



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

Date: Apr 28, 2011

Re: Test-Rite Int'l's 1Q11 earnings result announcement

- Net income and EPS for 1Q11 totaled NT\$258 mn, up 6.6% YoY; Taiwan GAAP EPS was NT\$0.51, up 2% YoY; Excluding one-time charges* and FOREX, net income for 1Q11 totaled NT\$ 251 mn, up 65% YoY.
- Gross profit for Test-Rite's trading business increased by 14.7% to NT\$ 641 mn. However, gross margin declined by 1.2 ppt to 18.6%, largely the result of NT\$ appreciation, which strengthened 3.1% vs. year end 2010 and 7.5% vs. 1Q10. The impact was partially offset by higher shipments from our agency business in 1Q11, which accounted for 13.9% of total shipments vs. 12.9% in 1Q10.
- Taiwan retail operation saw net income increase by 1.3% to NT\$ 233 mn. Higher comparable base vs. 1Q10 is the main reason (Nangkan stores remained open through 2Q10).
- Hola China reported a loss of NT\$ 44 mn in 1Q11 vs. a loss of NT\$ 47 mn in 1Q10. This marks 5th consecutive quarter of YoY declines in losses for Hola China.

* One-time expense related to treasury shares totaled NT\$54.2 mn for the Group.

Excluding one-time charges and FOREX, net income for 1Q11 totaled NT\$ 251 mn, up 65% YoY

Test-Rite International reported unaudited financials for 1Q11. Net income totaled NT\$258 mn, up 6.6% and Taiwan GAAP EPS of NT\$0.51, up 2% YoY. Excluding FOREX and one-time charges*, recurring net income for the period totaled NT\$ 251 mn, up 65.3% YoY (EPS of NT\$0.50, up 57.6% YoY). Please see detailed breakdown of our parent only P&L in Figure 1 & 2 for more information.

Trading business

Revenue for our trading operation in Taiwan totaled NT\$3.4bn, up 21.8%. Gross profit for Test-Rite's trading business increased by 14.7% to NT\$ 641 mn. However, gross margin declined by 1.2 ppt to 18.6%, largely the result of NT\$ appreciation, which strengthened 3.1% vs. year end 2010 and 7.5% vs. 1Q10. The impact was partially offset by higher shipments from our agency business in 1Q11, which accounted for 13.9% of total shipments vs. 12.9% in 1Q10. Operating profit of NT\$45 mn, was down 6.3% YoY, however, this includes one-time expense* related to treasury shares, totaling NT\$ 37.8 mn attributable to our trading business. Excluding this one-time expense, operating income for our trading business totaled NT\$83 mn, up 73% YoY.



Retail businesses – Taiwan

Our Taiwan retail businesses, or TLW Inc., continue to benefit from improving consumer demand. Revenue for our Taiwan retail channels, totaled NT\$ 4.2 bn, up 5.6% YoY. Earnings contribution from our Taiwan retail businesses totaled NT\$ 233 mn, up 1.3% YoY, despite temporary closures of our flagship store in Nankan. Our new Nankang Shopping arcade is set to reopen in 3Q11. TLW Inc. also booked NT\$10.7 mn charge for expenses related to treasury shares.

Retail businesses – China

Hola China reported unaudited 1Q11 revenue of RMB 198 mn, up 28% YoY with same-store-sales growth of 18.1% YoY. Despite higher VAT Taxes (by 10%) and new store opening expenses of NT\$ 2.6 mn net loss for 1Q11 was NT\$ 44 mn vs. NT\$ 47 mn in 1Q10. This marks the 5th consecutive quarter of YoY declines for Hola China.

Figure 1 –Test-Rite Parent only P&L 1Q11

(NT\$m)	1Q11	1Q10	YoY% chg
Turnover	3,444	2,828	21.8%
Gross profit	641	559	14.7%
Operating profit	45	48	-6.3%
Non-operating income/loss	224	224	0.0%
Pre-tax profit	269	272	-1.1%
Net profit	258	242	6.6%
EPS	0.51	0.50	2.0%
Net profit ex. one-time charge	312	242	29.0%
EPS ex. one-time charge	0.62	0.50	23.1%
Net profit ex. one-time charges & FX	251	152	65.3%
EPS ex. one-time charge & FX	0.50	0.31	57.6%
Gross margin	18.6%	19.8%	
Operating margin	1.3%	1.7%	
Pre tax margin	7.8%	9.6%	
Net profit margin	7.5%	8.6%	

Figure 2 – Breakdown of non-operating profit 1Q11

(NT\$m)	1Q11	1Q10	YoY% chg
Trading Subsidiaries	(40)	(47)	-14.9%
Retail Subsidiaries			
- Taiwan Retail (TLW/Hola TW)	233	230	1.3%
- Hola China	(44)	(47)	-6.4%
- Life 1 Plaza	(9)	(32)	-71.9%
Subtotal: Retail Subsidiaries	180	151	19.2%
Tong Lung Metal	21	24	-12.5%
Other LT Investments	43	13	230.8%
FX Gain/(Loss)	61	90	-32.2%
Interest net amount	(17)	(17)	0.0%
Others	(24)	10	-340.0%
Non-Operating Profit	224	224	0.0%

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