



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

Date: August 16th, 2011

Re: Test-Rite Int'l's 2Q11 earnings result announcement

2Q11 net income total NT\$ 96.6 mn, up nearly 10 folds YoY

Net income for 2Q11 totaled NT\$ 96.6 mn or NT\$ 0.19, up nearly 10x and 8.5x respectively on a YoY basis.

Excluding one-time charges* and net FOREX gains, net income for our recurring operations in 2Q11 totaled NT\$ 91.8 mn, up 197.1% YoY. Please see Figures 1 & 2 for a detailed breakdown of our 2Q11 results.

Trading Business

Parent revenue (Trading business) totaled NT\$ 3.47 bn, up 19.2% YoY, while gross profit totaled NT\$ 651.5 mn, up 17.1% YoY. Gross margin declined by a mere 0.3 percentage point despite the strength of NT dollar, which appreciated 9.3 % YoY during the period. This was partially offset by the continued growth in our agency business, which saw shipments increase by 51.5% in 2Q11 and accounting for 20.8% of our total shipment vs. 17.0% in 2Q10. Operating profit increased by 17.9% to NT\$117 mn and our overseas trading subsidiaries also turn profitable on an aggregate basis in 2Q11, benefiting from economies scale as overall shipment increased. Our overseas trading subsidiaries reported a profit of NT\$ 5.6 mn on an aggregate basis vs. a loss of NT\$ 27.2 mn in 2Q10.

Retail Businesses - Taiwan

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw revenue increase by 10.7% YoY to NT\$ 374 mn on the strength of consumer spending. Net profit totaled NT\$ 29.6 mn, vs. a loss of NT\$ 29.5 mn in 2Q10 as a result of one-time expense* that was booked in 2Q10. We added one Hola store in Kaohsiung in 2Q11 and currently operate 24 TLW stores and 20 Hola stores in Taiwan. Soft opening of Décor House in Nankan, Taoyuan County, was on July 29th. The official opening of the retail outlet, which includes TLW, Hola, Hola Casa, and Freer stores, is set for early September 2011.

Retail Businesses - China

Hola China posted sales of RMB 170 mn, up 22.8% YoY with same-store sales growth of 12.4% in 2Q11. Net loss for the period totaled NT\$ 71.4 mn in 2Q11 vs. a loss of NT\$ 54.6 mn in 2Q10. This can be attributed to higher VAT tax and operating expense in China. Separately, Life One Plaza, our retail leasing operation in Yangpu District, Shanghai, turned profitable in 2Q11, aided by improving operating results. The retail leasing operation reported a profit NT\$ 8.4 mn in 2Q11 vs. a loss of NT\$ 27.2 mn in 2Q10. We added one Hola China stores in 2Q11 and currently operate 28 Hola China stores.

Tung Lung Metal

Tung Lung Metal (8705 TT), a 66.68% held subsidiary of Test-Rite, reported 2Q11 revenue of NT\$ 790 mn, up 4.2% YoY. Gross profit declined 13% to NT\$ 119 mn, and gross margin down 3.2 percentage point in the quarter. Net profit was NT\$ 14.5 mn compared to NT\$ 37.5 mn in 2Q10. Higher raw material costs and start-up losses from manufacturing business of kitchen appliances were main contributing reasons to the lower net profit.



Figure 1 –Test-Rite Parent only P&L 2Q11

(NT\$m)	2Q11	2Q10	YoY% chg
Turnover	3,469.3	2,911.2	19.2%
Gross profit	651.5	556.3	17.1%
Operating profit	117.0	99.2	17.9%
Non-operating income/loss	5.6	5.7	-1.8%
Pre-tax profit	122.6	104.8	17.0%
Net profit	96.6	8.8	997.7%
EPS	0.19	0.02	850.0%
Net profit ex. one-time charges	96.6	70.4	37.2%
EPS ex. one-time charges	0.19	0.15	30.9%
Net profit ex. one-time charges & FX	91.8	30.9	197.1%
EPS ex. one-time charges & FX	0.18	0.06	183.3%
Gross margin	18.8%	19.1%	
Operating margin	3.4%	3.4%	
Pre tax margin	3.5%	3.6%	
Net profit margin	2.8%	0.3%	

Figure 2 – Breakdown of non-operating profit 2Q11

(NT\$m)	2Q11	2Q10	YoY% chg
Trading Subsidiaries	5.6	(27.2)	n.a.
Retail Subsidiaries			
- Taiwan Retail (TLW/Hola TW)	29.6	(29.5)	n.a.
- Hola China	(71.4)	(54.6)	30.8%
- Life 1 Plaza	8.4	(27.2)	n.a.
Subtotal: Retail Subsidiaries	(33.4)	(111.3)	-70.0%
Tong Lung Metal	14.5	37.5	-61.3%
Other LT Investments	9.4	34.5	-72.8%
FX Gain/(Loss)	4.8	39.5	-87.8%
Interest net amount	(20.3)	(17.0)	19.4%
Others	25.0	49.7	-49.7%
Non-Operating Profit	5.6	5.7	-1.8%

* A NT\$ 61 mn charge related to Nankan building write-down was booked in 2Q10.



