



Issued by: Test-Rite International Co. Ltd (Ticker: 2908 TT/ 2908 TW) Test Rite Group Financial Report for 2Q19

Date: August 12, 2019

Subject: 2Q19 and 1H19 Earnings Results Announcement

Test-Rite reported revenue of NT\$9.34 billion in 2Q19, gross profit of NT\$2.58 billion, and operating profit of NT\$152 million. For the first half of the year, revenue came in at NT\$19.2 billion while gross profit of NT\$5.39 billion and operating profit of NT\$464 million were recorded. Both gross and operating profit in the quarter and the half-year were up versus the same periods a year ago, reflecting steady growth and healthy profitability in our core businesses.

Despite challenging market conditions and heightened uncertainties, consolidated sales results for 2Q19 were encouraging. Overall gross margin reached 27.6%, a pick-up of 2.3 percentage points from a year ago; meanwhile, operating margin of 1.6% was up by 0.4 percentage points. Better margins helped to drive an up-tick in overall gross profit, which increased by 2.7% YoY, while operating profit rose by 25.9% YoY. Profit at the gross and operating levels were also up in the first half of the year, rising by 2.1% and 10.9% YoY, respectively. Profit growth for two consecutive quarters was a reflection of solid operating momentum in both our global trading and Taiwan retail businesses.

The improved year-on-year performance of our core businesses in 2Q19 and 1H19 was underscored by the introduction of more profitable new products as well as some moderation in commodity prices. Excluding one-off factors and the effects of the adoption of IFRS 16 Leases, which significantly lowered net profit after tax, the momentum in our core businesses remained intact.

On aggregate, business conditions in North America are on a positive footing while the peak consumer shopping season awaits in the second half of the year. Special sales events such as the “Double Eleven Singles Day” will provide a boost in addition to the cyclical household season for furniture replacement. These factors are expected to support growth in our core trading and Taiwan retail businesses.



Figure 1 – Test-Rite IFRS-based consolidated P&L for 2Q19

(NT\$mn)	2Q19	2Q18	YoY%	FY2019	FY2018	YoY%
Consolidated sales	9,335	9,921	-5.9%	19,214	20,269	-5.2%
COGS	(6,755)	(7,409)	-8.8%	(13,821)	(14,984)	-7.8%
Gross profit	2,580	2,512	2.7%	5,393	5,285	2.1%
Operating expense	(2,428)	(2,391)	1.6%	(4,929)	(4,866)	1.3%
Operating profit	152	121	25.9%	464	419	10.9%
Non-operating income/loss	(541)	42	NA	(632)	1	NA
Pre-tax profit	(389)	163	-339.6%	(168)	420	-140.0%
Net profit	(381)	138	-385.0%	-201	450	-145.3%
Other net profit	(32)	6	#DIV/0!	-13	24	#DIV/0!
Total net profit	(413)	144	-385.0%	-214	474	-145.3%
Net profit attributable to TRIC shareholders	(382)	134	-385.0%	-204	443	-146.0%
NT Dollar (After Tax)						
Basic EPS	-0.75	0.26	-380.6%	-0.40	0.87	-146.3%
Diluted EPS	-0.75	0.26	-380.6%	-0.40	0.87	-146.3%
Gross margin	27.6%	25.3%	2.3%	28.1%	26.1%	2.0%
Operating margin	1.6%	1.2%	0.4%	2.4%	2.1%	0.4%
Pre-tax margin	-4.2%	1.6%	-5.8%	-0.9%	2.1%	-2.9%
Net margin	-4.1%	1.4%	-5.4%	-1.1%	2.2%	-3.2%

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