
INDUSTRY OVERVIEW

This section contains certain information which is derived from official government sources and a commissioned report, the IPSOS Report, prepared by IPSOS which is an independent third party. Our Company believes that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by our Company, or any of our affiliates or advisors, nor by the Sole Sponsor, [REDACTED], [REDACTED], [REDACTED], [REDACTED] or any of their affiliates or advisors or any other party involved in [REDACTED] other than IPSOS with respect to the information contained in the IPSOS Report. No representation is given as to the accuracy of the IPSOS Report. After taking reasonable care, our Directors confirmed that there has been no adverse change in the market information since the date of the IPSOS Report up to the date of this document.

SOURCES OF INFORMATION

Our Company has commissioned IPSOS, an independent market research company, to analyse and report on, among others, the trends of the global and Hong Kong fine jewellery industry for the period from 2010 to 2019 at a fee of HK\$548,000 and our Directors consider that such fee reflects the market rates. To provide an analysis of the aforementioned markets, IPSOS combined the following data and intelligence gathering methodology: (a) performing client consultation to facilitate the research including in-house background information of the client such as the business of our Company; (b) conducting desk research to gather background information and to obtain the relevant information and statistics on the industry; and (c) conducting in-depth interviews including face to face, phone interviews with key stakeholders and industry experts of fine jewellery players in Hong Kong. The information and statistics as set forth in this section have been extracted from the IPSOS Report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, IPSOS SA acquired Synovate Ltd. in October 2011. After the combination, IPSOS became the third largest research company in the world which employs approximately 16,000 personnel worldwide across 87 countries. IPSOS conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. IPSOS is independent of our Company and none of our Directors or their associates has any interest in IPSOS.

Our Directors confirmed that IPSOS, including all of its subsidiaries, divisions and units, are independent of and not connected with us (within the meaning of the Listing Rules) in any way. IPSOS has given its consent for us to quote from the IPSOS Report and to use information contained in the IPSOS Report in this document.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the IPSOS Report, various official government publications and other publications.

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ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

Analyses in the IPSOS Report are based on the following assumptions:

- the supply of and demand for fine jewellery products and companies in the fine jewellery industry in Hong Kong are assumed to be stable and without shortage over the forecast period; and
- there is no external shock such as financial crises or natural disasters in the global market to affect the demand for fine jewellery over the forecast period.

The following key parameters have been taken into account in the market sizing and forecast model in the IPSOS Report:

- nominal GDP, GDP growth rate and GDP per capita in the world, U.S., UAE, Dubai, Mainland China, Hong Kong from 2010 to 2014;
- average annual household disposable income and consumption expenditure in the U.S., UAE, Dubai, Mainland China and Hong Kong from 2010 to 2014;
- total export volume and value of fine jewellery products in Hong Kong from 2010 to 2014;
- average historical price trend of diamond and gold in the global market from 2010 to 2014; and
- total retail sales value of fine jewellery products in the global market from 2010 to 2014.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the IPSOS Report. Our Directors believe the IPSOS Report is reliable and not misleading as IPSOS is an independent professional research agency with extensive experience in its profession.

AN OVERVIEW OF THE GLOBAL FINE JEWELLERY MARKET

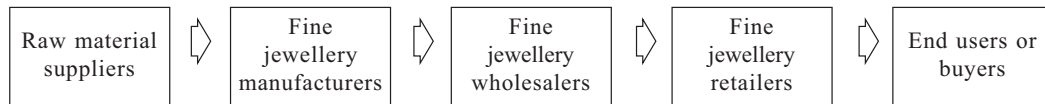
Fine jewellery products are personal accessory items made of precious metals, such as gold, silver and platinum, mounted with diamond(s). Fine jewellery products generally include (i) necklaces, (ii) bracelets, (iii) earrings, (iv) rings, and (v) other personal accessories such as brooches, hair pins, money clips and cufflinks etc.

Fine jewellery products can be split into three market segments, (i) the mass to middle segment (with retail prices less than HK\$12,000 per piece); (ii) the high-end segment (with retail prices ranging from HK\$12,000 to HK\$80,000 per piece) and (iii) luxury segment (with retail prices over HK\$80,000 per piece). According to the IPSOS Report, the retail price of a diamond jewellery product usually ranges from 150%–300% of the wholesale price.

Supply chain of the fine jewellery industry

Global fine jewellery industry supply chain consists of five key roles as outlined below:

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Source: IPSOS Report

Note:

- (1) Raw material suppliers: include miners and wholesalers of diamonds, as well as of precious metals such as platinum, gold and silver.
- (2) Fine jewellery manufacturers: mainly involve with the sourcing of raw materials, design, and manufacturing of fine jewellery products.
- (3) Fine jewellery wholesalers: sourcing of fine jewellery products and distributing to jewellery retailers.
- (4) Fine jewellery retailers: sellers of fine jewellery to the end users.
- (5) End users or buyers: consumers of fine jewellery products, or for purchasing on behalf of the end user.

