

**CHINA PARADISE ELECTRONICS RETAIL LTD:
PARADISE LOST OR PARADISE FOUND ?**

While the principle activity of China Paradise Electronics Retail Ltd (中國永樂電器銷售有限公司) (Code: 503, Main Board, The Stock Exchange of Hongkong Ltd) is said to be *'a leading specialty retailer of household appliances and consumer electronics products and related services in China'*, actually, income from what Management terms, *'Sponsorship from Suppliers'*, appears to have become a very important aspect to the Company's Bottom Line, of late.

Dealing in the shares of this Company is scheduled to commence this Friday (October 14), following the publication of the Global Offering Prospectus on Tuesday, October 4, 2005.

As with many companies, operating exclusively in the People's Republic of China (PRC) and seeking a listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the PRC, the track record of China Paradise Electronics is something, right out of this world.

Wal-Mart Stores Incorporated, the world's largest retailer, the shares of which are traded on the Big Board of The New York Stock Exchange, could, it would appear to **TARGET**, learn something from Management of this Company, which has forecast a Net Profit Attributable to Shareholders of not less than 288 million renminbi (about \$HK271.70 million) for its Financial Year, ending December 31, 2005.

While the 2005-Year's Bottom Line might not titillate senior management of Wal-Mart Stores, at least, not at first glance, if one studies the track-record of the past 42 months, one cannot help but be impressed.

In addition, if one factors into the equation that this Company has only been in business for 9 years, one must be even more impressed by the accomplishments of this Company's Management.

For the 2002-Year, China Paradise Electronics only turned in a Net Profit Attributable to Shareholders of about 28.18 million renminbi (about \$HK26.58 million).

It rose to about 147.50 million renminbi (about \$HK139.15 million) in the 2003-Year, rushing up to 212.33 million renminbi (about \$HK200.31) in the 2004-Year, and, for the Current Financial Year, Management has forecast a Bottom Line of not less than 288 million renminbi (about \$HK271.70 million).

So, on the assumption that Management of this retailer can keep to its word in respect of the Current Year, and, on the assumption that that which is printed in the Prospectus is correct in every detail, in a period of just 4 Financial Years, China Paradise Electronics's Bottom Line has risen by about 922 percent!

The following table is copied from Appendix I-22 of the Prospectus and tells the story:

	Financial Year, Ended December 31			Six Months, Ended June 30
	2002	2003	2004	2005
	All Figures Are Denominated In Renminbi'000 (except where otherwise specified)			
Revenue	2,390,883	4,944,770	8,266,956	5,699,884
Cost of Sales	(2,294,609)	(4,638,215)	(7,684,108)	(5,303,363)
Gross Profit	96,274	306,555	582,848	396,521
Gross Profit Margin	4.03 percent	6.20 percent	7.05 percent	6.96 percent
*				

Sponsorship from Suppliers	27,658	87,712	266,343	241,397
Other Income and Gains	1,190	2,549	34,119	51,335
Selling and Distribution Costs	(62,479)	(175,597)	(508,071)	(421,592)
Administrative Expenses	(18,393)	(46,011)	(127,556)	(102,231)
Other Expenses	(7,384)	(1,494)	(17,786)	(5,957)
Interest Income	427	8,538	31,215	16,319
Financing Costs	(2,597)	(6,342)	(5,345)	(3,328)
Share of Profits/(Losses) of Associates	(317)	(914)	1,476	Nil
Profit before Taxation	34,379	174,969	257,243	172,464
Income Tax	(6,201)	(27,466)	(44,915)	(16,563)
Net Profit Attributable to Shareholders for the Year/Period	28,178	147,503	212,328	155,901
Net Profit Margin *	1.18 percent	2.98 percent	2.57 percent	2.74 percent

It is obvious that the income from ‘*Sponsorship from Suppliers*’ has materially boosted the Bottom Line of this retailer as well as inflating the Net Profit Margins, especially in respect of the 2004-Year and for the 6 months, ended June 30, 2005.

This may be considered a very clever move on the part of Management had not most others of this Company’s ilk followed similar paths in years gone by.

Be that as it may, it is obvious that, as China Paradise Electronics increases its gross revenue, income from sponsorship from suppliers will grow, accordingly.

The Prospectus defines ‘*Sponsorship Fees*’ as being a) income from suppliers for participating in China Paradise Electronics’s promotional activities and b) for display fees, which are charges, paid by suppliers for the privilege of placing their goods on the shelves and counters of the stores, operated by China Paradise Electronics.

The revenue ... [CLICK TO ORDER FULL ARTICLE](#)

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