



Il Mercato dei Diamanti e Gioielli in Cina



III China is the fastest-growing and most promising diamond and diamond jewelry market in the world

- **A snapshot of world diamond and diamond jewelry market**

World's diamond and diamond jewelry market can be divided into developed markets and developing markets.

Developed markets include:

- A. The United States – World's largest diamond and diamond jewelry market, with an annual sales standing at 35~45 billion US dollars and accounting for 50% of world's total sales;
- B. Japan – World's second largest diamond and diamond jewelry market, with an annual sales standing at 15 billion US dollars;
- C. Developed European countries and regions, and Hong Kong, etc.

Developing markets include:

China, India, the Middle East, Saudi Arab, Arabian region and Southeast Asian countries and regions.

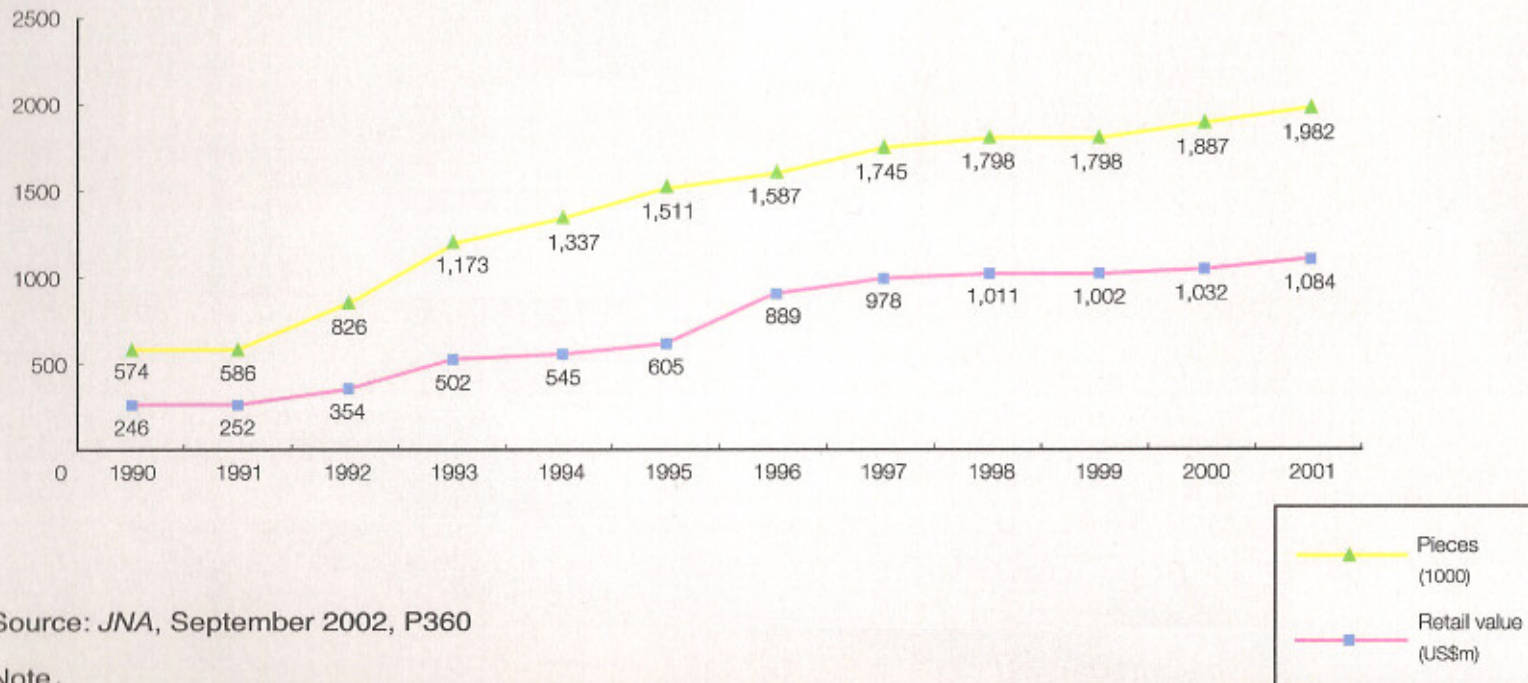
- China is considered to be the most promising market

Of developing markets, China is the country that has the quickest and most favorable and promising growth and is called by people as world's seventh largest diamond market while DTC deemed China as world's fifth largest market.

As estimated (DTC figures), China's diamond jewelry sales in 2001 reached 1084 million US dollars, a slight increase compared with 1032 million US dollars in 2000; in the 12 years before 2001, the annual sales had realized an over 300% increase. See figure-4 for details.

