

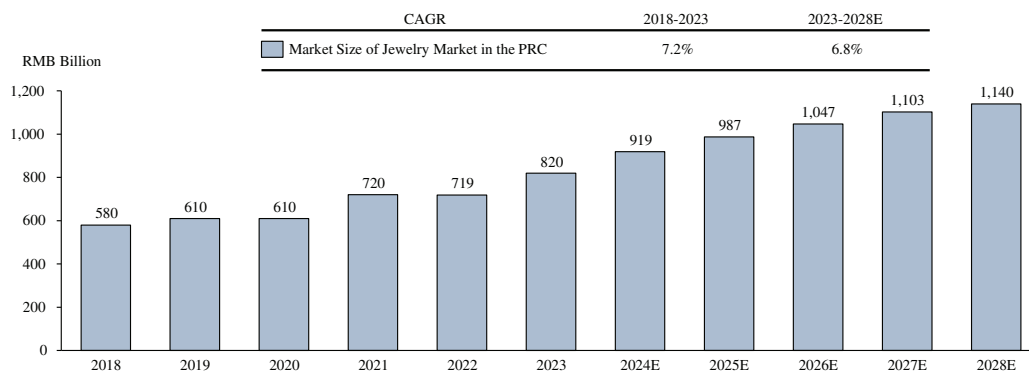
INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the industry report commissioned by us and independently prepared by Frost & Sullivan, in connection with the [REDACTED]. In addition, certain information is based on, or derived or extracted from, among other sources, publications of different government authorities and internal organizations, market statistics providers, communications with various PRC government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. Information and statistics from official government sources, documents, or statements have not been independently verified by our Company, the Sole Sponsor, [REDACTED], [REDACTED], [REDACTED], or any of their respective directors, advisers and affiliates, or any other person or parties involved in the [REDACTED], and no representation is given as to their accuracy. For a discussion of the risks relating to our industry, see “Risk Factors” in this document.

OVERVIEW OF JEWELRY MARKET IN THE PRC

Jewelry is a precious natural or artificial material processed for wearing and/or decoration. Jewelry may be appreciated for its material properties, patterns, or meaningful symbols. The jewelry market in the PRC witnessed steady growth from RMB580 billion in 2018 to RMB820 billion in 2023, representing a CAGR of 7.2%, mainly due to the growing purchasing power and diversified demand for daily wear. Looking forward, due to the growing purchasing power of PRC citizens, the jewelry market in the PRC is estimated to grow at a CAGR of 6.8% from 2023 to 2028, reaching a total sales revenue of RMB1,140 billion by the end of 2028.

Market Size of Jewelry Market in the PRC, by Sales Revenue, 2018-2028E

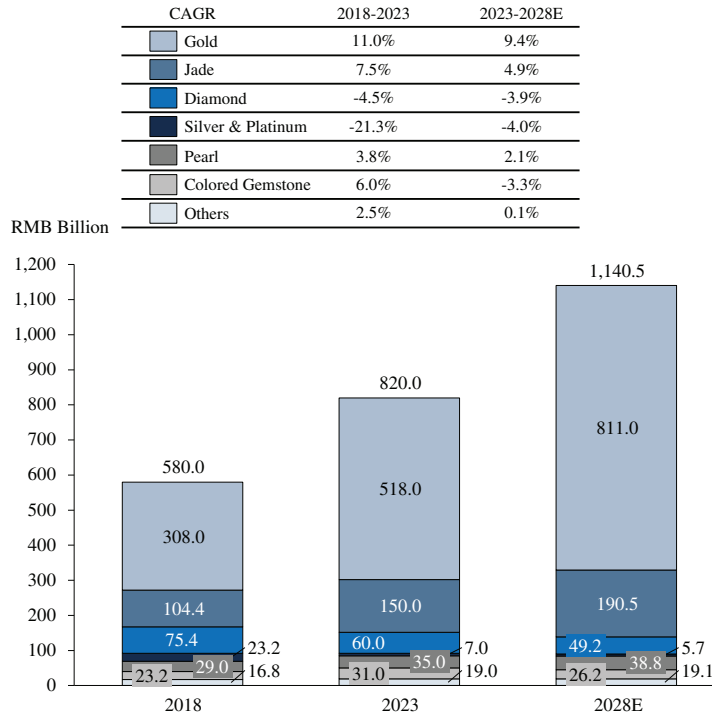


Source: Gems & Jewelry Trade Association of China, Frost & Sullivan

INDUSTRY OVERVIEW

By material, jewelry can be classified into gold jewelry, jade jewelry, diamond jewelry, silver & platinum jewelry, coloured gemstone jewelry, pearl jewelry, and others. The chart below sets forth the historical and forecasted market size of jewelry market in the PRC, by material, for the periods indicated.

Market Size of Jewelry Market in the PRC, Breakdown by Material, 2018-2028E



Source: Gems & Jewelry Trade Association of China, Frost & Sullivan

Gold has been popular for several thousand years in China because of its auspicious meaning of family prosperity. Further, the nature of gold as a precious metal also makes gold jewelry of investment value. Gold jewelry has taken up the largest proportion of 63.2% in the Chinese jewelry market in 2023 due to its enduring cultural significance. The sales revenue of the gold jewelry market in 2023 was RMB518.0 billion, accounting for 63.2% of the jewelry market, and is forecasted to reach RMB811.0 billion in 2028, growing at a CAGR of 9.4%. It is expected that gold jewelry will continue to be the most popular jewelry category among Chinese consumers in foreseeable future.

