



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

Date: Aug 31, 2010

**Re: Test-Rite Int'l's 1H10 and 2Q10 earnings result announcement**

**Test-Rite: 1H10 net income rose 80.6% YoY to NT\$251 mn**

Test-Rite reported 1H10 earnings of NT\$ 250.7 mn (EPS of NT\$0.52), up 80.6% YoY. Revenue for the period totaled NT\$ 5.74 bn, up 5.6% YoY, as procurement of global retailers picked up pace in 2Q10. On the back of improving retail operations in Taiwan and China, non-operating income reported a profit of NT\$ 228 mn vs. a loss of NT\$ 13mn in 1H09. TLW, Test-Rite's retail arm in Taiwan, contributed a profit of NT\$200 mn, up 21.2% YoY. Separately, Hola China, the company's retail operation in China, reported a lower loss of NT\$ 102 mn vs. a loss of NT\$147 mn in 1H09, despite opening 4 new stores in 1H10. Excluding FOREX gain of NT\$ 129.5 mn, 1H10 earnings was NT\$121.5 mn, up nearly 10 folds vs. a year ago period. Net income was negatively impacted in 2Q10 by a one-time charge of NT\$ 61.6 mn related to the write-down of residual value for our Nangkan property\*. Excluding the one-time charge, 1H10 net income and EPS was NT\$ 312.6 mn and NT\$ 0.65, up 124.7% YoY and 101.7% YoY respectively. Please see Figures 1 and 2 for a more detailed breakdown of 1H10 results. As of the end of 2Q10, Test-Rite operates a total of 59 large scale retail stores in Taiwan and China (22 TLW stores in Taiwan, 15 Hola stores in Taiwan, and 22 Hola stores in China).

\*The onetime charge is related to the construction of our new +17,000 ping (+56,000 square meter) shopping center in Nangkan, Taoyuan. The new retail outlet is tentatively set to re-open in 3Q11 and total investment cost is estimated to be NT\$2.6 bn.

**Figure 1 –Test-Rite Parent only P&L 1H10**

(NT\$m)	1H10	1H09	YoY % chg
Turnover	5,739	5,437	5.6%
Gross profit	1,116	1,028	8.6%
Operating profit	148	204	-27.5%
Non-operating income/loss	228	(13)	n.a.
Pre-tax profit	376	191	96.9%
Net profit	251	139	80.6%
EPS(Aft-tax)	0.52	0.32	57.6%
Net profit ex. one time charge	312	139	124.7%
EPS(Aft-tax) ex. one time charge	0.65	0.32	101.7%
Gross margin	19.4%	18.9%	
Operating margin	2.6%	3.8%	
Pre tax margin	6.6%	3.5%	
Net profit margin	4. %	2.6%	

**Figure 2 – Breakdown of non-operating profit 1H10**

(NT\$m)	1H10	1H09	YoY% chg
Trading Subsidiaries	(73)	(125)	-41.6%
Retail Subsidiaries			
- TLW	200	165	21.2%
- Hola China	(102)	(147)	-30.6%
- Life 1 Plaza	(59)	(86)	-31.4%
Subtotal: Retail Subsidiaries	39	(68)	n.a.
Tong Lung Metal	62	63	-1.6%
Other LT Investments	47	19	147.4%
FX Gain/(Loss)	130	128	1.6%
Interest net amount	(34)	(41)	-17.1%
Others	57	11	418.2%
Non-Operating Profit	228	(13)	n.a.

**Test-Rite: 2Q10 net income of NT\$ 70.4 mn (excluding one-time charge), up 28.0% YoY**

Revenue for 2Q10 totaled NT\$ 2.9 bn, up 13.9%, while net income came in at NT\$ 8.8 mn, down 83.6% YoY. Earnings per share under the Taiwan GAAP was NT\$ 0.02. Net income was negatively impacted in 2Q10 by a one-time charge of NT\$ 61.6 mn related to the write-down of residual value for our Nankan property. Excluding the one-time charge, 2Q10 net income and EPS was NT\$ 70.4 mn and NT\$ 0.145, up 28.0% YoY and 11.9% YoY respectively. In 2Q10, TLW reported a loss of NT\$ 30 mn\*, or 171.4% decline as the result of the write-down discussed previously. Excluding the one-time charge, TLW's 2Q10 result was NT\$ 31.6 mn, down 24.8% YoY. Hola China reported a loss of NT\$ 55 mn in 2Q10 vs. NT\$59 mn in 2Q09, despite opening two new stores during the period (only one new store was opened in 2Q09). Please see Figures 3 and 4 for a more detailed breakdown of 2Q10 results.

**Figure 3 –Test-Rite Parent only P&L 2Q10**

(NT\$mn)	2Q10	2Q09	YoY % chg
Turnover	2,911	2,556	13.9%
Gross profit	557	501	11.2%
Operating profit	100	107	-6.5%
Non-operating income/loss	4	10	-60.0%
Pre-tax profit	104	117	-11.1%
Net profit	9	55	-83.6%
EPS(Aft-tax)	0.02	0.13	-84.6%
Net profit ex. one time charge	70	55	28.0%
EPS(Aft-tax) ex. one time charge	0.15	0.13	11.9%
Gross margin	19.1%	19.6%	
Operating margin	3.4%	4.2%	
Pre tax margin	3.6%	4.6%	
Net profit margin	0.3%	2.2%	

**Figure 4 – Breakdown of non-operating profit 2Q10**

(NT\$mn)	2Q10	2Q09	YoY % chg
Trading Subsidiaries	(26)	(57)	-54.4%
Retail Subsidiaries			
- TLW	(30)*	42	-171.4%
- Hola China	(55)	(59)	-6.8%
- Life 1 Plaza	(27)	(43)	-37.2%
Subtotal: Retail Subsidiaries	(112)	(60)	86.7%
Tong Lung Metal	38	44	-13.6%
Other LT Investments	34	14	142.9%
FX Gain/(Loss)	40	80	-50.0%
Interest net amount	(17)	(15)	13.3%
Others	47	4	1075.0%
Non-Operating Profit	4	10	-60.0%

\*includes the NT\$61.6 mn one-time charge

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