Major factors affecting the demand for fine jewellery products

Generally, major factors affecting the demand for fine jewellery products include increasing affluence, changing consumers' preference and global price trends and supply of raw materials.

Increasing affluence and disposable income: The expanding middle class, particularly in Asia Pacific and Southeast Asia, has been driving the fine jewellery industry worldwide. Given that wearing fine jewellery is a way to show wealth and new social status, demand for fine jewellery has been increasing. Meanwhile, in mature markets like the U.S., the improving economy has changed the consumers' preference from lower-end jewellery towards mid-tier branded jewellery, strong customer loyalty has been successfully established through aggressive marketing and brand-specific designs.

Changing consumers' preference for fine jewellery: In the past, the most common diamond jewellery product was ring, which was usually purchased for engagement or marriage. However, the trend has changed as more women enter the workforce and have the purchasing power to buy diamond jewellery for themselves. These female customers usually embrace fashionable designs. As a result, a wider variety of diamond jewellery products with creative and sophisticated designs have become available in the market.

Global price trends and supply of diamonds and precious metals such as gold: Diamonds and golds, being key raw materials for creating fine jewellery, are sourced, produced and traded at an international level for the manufacturing of fine jewellery. Global price fluctuations and changes in supply for these raw materials have a great impact on the fine jewellery industry, affecting the retail prices as well as the sales volume and profit margins of the industry distributors and retailers in the market. Any adverse conditions to these raw material markets, such as shortage of supply, insufficient new supply, or economic uncertainty, will drive up the prices, and affect the sales and revenue of the fine jewellery industry.

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Retail sales value of fine jewellery products in the global market from 2010 to 2019

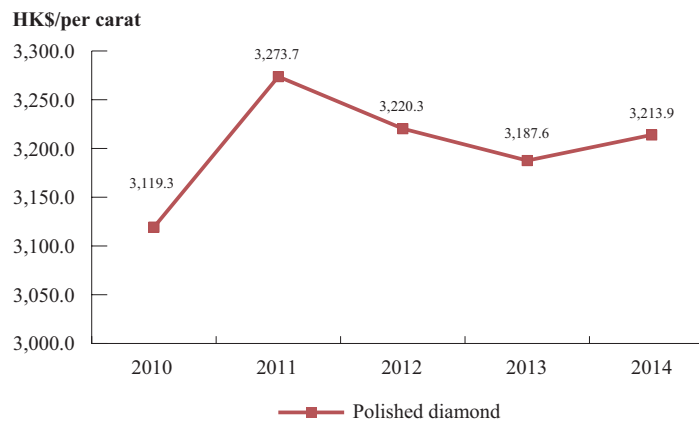
Global retail sales value of fine jewellery products from 2010 to 2019



Source: IPSOS Report and analysis

Total global retail sales value of fine jewellery products increased from about HK\$466.2 billion to about HK\$630.9 billion from 2010 and 2014, at a CAGR of approximately 7.9%. The growing global retail sales value of fine jewellery products is attributed to the improving global economy after the 2008 global financial crisis, as people have more disposable income to purchase fine jewellery products as accessories and/or investments. The value is expected to grow steadily from about HK\$730.8 billion to about HK\$789.6 billion, at a CAGR of 2.0% from 2015 to 2019, as the Asian and Middle Eastern markets continue to grow. Global retail sales value of fine jewellery products has been driven by the increasing demand from some developing countries like China, India and the UAE. Meanwhile, the increasing disposable income worldwide and growing recognition of the investment value of diamond jewellery products, have also contributed to the growth.

Yearly average historical price of polished diamond in the global market from 2010 to 2014