INDUSTRY OVERVIEW

GOLD JEWELRY MARKET IN THE PRC

Introduction

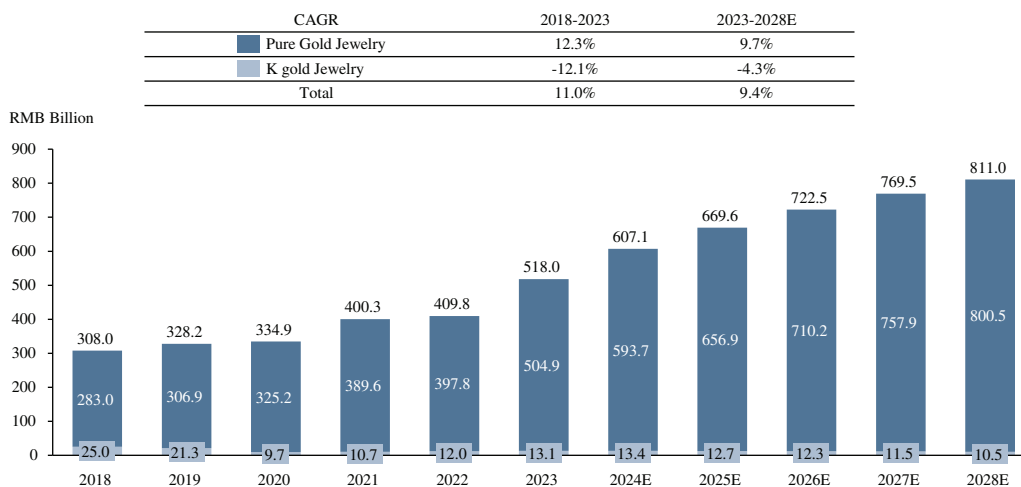
Gold jewelry uses gold as its main raw material. The market size of gold jewelry in terms of sales revenue experienced an overall growth from RMB308.0 billion in 2018 to RMB518.0 billion in 2023, achieving a CAGR of 11.0%. The outbreak of the COVID-19 pandemic in 2020 and the subsequent control measures hindered the offline sales growth since 2020. Looking forward, due to the consumption upgrading and the rising of younger consumer group, the gold jewelry market is expected to continue to grow and reach RMB811.0 billion in 2028 with a CAGR of 9.4%.

Pure Gold Jewelry

In terms of gold purity level, gold jewelry can be categorized into pure gold (with gold purity level of 99.0% and above) and K gold (typically referring to alloy made from a mixture of gold and other metals, in which the gold content equals to or is lower than 22K (91.6%) or even 18K (75.0%)). The pure gold jewelry market size in 2023 was RMB504.9 billion, accounting for 97.5% of the gold jewelry market. With the consumption upgrading and the increasing demand for high-quality gold jewelry products, the pure gold jewelry market size is expected to further grow to RMB800.5 billion in 2028, accounting for 98.7% of the gold jewelry market with a CAGR of 9.7%.

The chart below sets forth the historical and forecasted market size of gold jewelry market in the PRC, by gold purity level, for the periods indicated.

Market Size of Gold Jewelry Market in the PRC, by Sales Revenue, 2018-2028E



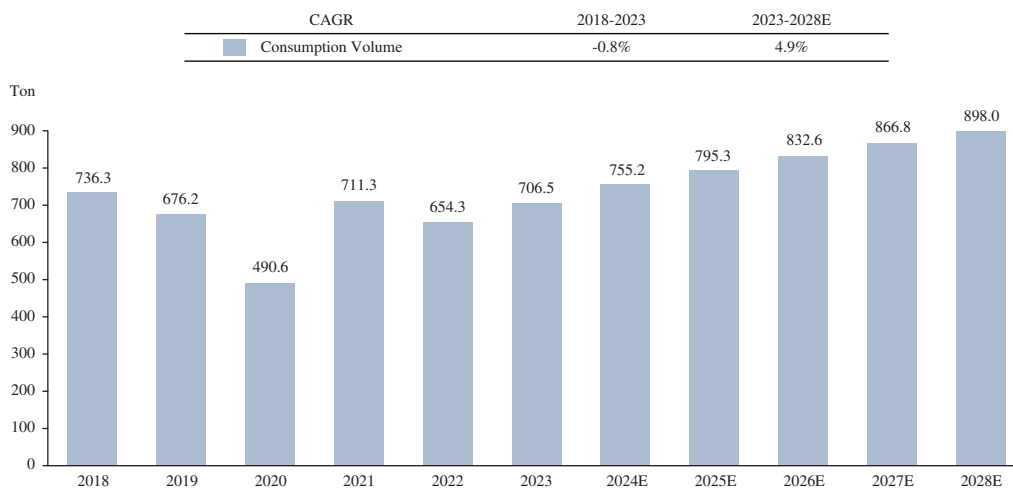
Source: Gems & Jewelry Trade Association of China, China Gold Association, Frost & Sullivan

INDUSTRY OVERVIEW

The consumption volume of gold jewelry in the PRC showed a fluctuating trend from 736.3 tons in 2018 to 706.5 tons in 2023, with a CAGR of -0.8% during the period from 2018 to 2023, primarily due to the widespread impact of the pandemic in 2020 and 2022. Additionally, economic downturn pressures contributed to overall consumption weakness, which in turn leads to a decline in consumption volume in 2019. Considering consumers’ increasing preference for gold jewelry, the consumption volume of gold jewelry is expected to grow steadily, reaching 898.0 tons by 2028, with a CAGR of 4.9% from 2023 to 2028.

The chart below sets forth the historical and forecasted consumption volume of gold jewelry in the PRC, for the periods indicated.

