



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

Date: August 14<sup>th</sup>, 2013

**Re: Test-Rite Int'l's 1H13 earnings result announcement**

Test-Rite reported IFRS based 1H13 consolidated revenue of NT\$ 17.5bn, down 6.3% YoY. However, net profit increased to NT\$ 329.9 mn, up 15.2% YoY for 1H13, with basic EPS of \$0.68 per share, up 19.3% YoY. Excluding TLM sales, sales from recurring businesses was increased by 2.6% YoY in 1H13. Excluding FOREX, TLM and one-time items, net profit from recurring businesses was increased by 85.1% YoY to NT\$ 302.7 mn for 1H13 (recurring EPS of NT\$ 0.58).

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw net profit increased to NT\$ 317.8mn, up 12.3% YoY for 1H13. Hola China posted net loss reduced to NT\$ 54.4 mn, decreased by 42.2% YoY for 1H13. We currently operate 25 TLW stores, 22 Hola stores in Taiwan and 31 stores in Hola China. Please see Figure 1 for our consolidated P&L.

**Figure 1 –Test-Rite IFRS based consolidated P&L for 1H13**

NT\$ mn	1H13	1H12	YoY%
<b>Consolidated sales</b>	<b>17,471.0</b>	<b>18,654.2</b>	<b>-6.3%</b>
Gross profit	5,142.1	5,316.9	-3.3%
Operating Expense	- 4,795.3	- 4,861.3	-1.4%
Operating profit	346.8	455.6	-23.9%
Non-operating income/loss	8.6	8.6	0.8%
Pre-tax profit	355.4	464.2	-23.4%
Net profit	334.8	360.0	-7.0%
Other net profit	11.0	- 8.9	N/A
Total net profit	345.8	351.1	-1.5%
<b>Net profit attribute to TRIC</b>	<b>329.9</b>	<b>286.4</b>	<b>15.2%</b>
Recurring net profit attribute to TRIC	302.7	163.5	85.1%
Basic EPS(Aft-tax)	0.677	0.574	18.1%
Diluted EPS(Aft-tax)	0.674	0.569	18.5%
Fully-diluted EPS(Aft-tax)	0.632	0.549	15.2%
Recurring fully-diluted EPS(Aft-tax)	0.580	0.313	85.1%
<b>Gross margin</b>	<b>29.4%</b>	<b>28.5%</b>	
<b>Operating margin</b>	<b>2.0%</b>	<b>2.4%</b>	
<b>Pretax margin</b>	<b>2.0%</b>	<b>2.5%</b>	
<b>Net margin</b>	<b>1.9%</b>	<b>1.5%</b>	

\* Recurring net profit ex FOREX, one time charge and TLM net profit was as follows, FOREX in 1H13 was NT\$ 27mn and NT\$ 23mn in 1H12. One-time expense related to disposal Jiashan Warehouse gain in 1H12 was NT\$20.7mn; TLM's net profit was NT\$ 79.2mn in 1H12.

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**Re: Test-Rite Int'l's 2Q13 earnings result announcement**

Test-Rite reported IFRS based 2Q13 consolidated revenue of NT\$8.6 bn, down 7.7% YoY. However, net profit increased to NT\$ 84.6 mn, up 19.7% YoY in 2Q13, with basic EPS of NT\$0.17 per share, up 22.7% YoY. Excluding TLM sales, sales from recurring businesses was increased by 1.5% YoY in 2Q13. Excluding FOREX, TLM and one-time items, net profit from recurring businesses increased by 1,473.1% YoY to NT\$ 75.6 mn for 2Q13 (recurring EPS of NT\$ 0.14).

The growth in net income can be attributed to improving profit contribution from trading business and lower loss from retail operation in China and the lower interest expense( by NT\$ 13.7 mn).

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw net profit increased to NT\$ 52.0 mn, up 23.9% YoY for 2Q13. Hola China posted net loss reduced to NT\$ 41.6 mn, decreased by 26.2% YoY for 2Q13. We currently operate 25 TLW stores, 22 Hola stores in Taiwan and 31 stores in Hola China. Please see Figure 1 for our consolidated P&L.

**Figure 1 –Test-Rite IFRS based consolidated P&L for 2Q13**

NT\$ mn	2Q13	2Q12	YoY%
<b>Consolidated sales</b>	<b>8,602.1</b>	<b>9,322.9</b>	<b>-7.7%</b>
Gross profit	2,565.1	2,660.6	-3.6%
Operating Expense	- 2,493.3	- 2,455.2	1.6%
Operating profit	71.8	205.4	-65.0%
Non-operating income/loss	7.3	- 41.3	N/A
Pre-tax profit	79.1	164.1	-51.8%
Net profit	86.3	132.9	-35.1%
Other net profit	- 14.7	15.1	N/A
Total net profit	71.6	148.0	-51.6%
<b>Net profit attribute to TRIC</b>	<b>84.6</b>	<b>70.6</b>	<b>19.7%</b>
Recurring net profit attribute to TRIC	75.6	4.8	1473.1%
Basic EPS(Aft-tax)	0.174	0.142	22.7%
Diluted EPS(Aft-tax)	0.173	0.140	23.1%
Fully-diluted EPS(Aft-tax)	0.162	0.135	19.7%
Recurring fully-diluted EPS(Aft-tax)	0.145	0.009	1473.1%
<b>Gross margin</b>	<b>29.8%</b>	<b>28.5%</b>	
<b>Operating margin</b>	<b>0.8%</b>	<b>2.2%</b>	
<b>Pretax margin</b>	<b>0.9%</b>	<b>1.4%</b>	
<b>Net margin</b>	<b>1.0%</b>	<b>0.8%</b>	

\* Recurring net profit ex FOREX, one time charge and TLM net profit was as follows, FOREX in 2Q13 was NT\$ 9mn and NT\$ 9mn in 2Q12; TLM's net profit in 2Q12 was NT\$56.7mn.

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