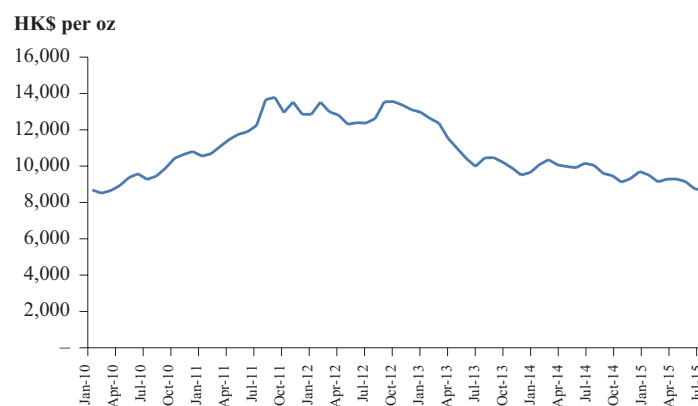


Source: Rapaport Diamond Report, IPSOS Report and analysis

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The yearly average price of polished diamonds in the global market in respect of polished diamonds in the range of 0.01-0.39 carat with a color range from D-N, and a range of clarity from I1-I3, increased from about HK\$3,119.3 per carat in 2010 to about HK\$3,213.9 per carat in 2014 at a CAGR of about 0.8%. The diamond market saw a post-recession recovery from HK\$3,119.3 per carat to over HK\$3,273.7 between 2010 and 2011 driven by strong demand in India and China where retailers expanded stores within the country and included more diamond jewellery products in a traditionally gold-dominant fine jewellery industry to hedge against volatile gold prices. Diamond prices per carat began to slowly decline after a period of stabilization in 2012 as a result of the bleak economic outlook of the European economy and weak demand for diamonds due to excessive inventory, particularly in the Chinese market,

Monthly average historical price of gold in the global market from January 2010 to July 2015



Source: World Gold Council; IPSOS Report and analysis

The monthly average price of gold in global market increased from about HK\$8,686.5 per oz in January 2010 to about HK\$9,317.7 per oz in December 2014 at a CAGR of about 0.8%. There was continuous growth in the demand for gold used for jewellery making and investment purposes between 2010 and 2012 as the global economy went through a period of recovery and the gold market was boosted by delayed demand from the 2008 financial crisis. After a period of stabilization in 2012, the global price for gold continued on a downward trend starting from 2013 as the swell in demand returned to normal levels, and declined further as a result of lower inflation rates where the U.S. and Europe dropped to about 1.7% and 0.4% in 2014 respectively, deterring consumers from investing in gold in a recovering economy, hence lowering the demand for gold for inflation hedging purposes. Average gold prices increased to a price of HK\$9,701.8 per oz in January 2015 as the uncertainty over the European Central Bank's quantitative easing, Greek economy and European debt situation also led to a growth in gold investment. Subsequently, a decline in gold prices stabilizing at around HK\$9,000 per oz between the second and third quarter of 2015 was a result of weak gold demand from India and China, low global inflationary pressure, and the speculative strengthening of the U.S. dollar following the tightening of financial stimulus measures by the Federal Reserve, ending the appeal of gold for investment by funds and institutions.

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Future trends and development of fine jewellery in the global market

U.S. demand for fine jewellery

The global fine jewellery industry has been greatly impacted by the demand of fine jewellery industry in the U.S., which remains as the world's largest consumer of diamond jewellery, with total annual sales revenue of fine jewellery in the U.S. reached about HK\$269.9 billion in 2014, accounting for 40% of total global demand. The trend is expected to remain, with diamond jewellery sales consistently account for around 45% to 50% of total U.S. jewellery sales.

Increasing consumer appetite for diamonds in Asia Pacific countries

Fine jewellery retailers in Asia Pacific, in particular in the developing markets in China and India, have enjoyed relatively high profit margins because of their growing middle class population and increasing consumer appetite for diamonds. Although economic slowdown in some developing markets have started to put pressure on the fine jewellery industry, the demand for fine jewellery is expected to remain high in Asia Pacific because of the investment value of these jewellery products.

Growth of online jewellery sales

Online sales value of fine jewellery products has been growing, as it becomes more convenient for consumers to shop with their mobile devices. The development of these online platforms is also facilitated by the discounts they offered as the costs of diamonds are reduced by online marketing and selling. Costs are saved in areas including labour, inventory, marketing, promotion, and distribution, therefore allowing online retailers to offer discounts to consumers. As a result, more customers, especially in the young and working populations, prefer buying fine jewellery products online.

AN OVERVIEW OF THE UAE AND DUBAI FINE JEWELLERY MARKETS

Major factors affecting the demand for fine jewellery products in the UAE market, in particular, the Dubai market

Fine jewellery in the UAE, with Dubai being the gold and diamond jewellery hub for the Middle East, experienced the strongest value growth at 9.4% since 2010 for the year 2013 to 2014. UAE is witnessing a rise in diamond jewellery sales, accounting for 47% of fine jewellery sold in 2013. During the Track Record Period, Dubai was our Group's largest sales market where our customers are based in. The major factors affecting the demand for fine jewellery products in the UAE market, in particular, the Dubai market, include favourable tax policies, increasing affluence and fashion trends, competitive prices, local consumption and tourism level and consumer preference.

