



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

**Date: October 28th, 2011**

**Re: Test-Rite Int'l's 3Q11 earnings result announcement**

**3Q11 net income totaled NT\$ 155.1 mn, up 33.5% YoY**

Net income for 3Q11 totaled NT\$ 155.1 mn, up 33.5% YoY. Basic EPS rose 29.2% YoY to NT\$ 0.31, and fully-diluted EPS was NT\$ 0.30, up 33.5% YoY. Excluding net FOREX gains, fully-diluted EPS in 3Q11 was NT\$ 0.25, up 22.1% YoY. Net income for 1-3Q11 was NT\$509.4 mn, up 38.8% YoY. Excluding one-time charges\* and net FOREX gains, net income for 1-3Q11 totaled NT\$ 470.4 mn, or EPS of NT\$0.91 on a fully diluted basis, up 63.6% YoY. Please see Figures 1 & 2 for a detailed breakdown of our 3Q11 and 1-3Q11 results.

**Trading Business**

Parent revenue (Trading business) totaled NT\$ 3.30 bn, down 3.2% YoY, while shipments rose 3.9% YoY in 3Q11. Gross profit totaled NT\$ 636.1 mn, down 3.1% YoY and gross margin edged up 0.1 percentage point to 19.3%, aided by the continued growth in our agency business. Shipments for our agency business increased by 39.4% in 3Q11 and accounted for 24.4% of our total shipment vs. 18.2 % in 3Q10. 3Q11 operating profit totaled NT\$ 116.5 mn, up 57.0% YoY. Our overseas trading subsidiaries reported a loss of NT\$ 23.7 mn on an aggregate basis vs. a loss of NT\$ 7.5 mn in 3Q10.

**Retail Businesses - Taiwan**

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan, saw revenue increase by 8.4% YoY to NT\$ 4.0 bn in 3Q11 and net profit surged by 39.1% to NT\$ 111.7 mn during the period, benefitting from strong consumer spending in Taiwan. We currently operate 23 TLW stores and 20 Hola stores in Taiwan. The Décor House retail center in Nankan, Taoyuan County, which includes TLW, Hola, Hola Casa, and Freer stores, was officially opened on September 2nd.

**Retail Businesses - China**

Hola China posted sales of RMB 185 mn, up 22.5% YoY with same-store sales growth of 14.5% YoY in 3Q11. Despite lower gross margin, higher VAT tax, and higher operating expense, net loss for the period totaled NT\$ 86.6 mn in 3Q11, down 1.8% YoY. We currently operate 27 Hola China stores. Separately, Life One Plaza, our retail leasing operation in Yangpu District, Shanghai, reported a significant improvement in operating results as losses declined to NT\$ 4.2 mn in 3Q11 from NT\$ 13.8 mn in 3Q10.

**Tung Lung Metal**

Tung Lung Metal (8705 TT), a 67.63% held subsidiary of Test-Rite, reported 3Q11 revenue of NT\$ 791.6 mn, down 6.1% YoY. Net profit was NT\$ 36.3 mn compared to NT\$ 60.1 mn in 3Q10. 1-3Q11 revenue of NT\$ 2.3 bn, up 0.7% YoY and accumulated net profit was NT\$ 71.9 mn, compared to NT\$ 122.0 mn in 1-3Q10.

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Figure 1 –Test-Rite Parent only P&L 3Q11 and 1-3Q11

(NT\$m)	3Q11	3Q10	YoY% chg	1-3Q11	1-3Q10	YoY% chg
Turnover	3,302.3	3,409.9	-3.2%	10,215.2	9,149.0	11.7%
Gross profit	636.1	656.3	-3.1%	1,928.3	1,772.0	8.8%
Operating profit	116.5	74.2	57.0%	278.6	222.0	25.5%
Non-operating income/loss	54.0	49.3	9.5%	283.8	278.0	2.1%
Pre-tax profit	170.5	123.5	38.1%	562.4	500.0	12.5%
Net profit	155.1	116.2	33.5%	509.4	367.0	38.8%
Basic EPS(Aft-tax) (NT\$)	0.31	0.24	29.2%	1.01	0.76	32.9%
Diluted EPS (NT\$)	0.30	0.24	25.0%	1.00	0.76	31.6%
Fully diluted EPS (NT\$)	0.30	0.23	33.5%	0.99	0.71	38.8%
Net profit ex FX & one-time write off	127.8	104.7	22.1%	470.4	287.6	63.6%
FD EPS ex FX & one-time write off (NT\$)	0.25	0.20	22.1%	0.91	0.56	63.6%
Gross margin	19.3%	19.2%		18.9%	19.4%	
Operating margin	3.5%	2.2%		2.7%	2.4%	
Pre tax margin	5.2%	3.6%		5.5%	5.5%	
Net profit margin	4.7%	3.4%		5.0%	4.0%	

Figure 2 – Breakdown of non-operating profit 3Q11 and 1-3Q11

(NT\$m)	3Q11	3Q10	YoY% chg	1-3Q11	1-3Q10	YoY% chg
Trading Subsidiaries	(23.7)	(7.5)	216.0%	(57.5)	(81.0)	-29.0%
Retail Subsidiaries						
- Taiwan Retail (TLW/Hola TW)	111.7	80.3	39.1%	374.9	280.0	33.9%
- Hola China	(86.6)	(88.2)	-1.8%	(202.1)	(190.0)	6.4%
- Life 1 Plaza	(4.2)	(13.8)	-69.6%	(5.0)	(73.0)	-93.2%
Subtotal: Retail Subsidiaries	20.9	(21.7)	n.a.	167.8	17.0	887.1%
Tong Lung Metal	36.3	60.1	-39.6%	71.9	122.0	-41.1%
Other LT Investments	13.6	37.5	-63.7%	66.3	85.0	-22.0%
FX Gain/(Loss)	27.3	11.5	137.4%	93.2	141.0	-33.9%
Interest net amount	(22.9)	(18.0)	27.2%	(60.6)	(52.0)	16.5%
Others	2.5	(12.6)	n.a.	2.7	46.0	-94.1%
Non-Operating Profit	54.0	49.3	9.5%	283.8	278.0	2.1%

\* 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.

\*\* The fully-diluted EPS was based on the share count including the treasury shares.