Consumption Volume of Gold Jewelry in the PRC, 2018-2028E



Source: Gems & Jewelry Trade Association of China, China Gold Association, Frost & Sullivan

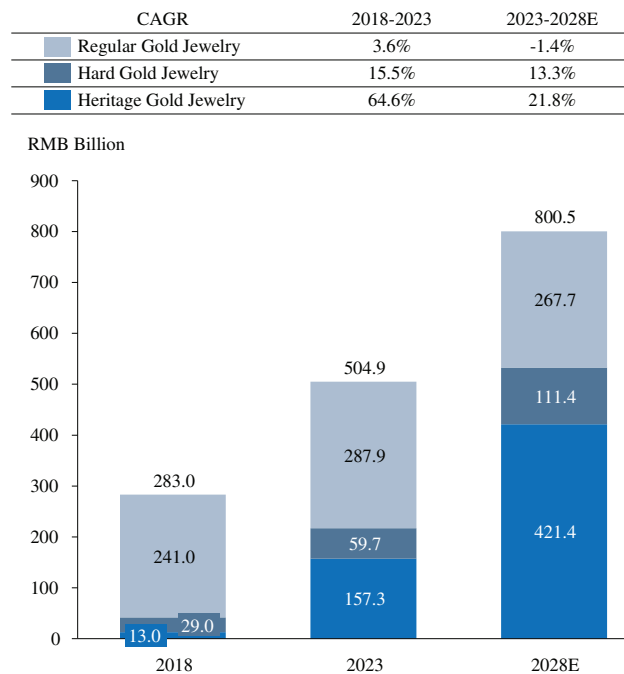
INDUSTRY OVERVIEW

Gold Jewelry Processing Techniques

Pure gold jewelry, by processing techniques, can be categorized into heritage gold jewelry, hard gold jewelry and regular gold jewelry. Heritage gold jewelry is pure gold featuring cultural designs and processed by special traditional Chinese techniques including hammering (錘揲), carving (鑿刻), hollowing (鏤空), filigree (花絲), embedding (鑲嵌), and heat treatment of enamels (燒藍). The production of heritage gold jewelry is usually more expensive and time-consuming than regular gold jewelry since all heritage gold jewelry require manual work and certain processing steps require the manual work of skilled craftsmen. Hard gold jewelry, featuring highly resistant and lightweight, is mainly produced in the electroforming mode, which can improve the hardness and wear resistance of gold by improving the gold content, pH value, working temperature, organic light agent content, and stirring speed in the electroforming solution. Regular gold jewelry is pure gold processed by regular processing techniques including stamping techniques (沖壓), embossing techniques (車花), polishing techniques (拋光) and so forth. These techniques nowadays can be entirely performed by automatic machines. Regular gold jewelry is usually easy to deform and of homogeneous product types.

The chart below sets forth the historical and forecasted market size of pure gold jewelry market in the PRC, by processing techniques, for the periods indicated.

**Market Size of Pure Gold Jewelry Market in the PRC,
Breakdown by Processing Technique, by Sales Revenue, 2018-2028E**



Source: Gems & Jewelry Trade Association of China, China Gold Association, Frost & Sullivan

INDUSTRY OVERVIEW

HERITAGE GOLD JEWELRY MARKET IN THE PRC

Introduction

Heritage gold jewelry refers to a type of pure gold jewelry that combines modern designs and classic Chinese culture, features matte (啞光), sandy (磨砂) or other texture of ancient royal jewelry, and applies at least two Chinese traditional handmade gold crafting techniques as specified in the group standards for “Heritage Gold Artifact” (《古法金飾品》團體標準) published by the China Gold Association (the “**Group Standards**”). The China Gold Association was established under the joint approval of the former State Economy and Trade Committee and the Ministry of Civil Affairs in 2001. According to Frost & Sullivan, it is the only nation-wide corporative organization in the gold industry in China, widely recognized by market players. Moreover, as confirmed by Frost & Sullivan, most of its members are well-known industry participants, ranging from enterprises of gold exploration, operation, processing, logistics, and investment, to research institutes, as well as other institutions related to the gold industry. The Group Standards were drafted by 17 market players in the gold jewelry industry in China. Although there is no legally enforced consequences for violating the Group Standards, they have received wide recognition within the industry, and are instructive since publication, according to Frost & Sullivan. According to the Group Standards, techniques used for crafting heritage gold jewelry mainly include hammering (錘揲), carving (鑿刻), hollowing (鏤空), filigree (花絲), embedding (鑲嵌), and heat treatment of enamels (燒藍). Consumers can easily tell and identify whether a gold jewelry product is truly made with these techniques by observing the appearance of such product.

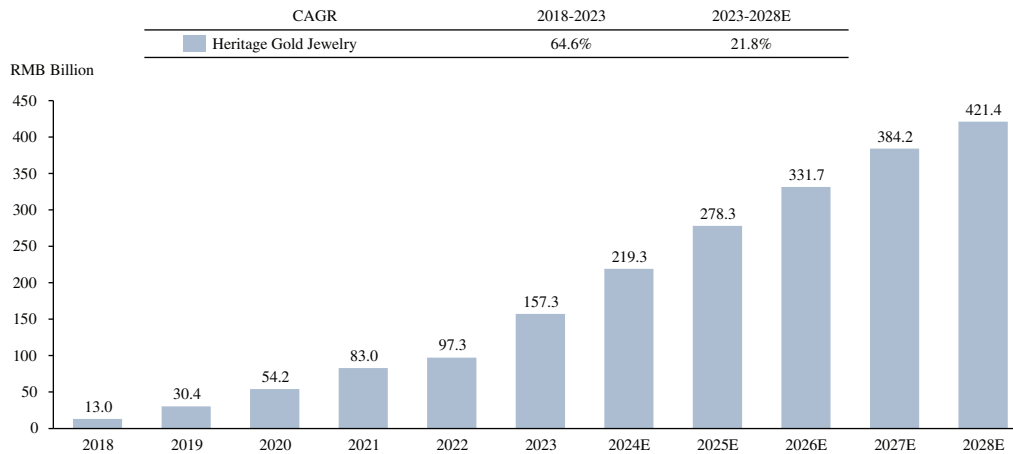
Laopu Gold was the first brand in China to promote the concept of heritage gold jewelry and one of the earliest to engage in brand-oriented operations for traditional handmade gold jewelry. Since Laopu Gold promoted the concept in 2009, heritage gold jewelry has started a prevailing fashion wind in the jewelry market with its exquisite appearance, auspicious meaning and cultural contents.