Favourable tax policies: The Tax Free (Duty Free) policy and transfer pricing legislation have enhanced the attractiveness and boosted up the demand of the fine diamond jewellery industry in Dubai. It is recently suggested that Dubai has become one of the fastest growing diamond centres due to its 50 % growth of total diamond trade volumes to around 286.7 million carats with value of up to around USD35.1 billion in 2014.

Increasing affluence and fashion trends: As a key tourist, business and trading hub of the Middle East, local consumers in Dubai have witnessed increasing affluence and disposable incomes over the years. Consumers in Dubai are also increasingly exposed to Western fashion and jewellery trends which

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often feature appealing fine jewellery. In line with local preferences for visible and larger jewellery pieces, fine jewellery offered in Dubai often features large fine jewellery pieces set with many small stones in a unique design which makes the refraction and jewellery stand out on the wearer.

Competitive prices: Prices of diamond jewellery in Dubai could cost as low as 50% to 60% of prices found in the European and U.S. markets. The competitive prices of fine jewellery, particularly fine jewellery in Dubai, attracts visitor consumers from across the United Arab Emirates, India, Europe and the United States, Russia and China to purchase fine jewellery during their visit to Dubai.

Local consumption and tourism level: The UAE has the highest per capita jewellery consumption in the world, sales of fine jewellery are driven by local consumption and tourism demand for gold and diamond jewellery with 80% tourists visiting the country buying jewellery during their stay.

Consumer preference: The UAE diamond fine jewellery products have been increasing in popularity by both manufacturers and consumers. A shift in consumer preference for diamond jewellery, and marketing campaigns by diamond companies pushed the demand for diamond jewellery. Jewellers have a preference to sell more diamonds as diamond jewellery products offer a higher profit margin for retailers, and experience less price volatility compared to gold.

Future trends and development of the UAE and Dubai fine jewellery markets

Dubai growing as a trading hub for fine jewellery products

Whilst the UAE fine jewellery market is witnessing a growing demand for fine jewellery, Dubai is particularly well-positioned to take advantage of the increased trading demands of the rapidly growing diamond jewellery segment and further capitalize on the growing tourism market. As cultural and economic hubs of UAE, Dubai is able to attract a constant flow of visitors from within UAE and from other countries, providing the most potential for diamond jewellery retailing.

Retail sales of fine jewellery in Dubai is expected to benefit from the growing number of tourists to UAE and Dubai

The visitors bring another major source of revenue for the local fine jewellery industry. The tourism industry in the UAE is expected to boost fine jewellery sales, due to the upcoming Dubai Expo 2020. Attracted by the image and reputation of Dubai, tourists wish to have a premium service with luxury experiences. Therefore, many visitors with high financial status hope to seek for luxury high-end branded jewellery products.

Dubai is one of the fastest growing diamond centers in the world

According to the Dubai Diamond Exchange, a subsidiary of the Dubai Multi Commodities Centre Authority, Dubai's diamond trade doubled its value in 2010. Due to favorable tax policies, the total diamond trade volumes reached about 269 million carats in 2010, up by 50% from about 178 million carats in 2009, while the value total diamond trade volumes doubled from about HK\$139 billion in 2010 to about HK\$304 billion in 2011. With this result Dubai is becoming one of fastest growing diamond centers, in the world.

Increasing personal disposable income will drive the demand for fine jewellery products in the UAE and Dubai

The growth of the UAE jewellery is influenced by the increasing personal disposable incomes in the country and rising regional affluence. Higher purchasing power, rapid urbanisation and changing

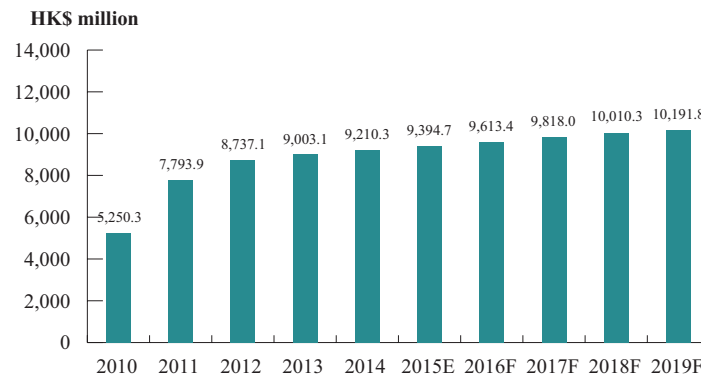
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consumer preferences in the UAE have made fine jewellery and luxury goods more affordable and appealing, leading to a higher demand for branded, designed and customized fine jewellery. In particular, as a reflection of local traditional culture, the local residents of Dubai prefer visible jewellery such as bracelets and rings as they are not covered by daily wear. Besides the high demand of engagement and wedding rings, neckwear with extravagant designs, either with diamond and/or gold, is also worn for special occasions.

