



Issued by: Test-Rite International Co. Ltd
(Ticker: 2908 TT/ 2908 TW)

Date: October 30th, 2012

Re: Test-Rite Int'l's 3Q12 earnings result announcement

3Q12 net income total NT\$163mn, up 5.2% YoY ; Recurring income of NT\$141mn, up 53.7% YoY

Net income for 3Q12 totaled NT\$ 163mn, up 5.2% YoY with basic EPS of NT\$ 0.33, an increase of 10.0% YoY. Excluding net FOREX gains and TLM's net profit, net income during the period totaled NT\$141mn, up 53.7% YoY. Fully-diluted EPS, excluding net FOREX and TLM's net profit contributions, was NT\$0.27, up 56.3% YoY. Please see Figures 1 & 2 for a detailed breakdown of our 3Q12 results.

Trading Business

Parent revenue (Trading business) totaled NT\$ 3.3bn, a decline of 0.6% YoY, as total shipments from our trading operations increase 9.2% YoY during the period to NT\$ 4.6 bn. This can be attributed to improved demand outlook from our US based customers. Operating profit in 3Q12 increased by 5.2% to NT\$ 123 mn while our overseas trading subsidiaries reported a net profit of NT\$3mn during the period vs. a net loss of NT\$24mn in 3Q11.

Retail Businesses - China

Hola China posted sales of RMB 180.7mn in 3Q12, down 2.3% YoY with same-store sales growth of -1.5% in 3Q12. However, net loss was reduced by 19.4% to NT\$ 70 mn during period on the back of gross margin improvement by 2.8ppt to 35.9% and lower operating expenses. Hola China currently operates 28 stores.

Retail Businesses - Taiwan

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw revenue declined by 4.5% YoY to NT\$ 3.9bn in 3Q12 and net profit decreased by 18.4% YoY to NT\$ 91mn. The decline can be attributed to the decrease of gross margin by 0.5% as result of product mix changes and lack of consumer demand from the weakness in equity market and slowing transaction value of the property market. We currently operate 24 TLW stores and 20 Hola stores in Taiwan.

Tung Lung Metal

The tender offer for Test Rite's 68.27% held subsidiary, Tong Lung Metal (8705 TT/8705 TW), was completed on August 15th, 2012. As a result, Test-Rite booked 3Q12 revenue and earnings from Tung Lung Metal until August 15th. In 3Q12, Tung Lung Metal contributed NT\$ 410mn, down 20.0% YoY. Net profit was NT\$ 13mn compared to NT\$ 36mn in 3Q11, down 65.6%. The decline is attributable to the transaction.



Figure 1 –Test-Rite Parent only P&L 3Q12

(NT\$m)	3Q12	3Q11	YoY % chg
Turnover	3,281	3,302	-0.6%
Gross profit	681	636	7.0%
Operating profit	123	117	5.2%
Non-operating income/loss	60	54	10.7%
Pre-tax profit	182	171	7.0%
Net profit	163	155	5.2%
EPS(Aft-tax)	0.33	0.30	10.0%
Diluted EPS(NT\$)	0.33	0.30	10.0%
Fully diluted EPS (NT\$)	0.31	0.29	7.0%
Net profit ex and FOREX and TLM's net profit	141	92	53.7%
Fully-dilluted EPS(Aft-tax)ex FOREX and TLM's net profit	0.27	0.17	56.3%
Gross margin	20.7%	19.3%	
Operating margin	3.7%	3.5%	
Pre tax margin	5.6%	5.2%	
Net profit margin	5.0%	4.7%	

* FOREX in 3Q12 is NT\$10mn. and NT\$27mn. in 3Q11. TLM's net profit in 3Q12 is NT\$13mn and NT\$36mn in 3Q11.

Figure 2 – Breakdown of non-operating profit 3Q12

(NT\$m)	3Q12	3Q11	YoY % chg
Trading Subsidiaries	3	(24)	n.a.
Retail Subsidiaries			
- TLW	91	112	-18.4%
- Hola China	(70)	(87)	-19.4%
- Life 1 Plaza	4	(4)	n.a.
Subtotal: Retail Subsidiaries	25	21	20.6%
Tong Lung Metal	13	36	-65.6%
Other LT Investments	14	14	5.1%
FX Gain/(Loss)	10	27	-63.0%
Interest net amount	(19)	(23)	-16.6%
Others	14	3	460.0%
Subtotal of Non-Operating income / loss	60	54	10.7%



