



Issued by: Test-Rite International Co. Ltd (Ticker: 2908 TT/ 2908 TW)  
Subject: Test-Rite 4Q19 and FY2019 Earnings Results Announcement

Date: March 25, 2020

**Test-Rite reported revenue of NT\$9.07 billion in 4Q19 (-7.4% YoY), a net profit of NT\$138 million, and basic EPS of NT\$0.27. Revenue for the 2019 financial year was NT\$38.1 billion (-4.6% YoY), while net profit after tax came in at NT\$100 million, and basic EPS was NT\$0.2. The Board has approved management's proposal to distribute a cash dividend of NT\$0.71 per share from capital surplus.**

On a consolidated basis, our trading unit's revenue in 2019 was NT\$19.2 billion and our retail revenue was NT\$17.5 billion, accounting for 50% and 46%, respectively, of total revenue. As for the consolidated results in 4Q19, the pick-up in gross and operating profit margins, up by 2.1% and 3.7% YoY, respectively, was a reflection of solid operating momentum in both our trading and Taiwan retail businesses. The performance was attributable to product mix optimization and effective cost controls. The decline in the annual profit in 2019 owed partly to a substantial one-time cost related to HOLA's withdrawal from China. Despite the disposal of HOLA China, we continue cultivating long-term growth by proactively investing in the industry to enhance our competitive advantage in retail channels as well as implementing initiatives in support the globalization of the supply chain. In line with delivering a consistent dividend policy in the interest of shareholders, the Board resolved to distribute a cash dividend of NT\$0.71 per share.

Our trading business posted consolidated revenue of NT\$19.2 billion in 2019. This represented a 1.6% decrease from the previous year, which was impacted by a high base due to pre-stocking activities by major customers in 2018 in response to the U.S.-China trade war. The intensification of tensions between the U.S. and China saw trade shipments dipping to NT\$32.3 billion in 2019. However, our U.S. trade agency business remained solid, as evidenced by the 7.5% increase in shipments to a key customer, HD Supply. In light of an evolving international environment, Test-Rite is staying the course and putting into place strategies to keep the trading business growing steadily. These include deepening the southbound supply chain policy, diversifying global sourcing, constructing a second warehouse in the U.S., and providing customers with high value-added services and products.

Our Taiwan retail business reported revenue of NT\$16.2 billion in 2019, which was 1.7% lower than in 2018. According to Taiwan's Department of Statistics, total sales in two housing-related industries, namely Housing Products and Accessories and Construction Materials, fell by 0.3% and 5.8%, respectively, in 2019. Conditions for the housing-related segment of the retail market remain challenging. In response, we have intensified our customer-centric strategies through the integration of online and offline channels, stepped up efforts to bolster online sales, and leveraged new technologies to strengthen consumers' shopping experience in our physical stores. With a new retail business model well in place, our TR Plus website registered revenue in excess of NT\$1 billion in 2019, up by 18.5% YoY. Meanwhile, starting in Q3 2019, our TLW channel further reinforced its engagement with local communities through the introduction of small-format stores in providing residents with access to high-quality home goods and services. We remain poised to fulfil the full potential of all our retail channels.



**Figure 1 – Test-Rite IFRS-based consolidated P&L for 4Q19**

(NT\$mn)	4Q19	4Q18	YoY%	FY2019	FY2018	YoY%
Consolidated sales	9,067	9,792	-7.4%	38,061	39,898	-4.6%
COGS	(6,616)	(7,349)	-10.0%	(27,752)	(29,637)	-6.4%
Gross profit	2,451	2,443	0.3%	10,309	10,261	0.5%
Operating expense	(2,226)	(2,565)	-13.2%	(9,453)	(9,800)	-3.5%
Operating profit	225	(122)	284.1%	856	461	85.8%
Non-operating income/loss	(88)	(138)	-36.4%	(765)	(115)	566.2%
Pre-tax profit	137	(260)	152.6%	91	346	-73.6%
Net profit	138	(202)	168.2%	100	406	-75.3%
Other net profit	(83)	(15)	453.3%	(189)	(62)	204.8%
Total net profit	55	(217)	125.3%	(89)	344	125.7%
<b>Net profit attributable to TRIC shareholders</b>	138	(202)	168.2%	100	406	-75.3%
NT Dollar (After Tax)						
Basic EPS	0.27	-0.39	189.7%	0.2	0.8	-75%
Diluted EPS	0.27	-0.39	189.7%	0.2	0.8	-75%
Gross margin	27.0%	25.0%	2.1%	27.1%	25.7%	1.4%
Operating margin	2.5%	-1.2%	3.7%	2.3%	1.2%	1.1%
Pre-tax margin	1.5%	-2.7%	4.2%	0.2%	0.9%	-0.6%
Net margin	1.5%	-2.1%	3.6%	0.3%	1.0%	-0.8%

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