THE FINE JEWELLERY MANUFACTURING AND WHOLESALE (EXPORT) INDUSTRY IN HONG KONG

As of the end of 2014, there were approximately 136 fine jewellery manufacturers and wholesalers (exporters) (primarily mounted with diamonds) in Hong Kong. The chart below shows the total revenue of fine jewellery manufacturing and wholesale (export) industry in Hong Kong.

Revenue of fine jewellery export manufacturing and wholesale (export) industry in Hong Kong from 2010 to 2019



Source: Hong Kong Trade Development Council, IPSOS Report and analysis

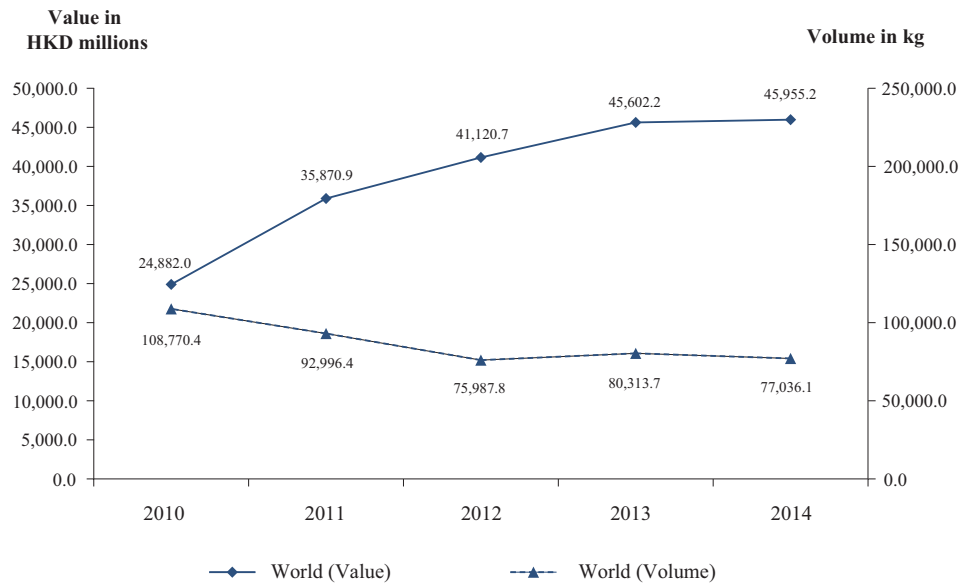
Total revenue of fine jewellery manufacturing and wholesale (export) industry in Hong Kong increased from HK\$5,250.3 million in 2010, to HK\$9,210.3 million in 2014 at a CAGR of approximately 15.1%. The total revenue of Hong Kong's fine jewellery manufacturing and wholesale (export) industry experienced a sharp increase from 2010 to 2012, which was propelled by the disposable income increase from global economic recovery during this period.

Total revenue of fine jewellery manufacturing and wholesale (export) industry in Hong Kong is expected to continue growing from HK\$9,394.7 million to HK\$10,191.8 million at a CAGR of 2.1% from 2015 to 2019. The rising trend in total revenue for manufacturing and wholesale of fine jewellery in Hong Kong is expected to continue due to the increasing price of fine jewellery raw materials such as diamonds, and gold, as well as the expansion of the mass to mid-end and high-end fine jewellery market segments.

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Hong Kong's fine jewellery manufacturing and wholesale (export) industry is expanding rapidly. Global export value of fine jewellery from Hong Kong increased by HK\$21,073.2 million from 2010 to 2014, prompting a trend in diamond jewellery manufacturers and wholesale exporters to consolidate or increase key business capabilities to increase competitiveness and revenues in Hong Kong's growing fine jewellery export market.

Total export volume and value of fine jewellery from Hong Kong to the rest of the world from 2010 to 2014