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Re: Test-Rite Int'l's 1-3Q12 earnings result announcement

1-3Q12 net income total NT\$ 545mn, up 7.0% YoY

Net income for 1-3Q12 totaled NT\$ 545mn, up 7.0% YoY and basic EPS was NT\$ 1.10, up 8.9% YoY. Excluding net FOREX gains and one-time items and TLM's net profit contribution, net income during the period totaled NT\$ 403mn, up 1.1% YoY, and fully-diluted EPS excluding FOREX gains and one-time items and TLM's net profit contribution increase to NT\$0.77, up 2.9% YoY. Please see Figures 1 & 2 for a detailed breakdown of our 1-3Q12 results.

Trading Business

Parent revenue (Trading business) totaled NT\$ 9.0bn, a decline of 11.8% YoY, as total shipments from our trading operations declined 3.7% YoY during the period to NT\$ 11.9 bn. Operating profit increased by 7.0% to NT\$ 298mn while our overseas trading subsidiaries reported a net loss of NT\$78mn, NT\$ 58mn vs. 1-3Q11.

Retail Businesses - China

Hola China posted sales of RMB 559.1mn in 1-3Q12, up 0.4% YoY with same-store sales growth of 2.1% in 1-3Q12. As continued to adjust product margin and decline selling space, net loss declined by 21.9% in 1-3Q12 to NT\$ 158 mn. Hola China currently operates 28 stores.

Retail Businesses - Taiwan

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw revenue decrease by 1.4% YoY to NT\$ 11.9 bn in 1-3Q12. However, net profit totaled NT\$ 376mn, an increase of 0.2% YoY. We currently operate 24 TLW stores and 20 Hola stores in Taiwan.

Tung Lung Metal

The tender offer for Test Rite's 68.27% held subsidiary, Tong Lung Metal (8705 TT/8705 TW), was completed on August 15th, 2012. As a result, Test-Rite booked 1-3Q12 revenue and earnings from Tung Lung Metal until August 15th. From 1-3Q12, Tung Lung Metal contributed NT\$ 20.3bn, down 1,1% YoY. Net profit was NT\$ 92mn compared to NT\$ 72mn in 1-3Q11, up 27.5%. The increase is attributable to the transaction.

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Figure 1 –Test-Rite Parent only P&L 1-3Q

(NT\$m)	1-3Q12	1-3Q11	YoY % chg
Turnover	9,008	10,215	-11.8%
Gross profit	1,830	1,928	-5.1%
Operating profit	298	279	7.0%
Non-operating income/loss	309	284	9%
Pre-tax profit	607	562	7.8%
Net profit	545	509	7.0%
EPS(Aft-tax)	1.10	0.98	12.2%
Diluted EPS(NT\$)	1.09	0.97	12.4%
Fully diluted EPS (NT\$)	1.04	0.96	8.9%
Net profit ex one time charge and FOREX and TLM's net profit	403	399	1.1%
Fully-dilluted EPS(Aft-tax)ex FOREX and one time charge and TLM's net profit	0.77	0.75	2.9%
Gross margin	20.3%	18.9%	
Operating margin	3.3%	2.7%	
Pre tax margin	6.7%	5.5%	
Net profit margin	6.1%	5.0%	

* One-time expense related to disposal Jiashan Warehouse gain in 1-3Q12 is NT\$20mn, and one-time expense for closing one store in HOLA CN is NT\$3.2 mn in 1-3Q12; treasury share expenses totaled NT\$54mn in 1-3Q11. FOREX in 1-3Q12 is NT\$33mn and NT\$93mn in 1-3Q11. TLM's net profit in 1-3Q12 is NT\$92mn and NT\$72mn in 1-3Q11.

Figure 2 – Breakdown of non-operating profit 1-3Q

(NT\$m)	1-3Q12	1-3Q11	YoY % chg
Trading Subsidiaries	(78)	(58)	36.3%
Retail Subsidiaries			
- TLW	376	375	0.2%
- Hola China	(158)	(202)	-21.9%
- Life 1 Plaza	12	(5)	n.a.
Subtotal: Retail Subsidiaries	230	168	37.3%
Tong Lung Metal	92	72	27.5%
Other LT Investments	45	66	-32.0%
FX Gain/(Loss)	33	93	-64.5%
Interest net amount	(66)	(61)	8.6%
Others	52	3	1840.7%
Subtotal of Non-Operating income / loss	309	284	8.7%