Figure 4: The trend of China market during 1990~2001

GROWTH IS EVIDENT IN BOTH RETAIL VALUE AND PIECES



Source: JNA, September 2002, P360

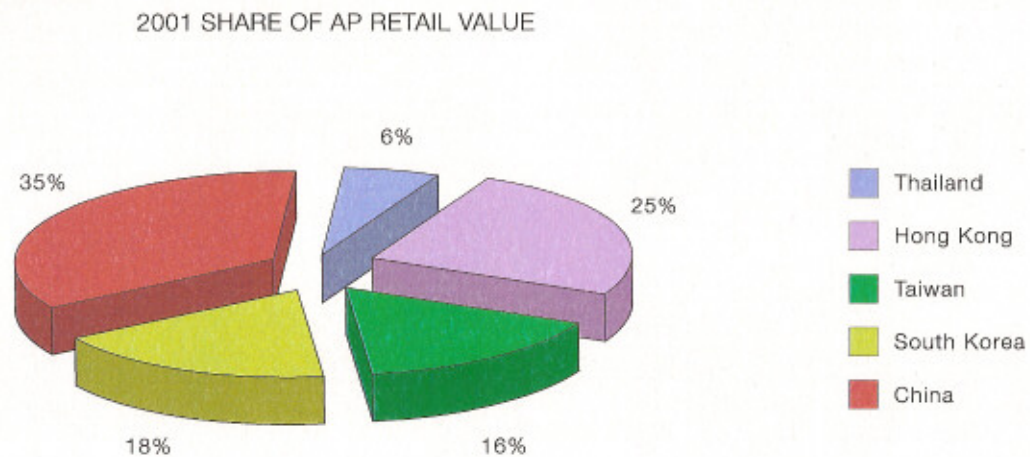
Note:

A. Retail amount increased from 246 million US dollars in 1990 to 1084 million US dollars in 2001.

B. The number of pieces for retail increased from 574,000 in 1990 to 1,982,000 in 2001.

Diamond jewelry sales in China accounted for 35% of that of entire Asia-Pacific region (Japan excluded), please refer to figure-5.

Figure 5: China accounts for over one third of AP market share (excl. Japan) in terms of retail value

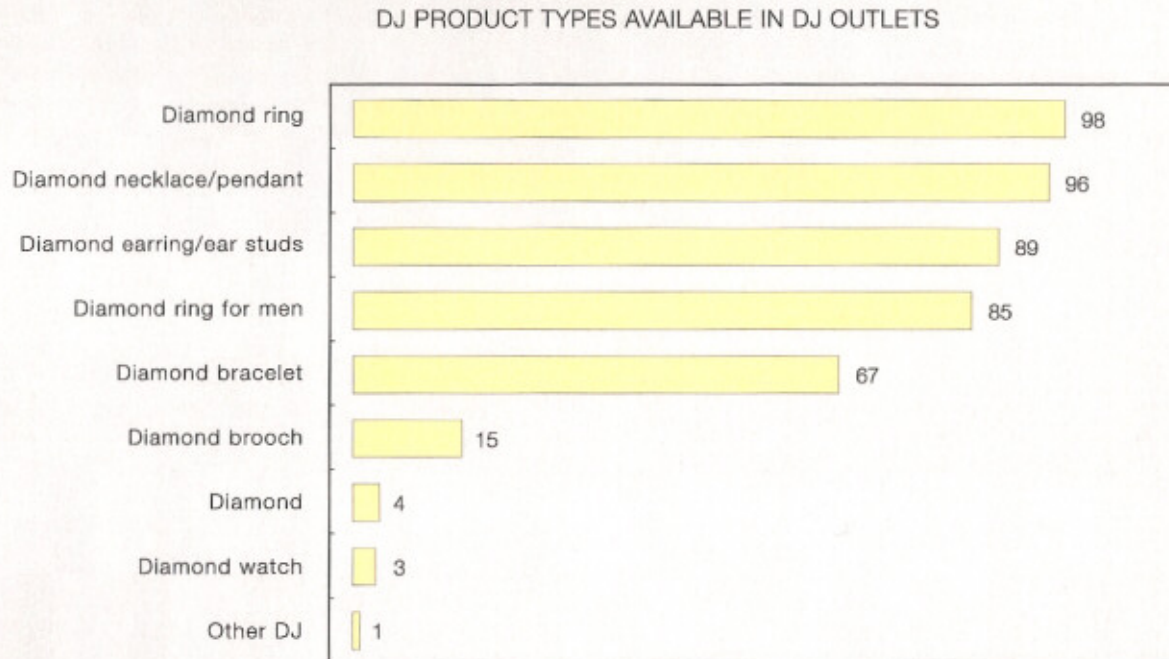


Source: *JNA*, September 2002, P360

Note: If Japan was not included: China accounted for 35%, Hong Kong 25%, Taiwan 16%, South Korea 18%, Thailand 6%.

