YoY%
Consolidated sales	9,837	9,271	6.1%	30,106	28,266	6.5%
COGS	(7,304)	(6,662)	9.6%	(22,288)	(20,053)	11.1%
Gross profit	2,533	2,609	-2.9%	7,818	8,213	-4.8%
Operating expense	(2,369)	(2,427)	-2.4%	(7,235)	(7,430)	-2.6%
Operating profit	164	181	-9.4%	583	783	-25.6%
Non-operating income/loss	22	(24)	NA	23	(95)	NA
Pre-tax profit	186	157	18.6%	606	688	-11.9%
Net profit	168	163	3.2%	619	602	2.9%
Other net profit	(70)	34	NA	(47)	(4)	1075.0%
Total net profit	98	197	-50.1%	572	598	-4.3%
<b>Net profit attributable to TRIC shareholders</b>	<b>165</b>	<b>161</b>	<b>2.2%</b>	<b>609</b>	<b>601</b>	<b>1.2%</b>
NT Dollar (After Tax)						
Basic EPS	0.32	0.32	0.0%	1.19	1.18	1.4%
Diluted EPS	0.32	0.32	0.0%	1.19	1.18	1.4%
Gross margin	25.8%	28.1%	-2.4%	26.0%	29.1%	-3.1%
Operating margin	1.7%	2.0%	-0.3%	1.9%	2.8%	-0.8%
Pre-tax margin	1.9%	1.7%	0.2%	2.0%	2.4%	-0.4%
Net margin	1.7%	1.7%	-0.1%	2.0%	2.1%	-0.1%



**Figure 2 – Test-Rite IFRS-based consolidated sales and profit by business unit for 3Q18**

Sales by BU (NT\$mn)	3Q18	3Q17	YoY%	FY2018	FY2017	YoY%
Taiwan Retail ▲	3,937	4,045	-2.7%	12,311	12,552	-1.9%
HOLA China ^	525	657	-20.0%	1,676	2,037	-17.7%
Trading ©	5,008	4,297	16.6%	15,044	12,946	16.2%
Others#	367	272	35.1%	1,075	731	47.0%
<b>Consolidated Sales</b>	<b>9,837</b>	<b>9,271</b>	<b>6.1%</b>	<b>30,106</b>	<b>28,266</b>	<b>6.5%</b>
Net Profit by BU (NT\$mn)	3Q18	3Q17	YoY%	FY2018	FY2017	YoY%
Taiwan Retail ▲	103	85	21.0%	328	421	-22.3%
HOLA China ^	(98)	(63)	54.9%	(267)	(216)	23.3%
Trading ©	159	153	4.0%	593	502	17.9%
Others#	1	(14)	-106.0%	(45)	(106)	-57.4%
<b>Consolidated Net Profit</b>	<b>165</b>	<b>161</b>	<b>2.2%</b>	<b>609</b>	<b>601</b>	<b>1.2%</b>

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

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

^ HOLA China only.

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

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