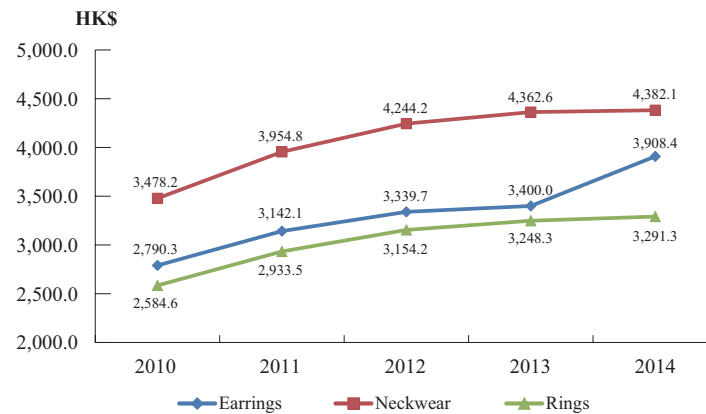
Source: IPSOS Report and analysis

The total export value of fine jewellery from Hong Kong to rest of the world increased from about HK\$24,882.0 million in 2010 to about HK\$45,955.2 million in 2014, at a CAGR of approximately 16.6%. The increase is heavily influenced by the post-2008 economic recovery, increase in disposable income in mature markets, and rising affluence in developing markets, particularly in Southeast Asia and the Middle East. Gold jewellery mounted with diamonds was the largest contributor to the export value of fine diamond jewellery export to the world from Hong Kong, accounting for HK\$38,822.6 million in 2014.

Meanwhile, the total export volume of fine jewellery from Hong Kong to rest of the world declined from about 108,770.4 kg in 2010 to about 77,036.1 kg in 2014, at a CAGR of approximately -8.3%. The largest contributor to the decline in Hong Kong's total export volume of fine diamond jewellery was from the silver diamond jewellery category, decreasing from 62,437.2 kg in 2010 to 35,293.2 kg in 2014. Although there has been a decline in total export volume of fine jewellery from Hong Kong, there has been an increase in total export value. Price for fine jewellery per piece exported from Hong Kong has increased as a result of the rise in price for polished diamonds, and diamond jewellery pieces, labour cost for gem setting, and the increasing demand for designed and innovative jewellery craftsmanship from Hong Kong's fine jewellery manufacturing and wholesale (export) market. Furthermore, fine jewellery production are shifting to mainland China leading to the decline in total volume exported from Hong Kong, while Hong Kong retains high value-added craftsmanship and value added processes for jewellery manufacturing, increasing the total export value of fine jewellery from Hong Kong to global markets.

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Average wholesale prices of key fine jewellery products from Hong Kong from 2010 to 2014



Source: IPSOS Report and analysis

The average wholesale price of fine jewellery rings, earrings and necklaces from Hong Kong continuously increased between 2010 and 2014. During this period, the average wholesale price of fine jewellery rings grew from about HK\$2,584.6 per piece to about HK\$3,291.3 per piece at a CAGR of about 6.2%; average wholesale price of earrings increased from about HK\$2,790.3 per pair to about HK\$3,908.4 at a CAGR of about 8.8%, and the average wholesale price of fine jewellery necklaces grew from about HK\$3,478.2 per piece to about HK\$4,382.1 per piece at a CAGR of about 6.0%. The increase in the average wholesale prices of the fine jewellery was driven by the increment of the raw material prices such as platinum, diamond and silver. For instance, the average import price of polished diamond increased at a CAGR of about 16.7%, while the average import price of gold increased at a CAGR of about 12.4% between 2010 and 2014, contributing to the growth of the average wholesale prices of the fine jewellery.

COMPETITIVE LANDSCAPE OF THE FINE JEWELLERY MANUFACTURING AND WHOLESALE (EXPORT) INDUSTRY IN HONG KONG

Despite the fine jewellery industry being rather consolidated with the top ten players by revenue accounting for approximately 68.0% of the total market in 2014, eight of them account for the lower segment in terms of the wholesale average piece price. There were approximately 136 fine jewellery manufacturer-wholesalers (export) in 2014 in Hong Kong with 126 of them being fragmented medium to small sized companies in Hong Kong, with a revenue of HK\$300 million or below.

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Top 10 Fine Jewellery Manufacturing and Wholesale (Export) Manufacturers and Wholesalers in Hong Kong in 2014

Rank	Name of Company	Headquarter Location	Total Revenue 2014 (HK\$ million)	Market Share (%)	Factory Number and Location	Key Products and Services	Target Export Markets	Average Wholesale Price of Products (in HK\$)
1	Competitor A	Hong Kong	1,036.8	11.3%	1 Factory in Panyu China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones and semi-precious stones jewellery in silver, gold and non-previous metals.	Russia, USA, China, Canada, Italy, France, Holland, Turkey, United Arab Emirates, Indonesia, Japan and Africa.	1,200
2	Competitor B	Hong Kong	808.8	8.8%	3 Factories in Hong Kong, Jiangmen and Guangzhou, China	Design, manufacturing wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones and semi-precious stones jewellery in silver, gold and platinum.	USA, Europe, Canada, Japan and Australia	3,000
3	Competitor C	Hong Kong	736.3	8.0%	1 Factory in Shenzhen, China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, other precious stones, semi-precious stones jewellery in silver, gold, platinum and jewellery watches.	USA, Europe, Asia, Australia, South Africa, South America and the Middle East	1,200
4	Competitor D	Hong Kong	679.3	7.4%	1 Factory in Shenzhen, China	Design, manufacturing and wholesale (export) of fine diamond, carat diamond, fancy diamonds, jewellery in gold and platinum.	USA, Australia, Japan, Middle East, Taiwan	8,000
5	Competitor E	Hong Kong	650.1	7.1%	1 Factory in Panyu China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones, semi-precious stones jewellery and, cubic zirconia in silver, gold and platinum.	Africa, Australia, China, Eastern Europe, Middle East, North America, South East Asia, Scandinavia, Western Europe	1,350