With the enhancement of techniques, heritage gold jewelry with embedded diamonds and gemstones emerged and gradually gained popularity in the market. Pure gold inlay processing usually requires sophisticated craftsmanship because the greater the gold purity level, the softer the gold, and the easier it is to scratch or bend the gold during the inlay process. Meanwhile, unprofessional craftsmanship may cause the inlaid jewelry to be squeezed and deformed, so the gemstone may loosen and fall off. Currently, the majority of inlay products on the market are K gold inlay products because the durability of K gold has simplified the inlay process. Laopu Gold is the first in the market to develop pure gold inlay items, setting trends in the gold jewelry business, according to Frost & Sullivan.

INDUSTRY OVERVIEW

The chart below sets forth the historical and forecasted market size of heritage gold jewelry in the PRC for the periods indicated.

**Market Size of Heritage Gold Jewelry Market in the PRC,
by Sales Revenue, 2018-2028E**



Source: Gems & Jewelry Trade Association of China, China Gold Association, Frost & Sullivan

INDUSTRY OVERVIEW

The market size of heritage gold jewelry in terms of sales revenue experienced a sharp growth from RMB13.0 billion in 2018 to RMB157.3 billion in 2023, achieving a CAGR of 64.6%. Although hindered by the COVID-19 pandemic which had led to some temporary and regional shutdowns of offline gold jewelry retail stores in China in 2022, the growth of heritage gold jewelry market stayed positive in 2022, as such pandemic impact was offset by the robust growth of the market from 2017 to 2022, mainly driven by the increasing popularity of heritage gold jewelry among young generations, the upgrade of consumer preferences, and the fact that gold is often regarded as a safe-haven asset when facing uncertainty. Heritage gold jewelry with auspicious cultural meaning and aesthetic design has caught young customers’ eyes in recent years. As the main consumer demographic shifts to the younger generation and consumer preferences upgrade, the heritage gold jewelry market is expected to continue to grow and reach RMB421.4 billion in 2028 with a CAGR of 21.8% from 2023 to 2028. The slowdown in the growth of the heritage gold jewelry market from 2023 to 2028, as compared to that from 2018 to 2023, was primarily because during the period from 2018 to 2023, the heritage gold jewelry market was at its early stages and the cardinal number of the market size was relatively small, and therefore had a stronger growth potential with a robust and faster growth rate; when the heritage gold jewelry market entered the mature stage and its market size reached a certain level in 2023, a large number of potential customers had already been reached, which is expected to result in a slowdown in the market growth rate from 2023 to 2028 but during the period, the absolute value of the market size is still expected to witness a robust growth.

In tier-one cities, the market size of heritage gold jewellery in tier-one cities increased from RMB5.1 billion in 2018 to RMB25.1 billion in 2023, representing a CAGR of 37.8% from 2018 to 2023, and is expected to reach RMB62.7 billion in 2028, at a CAGR of 20.1% from 2023 to 2028. The average per capita disposable income of tier-one cities was RMB80,999 in 2023, resulting in high purchasing power and consumption levels.

In new tier-one cities, the market size of heritage gold jewellery market grew at a CAGR of 72.0% from RMB2.3 billion in 2018 to RMB34.0 billion in 2023, and is expected to reach RMB98.7 billion in 2028, at a CAGR of 23.7% from 2023 to 2028. The average per capita disposable income of new tier-one cities was RMB55,921 in 2023, presenting a relatively high purchasing power of citizens with great growth potential. As the penetration rate of heritage gold jewelry continues to increase in the new tier-one cities, the market is forecasted to experience a fast growth in the future.

In the provincial capitals (excluding tier-one and new tier-one cities)*, the market size of heritage gold jewelry market was approximately RMB13.9 billion in 2023 in the PRC. As the popularity of heritage gold jewelry increases in these cities, the market size is expected to reach RMB31.7 billion in 2028, at a CAGR of 17.9% from 2023 to 2028. Though high-end shopping malls in these cities are still rare, the heritage gold jewelry market still presents great

* Provincial capitals (excluding tier-one and new tier-one cities) include Shenyang, Shijiazhuang, Taiyuan, Changchun, Harbin, Fuzhou, Nanchang, Jinan, Haikou, Guiyang, Lanzhou, Xining, Huhehaote, Nanning, Lhasa, Yinchuan, and Urumqi.

INDUSTRY OVERVIEW

growth potential in the future since the provincial capitals are the political and economic center of the whole province, with strong economic strength and potential purchasing power. The average per capita disposable income of these provincial capitals was RMB41,585 in 2023, higher than the national average of RMB39,218. Moreover, the number of major competitors of heritage gold jewelry brands in high-end shopping malls in provincial capital cities are relatively limited so far, which provides large room and space for new entrants in these cities.