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

1H11 net income total NT\$ 354.3 mn, up 41.3% YoY

Net income for 1H11 totaled NT\$ 354 mn and NT\$ 0.70, up 41.3% YoY and 34.6% YoY. Excluding one-time charges* and net FOREX gains, net income for 1H11 totaled NT\$ 342.6 mn, up 87.3% YoY. Please see Figures 1 & 2 for a detailed breakdown of our 1H11 results.

Trading Business

Parent revenue (Trading business) totaled NT\$6.9 bn, up 20.5% YoY, while gross profit totaled NT\$ 1.29 bn, up 15.8% YoY. Gross margin declined by 0.7 percentage point, reflecting the strength of NT dollar, which appreciated 9% YoY during the period. This impact was partially offset by continued growth in our agency business, which saw shipments totaled NT\$ 1.4 bn in 1H11, for an increase 43.6% YoY. Additionally, our overseas trading operations turned profitable in 2Q11, benefiting from improving economies of scale. Our overseas trading operations reported lower aggregate 1H11 losses by 54.0% YoY to NT\$ 33.8 mn.

Retail Businesses - Taiwan

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw revenue increase by 8% YoY to NT\$ 7.9 bn. Net profit surged 31.8% to NT\$ 263.2 mn. Excluding one-time expense* in 2Q10, increase in net profit was 1.0%, as we booked pre-opening expenses for Hola store in Kaohsiung and Décor House. We added one Hola store in Kaohsiung in 2Q11 and currently operate 24 TLW stores and 20 Hola stores in Taiwan. Soft opening of Décor House in Nankan, Taoyuan County, was on July 29th with the official opening date of the retail outlet set for early September 2011.

Retail Businesses - China

Hola China's revenue totaled RMB 370 mn in 1H11, up 25.5% reported a loss of NT\$ 115.5 mn in 1H11 vs. a loss of NT\$ 101.8 mn in 1H10. This can be attributed to higher VAT tax and operating expense in China as our same-store-sales growth remains healthy at 14.8% in 1H11. Separately, Life One Plaza reported a lower loss of NT\$ 0.8 mn in 1H11 vs. a loss of NT\$ 59.2 mn in 1H10 on the back of improving operation for the retail leasing outlet located in Yangpu Discript, Shanghai. We added one Hola China stores in 2Q11 and currently operate 28 Hola China stores.

Tung Lung Metal

Tung Lung Metal (8705 TT), a 66.68% held subsidiary of Test-Rite, reported 1H11 revenue of NT\$154 mn, up 4.6% YoY and net profit of NT\$ 35.6 mn compared to NT\$ 61.9 mn in 1H10. Gross profit was down 3% YoY and gross margin declined to 15.7% vs. 17% in 1H10. Higher raw material costs and start-up losses from new business of kitchen appliances were main contributing reasons to the lower net profit.



Figure 1 –Test-Rite Parent only P&L 1H11

(NT\$m)	1H11	1H10	YoY% chg
Turnover	6,912.9	5,739.1	20.5%
Gross profit	1,292.2	1,115.7	15.8%
Operating profit	162.1	147.8	9.7%
Non-operating income/loss	229.8	228.7	0.5%
Pre-tax profit	391.9	376.5	4.1%
Net profit	354.3	250.8	41.3%
EPS	0.70	0.52	34.6%
Net profit ex. one-time charges	408.5	312.4	30.8%
EPS ex. one-time charges	0.81	0.65	24.7%
Net profit ex. one-time charges & FX	342.6	182.9	87.3%
EPS ex. one-time charges & FX	0.68	0.38	78.7%
Gross margin	18.7%	19.4%	
Operating margin	2.3%	2.6%	
Pre tax margin	5.7%	6.6%	
Net profit margin	5.1%	4.4%	

Figure 2 – Breakdown of non-operating profit 1H11

(NT\$m)	1H11	1H10	YoY% chg
Trading S bsidiaries	(33.8)	(73.5)	-54.0%
Retail Subsidiaries			
- Taiwan Retail (TLW/Hola TW)	263.2	199.7	31.8%
- Hola China	(115.5)	(101.8)	13.5%
- Life 1 Plaza	(0.8)	(59.2)	-98.6%
Subtotal: Retail Subsidiaries	146.9	38.7	279.6%
Tong Lung Metal	35.6	61.9	-42.5%
Other LT Investments	52.7	47.5	10.9%
FX Gain/(Loss)	65.9	129.5	-49.1%
Interest net amount	(37.7)	(34.0)	10.9%
Others	0.2	58.6	-99.7%
Non-Operating Profit	229.8	228.7	0.5%

* One-time expense related to treasury shares totaled NT\$54.2 mn for the Group was booked in 1Q11 and NT\$61 mn charge related to Nankan building was booked in 2Q10.

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