From the end of 2002, DTC had investigated jewelry markets in 15 cities in China in order to ascertain the basics of China diamond jewelry market, and results of this investigation were published in JNA of September of 2003, and for details, please refer to figure-6.

Figure 6: Product types available in Diamond Jewelry outlets



Note: A. Diamond rings available in 98% of DJ outlets

B. Diamond necklace/pendant 96%

C. Diamond earrings/ear studs 89%

D. Diamond rings for men 85%

The data is based on survey of 1735 outlets in 15 cities.

As reported by DTC, in 2004, China and India had the fastest-growing diamond jewelry sales in Asia-Pacific region. China's diamond jewelry sales in 2004 saw an 11% increase, a year with best sales and quickest growth. Hong Kong diamond jewelry sales in 2004 realized a 9% increase and Taiwan a 6% increase, the Pan-China, that is, China

- China market has become the hot spot for global diamond industry

China diamond and diamond jewelry market, for its quick development and great potential, has become a hot spot for attention and investment.

As early as 15 years ago, De Beers already expected China diamond and diamond jewelry market to have a propitious prospect, and therefore, timely carried out in China extensive and persistent diamond promotion. Set up successively in Shanghai, Beijing, Guangzhou and other cities special De Beers promotion centers. Every year, it spent several million US dollars in advertising, undertake many large-scale promotion and training activities, with a purpose of guiding and boosting the growth of China diamond and diamond jewelry market. Now, De Beers is trying to lead China diamond and diamond jewelry to a higher and deeper growth.

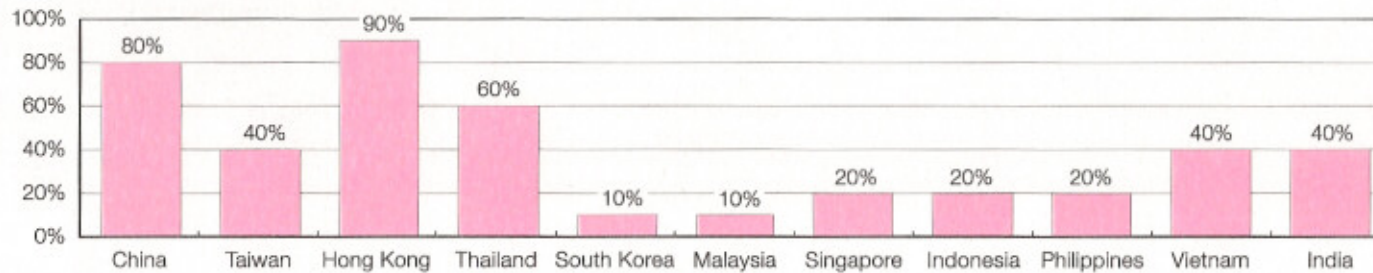
China diamond and diamond jewelry market has grown up, and DTC thought China now is world's fifth largest diamond and diamond jewelry market; De Beers has succeeded, and to be specific, it succeeded in China.

De Beers's great success in China has not only facilitated the speedy growth of China diamond and diamond jewelry market, but also pushed forward the investment confidence and pace of world's famous diamond producers and dealers to invest in China, thus bringing China market into a completely new and much higher growth platform, and HIERSUN is one of the most representative diamond jewelry companies that has an earlier starting, quicker growth and very prominent achievement.

Now, China has become world's emerging polished diamond processing and exporting center, leading diamond processing and exporting centers in Belgium, Israel, India and the United States are rushing to set up in China polished diamond factories and export subsidiaries; China diamond market is in a booming period; The reasons behind such a propitious growth are such as favorable opening-up policies, business conditions, lower and very competitive labor cost, and what's more, the huge potential enjoyed by China diamond market enables diamond articles processed in China can be sold to China market while exporting to the world.

Figure7: The investigation of Asia diamond market demand carried out by Belgium in 2005

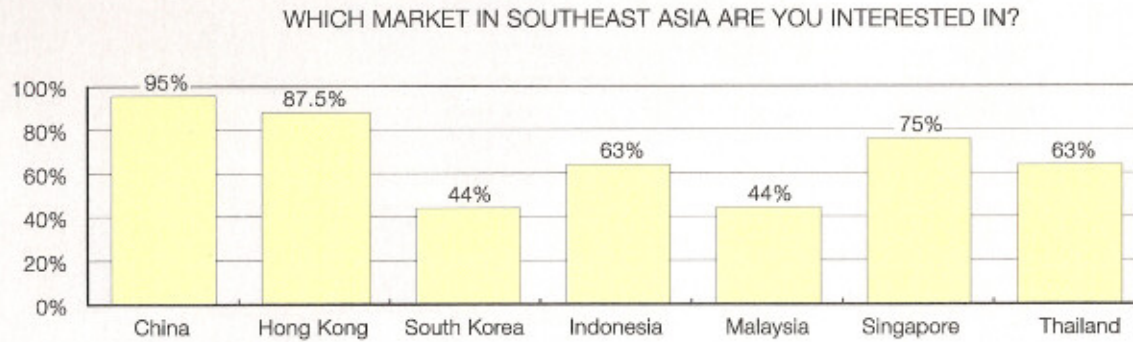
WHICH OF THE FOLLOWING MARKETS HAVE STRONG DEMAND FOR YOUR DIAMOND?



