=DJ LJ Intl Raises 2005 Sales View, Sees 4Q Net Up 32%-55%

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NEW YORK (Dow Jones)--LJ International Inc. (JADE), a jewelry company based in Hong Kong and Los Angeles, raised its forecast for full-year revenue and said it expects fourth-quarter earnings to increase between 32% and 55%.

In an interview with Dow Jones Newswires, executives also said the company expects strong growth in sales, margins and profits through 2008, as it adds a small but fast-growing chain of retail stores in China to its international wholesale business.

For the fourth quarter, LJ International projects revenue of between $26 million and $27 million, up from $25 million a year earlier. For the full year, the company now expects revenue of $89 million to $90 million, up from its previous forecast of $85 million. In 2004, LJ International had revenue of $77 million.

The company expects fourth-quarter net income of $1.1 million to $1.3 million, or 7 cents to 8 cents a share, up from $728,000, or 5 cents a share, a year earlier. That would bring full-year per-share earnings to between 22 cents and 23 cents.

LJ International expects its earnings to increase 38% to 42% annually through 2008, with per-share earnings up 30% to 35% during that period, reaching a range of 45 cents to 50 cents a share in 2008, executives said.

The profit forecast assumes that revenue will increase 22% to 25% annually over the next three years, climbing to between $155 million and $165 million in 2008. Gross margins are expected to rise from about 22% in 2005 to at least 30% of sales in 2008, fueled by the growth of the company's higher-margin retail business.

LJ International's fledgling chain of retail stores in China, called Enzo, is expected to expand to 40 stores in 2006, up from the 12 currently in operation. The chain is expected to expand to 70 locations in 2007 and 100 in 2008. Revenue for Enzo is projected to rise to at least $40 million in 2008 from $2 million in 2005. Enzo is expected to generate positive earnings before interest, taxes, depreciation and amortization, or Ebitda, in 2006 and achieve full profitability in 2007.

"Unlike most competitors, we have the ability to produce in China and maintain full quality control from mine to market and now directly to the consumer," Chairman and Chief Executive Yu Chuan Yih said.

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