Market Trend and Drivers of Heritage Gold Jewelry Market

Younger consumption groups: Heritage gold jewelry meets both the aesthetic and value preservation demands of young people aged 20-30. Heritage gold jewelry has started a prevailing fashion wind in the jewelry market with its exquisite appearance, auspicious meaning, and cultural contents, and such features are particularly attractive to younger consumption groups. The young generation will gradually become the main consumption group of heritage gold jewelry in the future.

More diversified and personalized jewelry products: Chinese consumers are pursuing more diversified and personalized jewelry. Jewelry products with novel models and unique cultural connotations will be more popular among consumers. In the future, jewelry brands will continue to innovate and create product differentiation to win the favour of the whole market. Moreover, the demand of customized heritage gold jewelry is also surging among the high net worth population since the craftsmanship of heritage gold jewelry allows for more delicate designs, which can precisely satisfy customers’ self-expression needs and realize inner feelings through creative designs.

Integration of gold and other precious material: With the improvement of technologies, gold jewelry brands will continuously innovate more heritage gold products integrated with other precious materials, such as diamonds, turquoises, pearls, and coloured gemstones. For instance, heritage gold jewelry with embedded diamonds combines traditional and modern aesthetics, making it a hit once the products were launched in the market. More innovations and attempts at material combination will be proposed in the future with continuous technology enhancement.

Growing popularity of “China Chic”: In recent years, with the rising popularity of “China Chic” among young people, more and more young generations are paying attention to traditional Chinese brands. Heritage gold jewelry is well-designed with abundant cultural contents and delicate craftsmanship, which has been considered as one of the representatives of Chinese traditional culture. Heritage gold jewelry brands are winning the Chinese jewelry market, where foreign jewelry brands reigned unchallenged for a long time. With the surge in young consumers’ interest in domestic brands and products that incorporate Chinese traditional crafts and culture, the heritage gold jewelry market is expected to grow.

INDUSTRY OVERVIEW

Opportunities and Challenges of Heritage Gold Jewelry Industry

With the consumption upgrading and the increasing demand for high-quality, diversified, personalized gold jewelry products from consumers, the heritage gold jewelry market is expected to grow rapidly. In addition, with the popularization of the Internet and the increasing acceptance of online shopping by consumers, jewelry companies are also actively expanding their online sales and promotion channels, bringing more opportunities to the heritage gold jewelry market.

However, the competition in the gold jewelry market is fierce. Gold jewelry brands need to continuously improve product quality and service levels to attract and retain consumers. Gold jewelry brands need to build brand images and create connections between brands and targeted customers. In addition, the homogenization of design, production, and marketing has begun to emerge in the heritage gold jewelry market. Gold jewelry brands need to constantly follow up on new technologies and innovate new product formats to meet consumers’ demands for high-quality and personalized products and establish brand barriers.

COMPETITIVE LANDSCAPE

In the heritage gold jewelry market, Laopu Gold took up a share of 2.0% in terms of revenue from the sale of heritage gold jewelry in 2023. The market size of heritage gold jewelry in the PRC was RMB157.3 billion in 2023. The aggregate revenue of heritage gold jewelry products generated from the top five gold jewelry brands was approximately RMB72.4 billion with a share of 46.1% in the entire market. In terms of revenue, Laopu Gold ranked seventh in the heritage gold jewelry market in the PRC. Among the top ten players in heritage gold jewelry market, Laopu Gold is the only brand that focuses on heritage gold jewelry products and one of the only three brands that adopt a self-operation model for all offline stores.

The following table sets forth respective estimated revenue generated from sales of heritage gold jewelry products and market share of each of such top five heritage gold jewelry brands as well as Laopu Gold in 2023:

Top Five Heritage Gold Jewelry Brands in terms of Revenue from Sales of Heritage Gold Jewelry in the PRC in 2023

Ranking	Company	Estimated Heritage Gold Jewelry Revenue	Market Share
		<i>(RMB billion)</i>	<i>(%)</i>
1.	Company A ⁽¹⁾	31.0	19.7
2.	Company B ⁽²⁾	17.3	11.0
3.	Company C ⁽³⁾	9.1	5.8
4.	Company D ⁽⁴⁾	8.6	5.7
5.	Company E ⁽⁵⁾	6.1	3.9
	Subtotal	72.4	46.1
7.	Laopu Gold	3.2	2.0

Source: Annual Reports of Listed Companies, Frost & Sullivan

INDUSTRY OVERVIEW

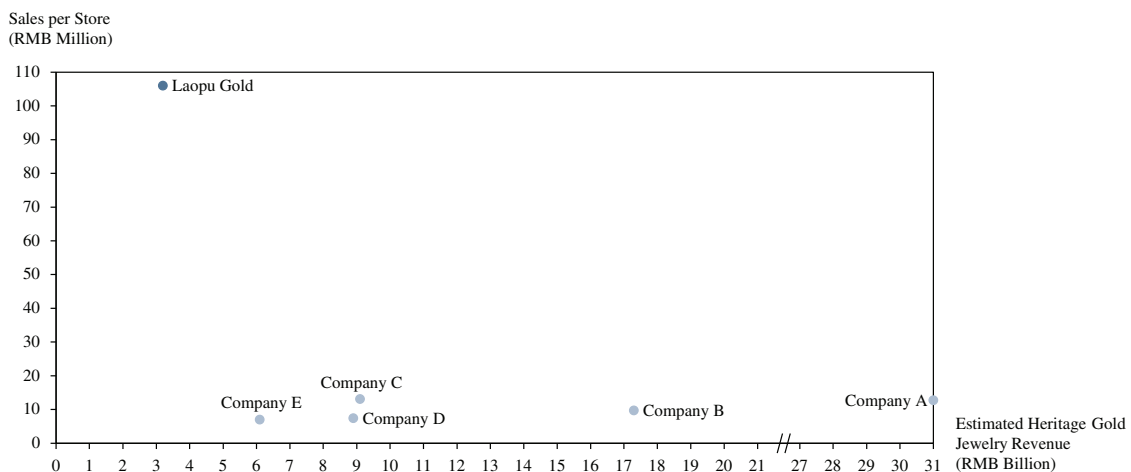
Notes:

- (1) Company A is a jewelry brand in the PRC established in 1929 with 7,655 offline stores in 2022. It mainly engages in the sale of gem-set jewelry, platinum/karat gold products, gold products, and watches. It is a listed company on Hong Kong Stock Exchange, and its total revenue was estimated RMB105.5 billion in 2023.
- (2) Established in 1848, Company B is one of the Chinese time-honored brands in the PRC with 5,994 offline stores in 2023. It mainly engages in the jewelry and gold business, stationery and art craft. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB71.4 billion in 2023 according to its annual report.
- (3) Company C is a gold jewelry company in the PRC established in 2010 with 4,257 offline stores in 2023. It mainly engages in the sales of gold jewelry and processing of gold bullion. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB56.4 billion in 2023 according to its annual report.
- (4) Company D is a comprehensive group in the PRC established in 1987 with 4,994 offline stores in 2023. It mainly engages in the business of jewelry and fashion, food and beverage, beauty and health, watches, department stores, etc. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB58.1 billion in 2023 according to its annual report.
- (5) Company E is one of the gold jewelry brands in the PRC established in 2000 with 2,852 offline stores in 2023. It mainly engages in the processing, retailing, and recycling of gold jewelry products. It is a non-listed company.

In the gold jewelry market, Laopu Gold ranked first in terms of single-store sales in each of 2022 and 2023 among major gold jewelry brands in China. The market size of gold jewelry in the PRC was RMB518.0 billion in 2023. Laopu Gold took up a share of 0.6% in the gold jewelry market in the PRC in 2023.

Although the competition of heritage gold jewelry market is fierce, Laopu Gold excels in brand positioning, product themes, and sales network by implementing a differentiated business strategy. The diagram below showcases the competitive landscape of the top five heritage gold jewelry brands in terms of revenue from the sales of heritage gold jewelry in the PRC in 2023 and the distinctive market position of Laopu Gold:

Competitive Layout of Laopu Gold and the Top Five Heritage Gold Jewelry Brands in Terms of Revenue from the Sales of Heritage Gold Jewelry in the PRC (2023)



Source: Annual Reports of Listed Companies, Frost & Sullivan

INDUSTRY OVERVIEW

Notes:

- (1) The single-store sales is the total jewelry revenue of the company divided by the number of jewelry stores. As compared to Company A, B, C, D and E, Laopu Gold had exceptionally high single-store sales, primarily because it achieved outstanding sales performance with far less retail stores compared to its peers, given that the Company adopted a fully self-operation business model and mainly operated retail stores in high-end shopping malls and/or local reputable commercial centers in top-tier cities where the customers have higher spending power, while its peers opened retail stores in a number far exceeding the Company’s, comprising both self-operated stores and franchise stores in both top-tier cities and lower-tier cities, even including tier-three and tier-four cities.
- (2) Company A is a jewelry brand in the PRC established in 1929 with 7,885 offline stores in 2023. It mainly engages in the sale of gem-set jewelry, platinum/karat gold products, gold products, and watches. It is a listed company on Hong Kong Stock Exchange, and its total revenue was estimated RMB105.5 billion in 2023.
- (3) Established in 1848, Company B is one of the Chinese time-honoured brands in the PRC with 5,994 offline stores in 2023. It mainly engages in the jewelry and gold business, stationery and art craft. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB71.4 billion in 2023 according to its annual report.
- (4) Company C is a gold jewelry company in the PRC established in 2010 with 4,257 offline stores in 2023. It mainly engages in the sales of gold jewelry and processing of gold bullion. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB56.4 billion in 2023 according to its annual report.
- (5) Company D is a comprehensive group in the PRC established in 1987 with 4,994 offline stores in 2023. It mainly engages in the business of jewelry and fashion, food and beverage, beauty and health, watches, department stores, etc. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB58.1 billion in 2023 according to its annual report.
- (6) Company E is one of the gold jewelry brands in the PRC established in 2000 with 2,852 offline stores in 2023. It mainly engages in the processing, retailing, and recycling of gold jewelry products. It is a non-listed company.
- (7) Company A, B, C, D, and E were the top five players in heritage gold jewelry market in terms of heritage gold jewelry revenue in 2022 in China. The market share of Company A, B, C, D and E in terms of revenue from sales of heritage gold jewelry in the PRC in 2023 was 19.7%, 11.0%, 5.8%, 5.7%, and 3.9% respectively.