Source: *JNA*, July 2005, P141

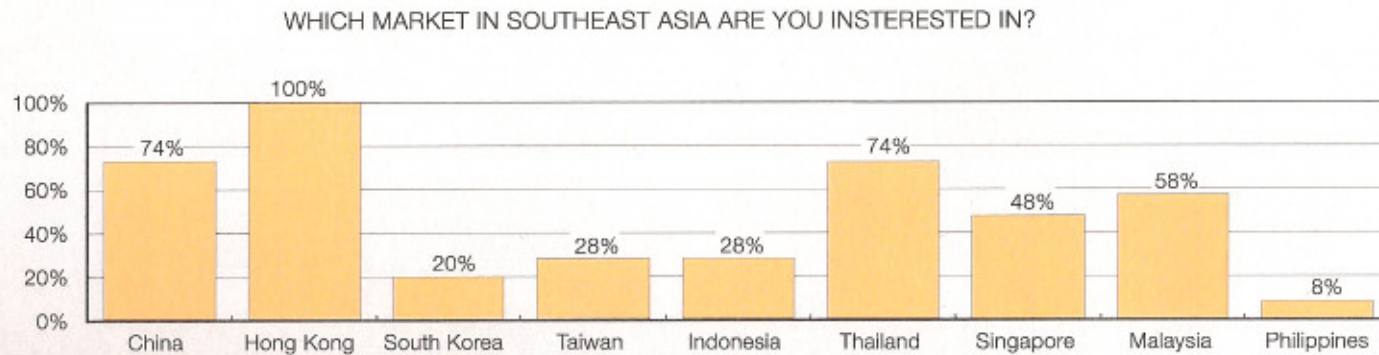
Note: According to the study, Hong Kong is 90%, China is 80%, Thailand is 60%, India, Vietnam and Taiwan 40% respectively, Singapore, Indonesia and Philippines 20% respectively, South Korea and Malaysia 10% respectively.

Figure 8: The investigation of Asia diamond market investment carried out by Israel in 2005



Source: *JNA* June 2005, P142

Figure 9: Investigation of investment trend in South-East Asia carried out by India in 2004



Source: *JNA* August 2004, P125

- **Prospects on China diamond market by diamond industry authorities and experts**

Mr. Sun Fengmin, the General Secretary of China Gemstone Association, in his speech delivered on "First Western China Jewelry Forum" in September 2004, said, The business volume of jewelry in China has exceeded more than 100 billion yuan (diamond jewelry sales account for 25~30%--writer) and is continuing to grow at an annual rate of 10%. In the meanwhile, it is expected that every year about 10 million new couples get married and wedding consumption totals up to 250 billion yuan, and by 2010, China jewelry is expected to have an annual sales of 180 billion yuan. Usually, diamond jewelry sales accounts for 60% of total jewelry sales, and so in 2010, diamond jewelry sales in China is expected to exceed 10 billion US dollars.

A famous Hong Kong jewelry dealer, perceiving the bright prospect of China jewelry market, specially that of its diamond and gold jewelry market, has set up in China mainland more than 150 retail shops, with 17 branch stores in Beijing, and it plans to have a total of 300 retail stores within three years.

Tache Diamond, a famous Belgian diamond company, expects that, by 2010, the annual diamond jewelry sales in China will reach over 8 billion US dollars and the total jewelry sales will amount to 13 billion US dollars.

It is also said that, China Gemstone Association expected China's jewelry sales to arrive at 22 US billion dollars by 2010 and diamond jewelry sales to amount to 13 US billion dollars.

De Beers thinks China as world's fifth largest diamond consumption market with a quick growth, bright prospect and the most dynamic consumption demand.

Mr. Eli Izbakoff, President of the World Diamond Council, had visited China twice in ten years, investigating and inspecting China diamond and diamond jewelry market, and in his second visit to China, he emphasized on China Diamond (Market) Forum held in Shanghai: "Today we look to China as soon taking its place as the world's second largest consumer market." (Source: *JNA*, February 2004, P104)

With the increasing deeper analysis and forecast of China diamond market, many famous diamond businesses already begin to increase and consolidate their presence in China.

Those that already established in China diamond stores include not only famous diamond companies from Belgium, Israel and India but also world's top jewelry enterprises, such as American Tiffany, French Cartier, and Italian Bulgari; and the size and the number of their stores keep increasing. There are just too many investments by other