



UPDATE -LJ Int'l raises view on higher jewelry sales

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Reuters News

NEW YORK, July 12 (Reuters) - **LJ International** Inc. on Wednesday raised its quarterly profit and revenue forecast on better-than-expected sales at its 32 ENZO jewelry stores in China, Hong Kong and Macau, sending its shares up 4 percent in morning trading.

The company said it now expects second-quarter net income to be \$620,000, or 4 cents per share, on revenue of about \$26 million.

The jewelry seller, which derives 77 percent of revenue from supplying retailers such as Wal-Mart Stores Inc. , Zale Corp. , and Federated Department Stores' Macy's stores , had earlier forecast net income of \$300,000, or 2 cents per share, on revenue it expected to be \$23 million to \$24 million.

The company earned 2 cents per share in the year-ago quarter.

The company also said it plans to issue a full-year earnings forecast above the 25 cent-per-share estimate held by two analysts that follow the company.

In a telephone interview, Chief Executive Officer Yu Chuan Yih told Reuters the company was benefiting from strong discretionary spending power of Chinese consumers as well as a unique mix of items it says set it apart from rivals including Bulgari SpA and Tiffany & Co. Inc. .

"The consumer market (in China) is very strong, and it's getting stronger," he said. "Chinese consumers are getting richer and they want different jewelry."

He noted that the ENZO chain sells a lot of 18-carat gold jewelry with colored gems, whereas other jewelry stores focus on diamonds and platinum, which are popular in China.

The CEO said he was trying to position ENZO, whose jewels cost less than Bulgari's or Tiffany's, as a large specialty chain, like Zale Corp. or Signet Group Plc's Kay Jewelers in the United States.

The company plans to have at least 40 stores by the end of this year, and 100 stores by 2008, when Beijing hosts the Summer Olympics.

LJ International shares were up 17 cents at \$4.32 on the Nasdaq.