

**ARTINI CHINA COMPANY LTD:
THIS IS NOT A GOOD COMPANY**

All That Glitters Is Not Gold

The question that **TARGET** () ponders, on scanning the Global Offering Prospectus of Artini China Company Ltd () (Code: 789, Main Board, The Stock Exchange of Hongkong Ltd), is whether or not this costume, jewellery manufacturer and retailing company will be able to continue to achieve the seemingly very high profit margins, achieved during the 44 months, ended November 30, 2007.

According to this medium's calculations, the Gross Profit Margins, during those 44 months, ranged from 35.90 percent (for the 2005 Financial Year) to 61.65 percent (for the 8 months, ended November 30, 2007).

The business of Artini China is said to be a supplier of fashion accessories, such as necklaces, bracelets, earrings and rings.

In other words, the Company produces and sells costume jewellery.

TARGET assumes, therefore, that Artini China's business is slightly different from the business of a company, specialising in fine jewellery, one using precious stones with settings of metals, such as gold, platinum and silver, etc.

Artini China claims to have, as at March 31, 2008, 33 retail stores and 97 concessions, not operated by the Company.

A total of 5 of the Company's stores are located in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) – 3 stores – and there are 2 retail outlets, operational in the Macau Special Administrative Region (MSAR) of the PRC.

The other 125 outlets are mainly concessions in the PRC, proper, being distinct and separate from the HKSAR and the MSAR.

The following table is lifted from Appendix I-11 of the Global Offering Prospectus:

	Financial Year, Ended March 31			Eight Months, Ended November 30	
	2005	2006	2007	2006	2007
	All Figures Are Denominated in \$HK'000 (except where otherwise specified)				
Turnover	241,210	291,739	339,480	225,739	363,463
Cost Of Sales	(154,611)	(177,457)	(147,784)	(100,962)	(139,396)

Gross Profit	86,599	114,282	191,696	124,777	224,067
Gross Profit Margin*	35.90 Percent	39.17 Percent	56.47 Percent	55.27 Percent	61.65 Percent
Other Revenue	199	710	546	359	419
Other Net Income/(Expenses)	286	(767)	(872)	185	(3,155)
Selling and Distribution Costs	(22,744)	(32,848)	(75,223)	(37,947)	(118,243)
Administrative Expenses	(18,238)	(22,431)	(31,312)	(21,854)	(24,057)
Other Operating Expenses	(863)	(1,465)	(580)	(198)	(312)
Profit From Operations	45,239	57,481	84,255	65,322	78,719
Financing Costs	(109)	(128)	(2,779)	(1,623)	(2,667)
Profit Before Taxation	45,130	57,353	81,476	63,699	76,052
Income Tax	(3,433)	(4,580)	(7,988)	(6,157)	(9,345)
Net Profit Attributable To Shareholders	41,697	52,773	73,488	57,542	66,707
Net Profit Margin*	17.29 Percent	18.09 Percent	21.65 Percent	25.49 Percent	18.35 Percent

* These are **TARGET**'s calculations

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