In addition, the location of stores is vital to brand positioning. The coverage rate of Laopu Gold in the top ten high-end shopping malls in the PRC was 80% as of April 2024, ranked first among Chinese gold jewelry brands. The chart below provides an overview of coverage rate of key jewelry brands in the top ten high-end shopping malls in the PRC:

Jewelry Brands		Coverage Rate of Key Jewelry brands in Top Ten High-end Shopping Malls in the PRC as of April 2024
1	BVLGARI	100%
2	Cartier, Van Cleef & Arpels, Fred	90%
3	Laopu Gold , CHOW TAI FOOK, Tiffany, Chaumet	80%
4	CHOW SANG SANG	70%
5	Qeelin, Hefang Jewelry, Boucheron, APM Monaco	60%

Source: Public Data, Frost & Sullivan

INDUSTRY OVERVIEW

Note:

- * A shopping mall is considered “high-end” if it meets the required premium luxury brands matrix, that is, the specific shopping mall has at least three brands of the top five luxury fashion brands, which were obtained by combining multiple luxury brand ranking lists, including the *Top 10 Most Popular Luxury Brands Online in 2023* published by Forbes (an American business magazine focusing on business, investing, technology, entrepreneurship, leadership, and lifestyle), the *Most Popular Luxury Brands Online* published by LUXE digital (a digital magazine focusing on luxury fashion, travel, culture, and business), and *LUXURY & PREMIUM 2023 RANKING* published by Brand Finance (a brand valuation and strategy consultancy that publishes global brand rankings each year in various sectors). Top ten high-end shopping malls in the PRC are Beijing SKP, Nanjing Deji Plaza, Beijing China World Mall, Shanghai IFC Mall, Shanghai Hang Lung Plaza, Hangzhou Tower, Hangzhou MixC Mall, Xi’an SKP, Guangzhou TaiKoo Hui, and Chengdu IFS, according to Frost & Sullivan.

The tables below set forth the top three gold jewelry brands’ presence in high-end shopping malls as of April 2024 in tier-one cities and new tier one cities, respectively:

	Gold Jewelry Brands	Coverage rate of high-end shopping malls in tier-one cities
1 . . .	CHOW TAI FOOK/CHOW SANG SANG	100%
2 . . .	Laopu Gold	50%
3 . . .	Caibai	25%
	Gold Jewelry Brands	Coverage rate of high-end shopping malls in new tier-one cities
1 . . .	CHOW TAI FOOK	66.7%
2 . . .	CHOW SANG SANG	60.0%
3 . . .	Laopu Gold	33.3%

Source: Public information and official websites of each brand, Frost & Sullivan.

Note:

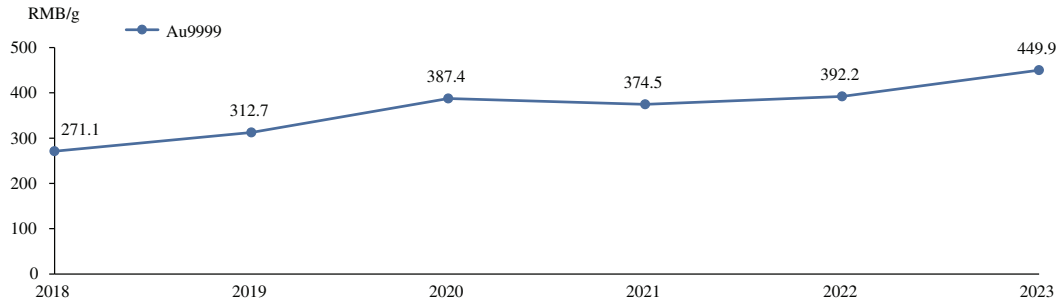
- * Coverage rate of high-end shopping malls in the relevant tier of cities is the number of cities the brand has covered in the high-end shopping mall divided by the total number of cities in that tier. For instance, in tier-one cities, Laopu Gold has presence in Beijing and Shanghai’s high-end shopping mall, and the coverage rate is two cities divided by the total number of tier-one cities (four), which is 50%.

INDUSTRY OVERVIEW

PRICE TRENDS OF MAJOR RAW MATERIALS

The finest gold traded on the Shanghai Gold Exchange (Au9999) and diamonds are major raw materials of Laopu Gold’s products.

Price Trends of Gold (Au9999) in the PRC



Source: Shanghai Gold Exchange, Frost & Sullivan

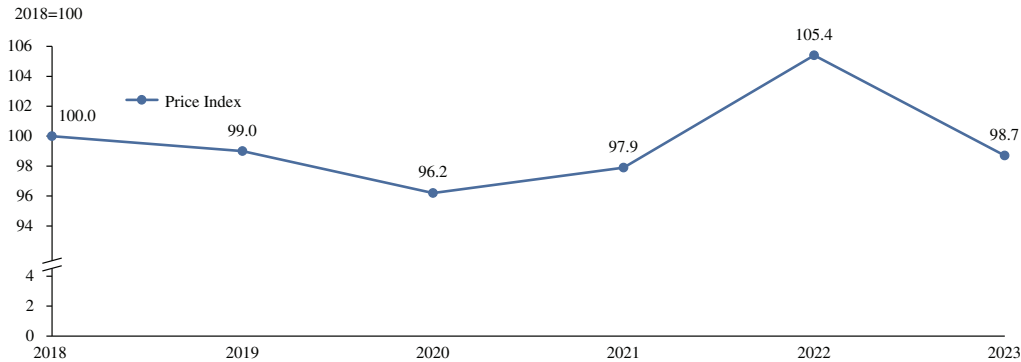
The gold price in the PRC is positively correlated with the international gold price, and most of the gold prices at international markets are USD-dominated. The gold price in the PRC is higher than the international gold price because the domestic market is in supply shortage and thus imports a large amount of gold, which adds the cost of physical delivery, warehousing, local taxation, conversion of local currency to USD, etc., to the spot price. The growth of products selling price of Laopu Gold is generally in line with upward trend of gold price in the PRC.

