



Issued by: Test-Rite International Co. Ltd

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(Ticker: 2908 TT/ 2908 TW)

Re: Earnings Report of 2009

Test Rite: 2009 earnings of NT\$0.31 per share, down 52% YoY vs. 2008's NT\$0.64 per share

Test-Rite reported 2009 revenue of NT\$10.6 bn, down 21.4% YoY. Gross profit declined 11.7% YoY to NT\$ 1.96 bn, while operating profit fell 51.0% to NT\$ 167 million. Net income of NT\$137 mn was down 52% YoY and EPS for 2009 was NT\$ 0.31. The major contributing reason for the earnings decline in 2009 is the result of global financial crisis, which adversely impacted consumer demand globally. However, we began to see signs of incremental improvements for our trading business beginning in late 4Q09 and have extended into 2010. We attribute this to the recovery of consumer demand, particularly from N. America.

For 2009, Test-Rite's non-operating income saw similar impact from the global financial crisis as well. While the company reported stable FOREX gains of NT\$ 149 mn, up 5% YoY, the retail business in Taiwan saw its contribution decline by 35% YoY to NT\$327 mn. Separately, Hola China's losses increased by 6% YoY to NT\$261 mn for two reasons 1) store pre-opening costs for 2 stores in 2009 and 2 in 1Q10; and 2) meaningful growth of retail sales in China did not materialize until 4Q09. Please see Figure 2 for the breakdown of contribution from non-operating income. As of year end 2009 Test-Rite operates 35 retail outlets in Taiwan and 18 in China.

Figure 1 – Test-Rite's 2009 and 2008 P&L

(NT\$m)	2009A	2008A	% chg
Turnover	10,628	13,517	-21.4%
Gross profit	1,961	2,221	-11.7%
Operating profit	167	341	-51.0%
Non-operating income/loss	(1)	(35)	n.m.
Pre-tax profit	166	306	-46%
Net profit	137	285	-52%
EPS	0.31	0.64	-52%
Gross margin	18.5%	16.4%	
Operating margin	1.6%	2.5%	
Pretax margin	1.6%	2.3%	
Net profit margin(%)	1.3%	2.1%	

Source: Test-Rite Int'l

Figure 2 – Breakdown of non-operating profit

(NT\$m)	2009A	2008A	% chg
Trading Subsidiaries	(261)	(384)	-32%
Retail Subsidiaries			
- TR Retail (TW)	327	502	-35%
- Hola China	(261)	(246)	6%
- Life 1 Plaza	(166)	(149)	11%
- Others	(16)	(2)	700%
Subtotal: Retail Subsidiaries	(116)	105	n.m.
Tong Lung Metal	132	164	-20%
Other LT Investments	76	54	41%
FX Gain/(Loss)	149	142	5%
Interest net amount	(73)	(199)	-63%
Others	92	83	11%
Non-Operating Profit	(1)	(35)	n.m.

Source: Test-Rite Int'l

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