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Rank	Name of Company	Headquarter Location	Total Revenue 2014 (HK\$ million)	Market Share (%)	Factory Number and Location	Key Products and Services	Target Export Markets	Average Wholesale Price of Products (in HK\$)
6	Competitor F	Hong Kong	640.3	7.0%	1 Factory in Panyu China	Design, manufacturing and wholesale of fine diamond, carat diamond, fancy diamonds and pearl, jewellery in gold and platinum. Wholesale (export) of loose diamonds.	Southeast Asia, Korea, Japan, North America, Hong Kong, China and Europe	2,000
7	Our Group	Hong Kong	516.2	5.6%	1 Factory in Dongguan China	Design, manufacturing and wholesale of fine diamond, carat diamond, fancy diamonds, jewellery in gold.	UAE (Dubai), North America, Southeast Asia, Europe	8,800
8	Competitor G	Hong Kong	512.2	5.6%	1 Factory in Panyu China	Design, manufacturing and wholesale of fine diamond, ruby, emerald, sapphire, pearl, other precious stones, semi-precious stones jewellery in gold and platinum.	Europe, Japan, Korea, North America, Taiwan	2,300
9	Competitor H	Hong Kong	346.2	3.8%	1 Factory in Panyu China	Design, manufacturing and wholesale of fine diamond, ruby, emerald, sapphire, pearl, other precious stones, semi-precious stones jewellery, gold and platinum.	Japan, Middle East, USA, Taiwan, Singapore, India	1,395
10	Competitor I	Hong Kong	316.3	3.4%	1 Factory in Panyu China	Design, manufacturing and wholesale of fine diamond, ruby, emerald, sapphire, pearl, other precious stones, semi-precious stones jewellery and, in gold and platinum.	USA, South East Asia, Japan	1,300
	Others		2,967.8	32.0 %				
	Total		9,210.3	100.0%				

Note:

(1) The total revenue in 2014 refers to the revenue generated from the diamond manufacturing and wholesale (export) industry in Hong Kong in 2014 (January to December).

Source: IPSOS Report and analysis

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Top 5 Fine Jewellery Manufacturing and Wholesale (Export) Manufacturers and Wholesalers in Hong Kong in 2014 with an Average Wholesale Price of Fine Jewellery Between HK\$7,750 to HK\$9,300 (USD1,000 to USD1,200)

Rank	Name of Company	Headquarter Location	Total Revenue 2014 (HK\$ million) (Note 1)	Market Share (%)	Factory Number and Location	Key Products and Services	Target Export Markets	Average Price of Products (in HK\$)
1	Competitor D	Hong Kong	679.3	7.4%	1 Factory in Shenzhen, China	Design, manufacturing and wholesale (export) of fine diamond, carat diamond, fancy diamonds, jewellery in gold and platinum.	USA, Australia, Japan, Middle East, Taiwan	8,000
2	Our Group	Hong Kong	516.2	5.6%	1 Factory in Dongguan, China	Design, manufacturing and wholesale (export) of fine diamond, carat diamond, fancy diamonds, jewellery in gold.	UAE (Dubai), North America, Southeast Asia, Europe	8,800
3	Competitor J	Hong Kong	307.0	3.3%	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine jewellery, gold jewellery, silver jewellery, pearl jewellery, semi-precious stone jewellery, men's jewellery.	North America, South America, Middle East, China, Southeast Asia, Western Europe	8,000
4	Competitor K	Hong Kong	303.9	3.3%	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine jewellery in 18K white gold, yellow gold and platinum. With retail brand in USA and Spain.	North America, Australia, Japan, Middle East, South America, Western Europe	8,800
5	Competitor L	Hong Kong	279.0	3.0%	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine jewellery in 18K white gold, yellow gold.	USA, Southeast Asia	9,300
	Others		7,124.9	77.4%				
	Total		9,210.3	100%				

Note:

- (1) The average wholesale price range of fine jewellery between HK\$7,750 to HK\$9,300 (USD1,000 to USD1,200) targets the high-end retail segment of fine jewellery.
- (2) The total revenue of the companies with an average wholesale price of fine jewellery between HK\$7,750 to HK\$9,300 (USD1,000 to USD1,200) listed in the ranking table contribute to the total revenue generated from the Hong Kong diamond manufacturing and wholesale (export) industry as a whole in 2014 (January to December).
- (3) Due to data limitation, total revenue of all companies with an average wholesale price segment of fine jewellery between HK\$7,750 to HK\$9,300 (USD1,000 to USD1,200) is unavailable.

Source: IPSOS Report and analysis

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The retail price of a diamond jewellery product is usually three times the wholesale price due to the high operational costs, such as the inventory costs, security costs, rental prices and skilled labour wages. With the Group's average wholesale price per piece at approximately USD1,000 – USD2,000, our average wholesale price per piece being approximately HK\$8,800, the Group's products target the high-end segment in the market segments.

In order to differentiate from other competitors that compete in the same wholesale average piece price segment, product variety and differentiation is one of the strategies to remain competitive in Hong Kong's highly competitive market. Unique design, jewellery making technique and target market also add to the competitiveness of a fine jewellery manufacturer and wholesale exporters. Quality craftsmanship is also an important differentiation factor consumers are becoming more sophisticated and detailed oriented when purchasing fine jewellery, and tend to favour pieces that are innovative, unique, fashionable, and with high quality workmanship. Further, having a good and long-standing trading relationship with key raw material suppliers and customers will secure a stable demand and supply for the manufacturers' products for wholesale and export. In addition, through understanding the target market segment of the buyer or potential mark-up percentage at retail, fine jewellery manufacturer wholesale (exporters) can also compete by creating products that address specific market segments in their export markets. Through this specialization, fine jewellery manufacturer wholesale (exporters) can develop segment expertise, capability, reputation, and a solid customer base for buyers in this segment.

Entry barriers of fine jewellery manufacturing and wholesale (export) industry in Hong Kong

There are a number of entry barriers for the fine jewellery manufacturing and wholesale (export) industry, including:

- high capital costs in the fine jewellery manufacturing and wholesale (export) industry may deter new players with less start-up funds; and
- industry reputation, such as a good track record, a stable customer base, a stable business network and the ability to provide authenticity assurance, requires time to build and new entrant may find difficult to enter into the industry.

In particular for fine jewellery manufacturing and wholesale (export) providers that target the high-end retail market, each piece of fine jewellery typically requires more precious metals and diamonds to create, and needs to be set by skilled craftsman over a longer period of time compared to mass produced for mid-end retail markets. This incurs higher overhead costs and requires the manufacturers to recruit and retain skilled gem setting and jewellery craftsmen which supply is highly competitive in the fine jewellery manufacturing and wholesale (export) market in Hong Kong.

INDUSTRY OVERVIEW

Growth drivers and challenges for the fine jewellery manufacturing and wholesale (export) industry in Hong Kong

Hong Kong's fine jewellery manufacturers and wholesale exporters are well known for producing high quality jewellery products in terms of finishing and gem setting, comparable to that of world-class traditional European fine jewellery manufacturers. High quality craftsmanship allows local manufacturers to target the increasingly sophisticated middle income group in the region, driving fine jewellery exports with higher value. Increasing labour cost and an aging workforce serves as potential threats to the fine jewellery manufacturing and wholesale (export) industry.

However, rising key raw materials costs with the volatility in supply and price can significantly impact the wholesale price and profit margins of fine jewellery manufacturers and wholesale exporters. Further, fine jewellery manufacturers and wholesale exporters that target the high-end segment are affected by the economic outlook of their export markets.

Economic recovery in traditionally large diamond jewellery consuming market such as U.S. and China will drive the demand for fine jewellery production. However, emerging markets such as the UAE, where our Company has a strong market presence in, will be the growth driver of the fine jewellery manufacturing and wholesale (export) market in Hong Kong. According to the Hong Kong Trade Development Council, Hong Kong's exports of fine jewellery to the UAE surged by 53% in the first half of 2015, and emerging markets with high growth potential will be the main drivers for Hong Kong's fine jewellery manufacturing and wholesale (export) market.

Growing affluence and disposable income in key jewellery export countries from Hong Kong is also drawing demand for higher quality fine jewellery with unique design and good workmanship. Particularly in emerging markets such as China and Middle East, fine jewellery consumers are trading up to pieces with more or larger diamond set jewellery, driving the market for manufacturers and wholesalers (exporters) who provide fine jewellery with high quality materials, gems, and craftsmanship targeting the high-end jewellery customers in the export market.