The average annual spot price for Au9999 in the PRC experienced a general upward trend, which increased from RMB271.1/g in 2018 to RMB449.9/g in 2023 due to several factors, including the volatility in the global political and economic environment, the strong demand for gold, particularly with the jewelry industry. Especially in 2020, due to the outbreak of COVID-19, the international economic environment was faced with much uncertainty. As a safe-haven asset, gold was welcomed by investors. Furthermore, the geopolitical conflict and the rising inflation have pushed up demand for gold to hedge risks, and the spot price hit a record high of RMB449.9/g in 2023.

For gold jewelry companies, the rise in gold price indicates that the inventory value of a gold jewelry company rises accordingly. In addition, the continuous rise in the gold price will motivate consumers’ investment enthusiasm, promoting the demand for gold jewelry products. Driven by customers’ “buy on the upside” philosophy for gold, the demand for gold jewelry is likely to increase with the rising gold price.

INDUSTRY OVERVIEW

Price Index of Global Diamonds, 2018-2023



Source: *Diamond Search Engine, Frost & Sullivan*

Most of the raw diamonds are mined in Russia, Australia, Canada, South Africa, etc. Affected by the Russia-Ukraine War, Russia, one of the world’s largest diamond exporting countries, was sanctioned by the United States and Europe, resulting in a shortage of global diamond supply since the first quarter of 2022. Although diamond prices have increased since short-term shortage, the diamond prices went down in 2023 is due to the rapid development of the lab-grown diamonds (LGD), which can be massively produced and sell at a lower price.

HERITAGE GOLD JEWELRY MARKET IN HONG KONG AND MACAU

In Hong Kong and Macau, there’s a deep-rooted cultural appreciation for traditional gold jewelry. This affinity is not merely for its aesthetic value but also for its symbolic significance. Gold jewelry is often regarded as a symbol of wealth, prosperity, and good fortune, making it highly valued in the local culture. Besides, tourists, particularly from the PRC, are a crucial driver for the heritage gold jewelry market in Hong Kong and Macau as the pricing of heritage gold jewelry in Hong Kong and Macau is more favorable compared to the PRC. In Hong Kong and Macau, the leading heritage gold jewelry brands are Chow Tai Fook, Luk Fook, and Chow Sang Sang. Both heritage gold jewelry markets in Hong Kong and Macau are relatively concentrated due to local advantages and accumulated good reputation of local brands. The size of heritage gold jewelry market is HKD13.9 billion and HKD4.5 billion in Hong Kong and Macau in 2023, and is expected to grow with a CAGR of 16.0% and 19.3% from 2023 to 2028, respectively.

HERITAGE GOLD JEWELRY MARKET IN SINGAPORE

Given that the majority of Singapore’s people are ethnically Chinese, Singapore’s fashion trends are profoundly influenced by Chinese market. With the popularity of heritage gold jewelry in China, Singaporean consumers have also begun to pay attention to this exquisite and culturally rich gold jewelry product influenced by the widespread dissemination of Internet platforms. Besides, due to the high quality, elegant design, and exquisite traditional Chinese craftsmanship of heritage gold, major gold jewelry companies in Singapore have successively launched the heritage gold product series in recent years to attract consumers. The heritage gold jewelry market in Singapore is relatively concentrated with leading gold jewelry brands, including SK Jewelry, Chow Tai Fook, and POH HENG Jewelry. The heritage gold jewelry market in Singapore has been emerging in recent years, with a market size of USD85.8 million in 2023, and it is expected to grow with a CAGR of 23.4% from 2023 to 2028.

INDUSTRY OVERVIEW

HERITAGE GOLD JEWELRY MARKET IN TOKYO

The heritage gold jewelry market is also emerging in other Asian cities such as Tokyo, with a fast-developing economy and local residents’ favor of exquisite gold jewelry, along with the fast expansion of China’s gold jewelry brands in such city.

Japan has similar cultural customs to China. In 2023, approximately 8.7 million Chinese tourists visited Japan, making up approximately 34.5% of all foreign tourists in Japan. The heritage gold jewelry originating from China is in its early stages of development in Japan. The market size of heritage gold jewelry in Tokyo was USD5.6 million in 2023, and it is expected to reach USD11.0 million in 2028, at a CAGR of 14.5% from 2023 to 2028. Heritage gold jewelry is renowned for its exquisite craftsmanship and rich cultural connotations, and currently, the main player in the heritage gold jewelry market in Tokyo is Chow Tai Fook.

ENTRY BARRIERS OF HERITAGE GOLD JEWELRY MARKET

Brand barriers: Brand awareness and brand scale are the assurance of consumers’ confidence in product quality and related services, especially for heritage gold jewelry brands. Strong brand images usually represent recognition from customers. However, the formation of brand image and awareness results from long-term shaping, management, and investment of gold jewelry companies. It is a great challenge for new entrants in the industry to form a brand image in a short time.

Product design barriers: Chinese consumers nowadays attach great importance to heritage gold jewelry products’ quality, design, and cultural connotation. The gold jewelry company’s ability to have instant insight into what is trendy in the market and launch a new product line is crucial, which depends on a strong design team and efficient product design and production system. However, building a professional design team takes time, and the classic design of top gold jewelry brands has taken root in public, making it difficult for a start-up to launch well-recognized products shortly.

Sales channels barriers: Building a complete sales network is time-consuming and requires a lot of resources and an experienced management team to form and maintain a long-term stable and reliable cooperation at all levels. For luxury brands, grabbing high net-worth clients in top shopping malls is crucial, which often have high entry barriers. However, the build-up of sales channels and the management ability imposes a great challenge on the new entrants in the gold jewelry market.

Financial barriers: The heritage gold jewelry industry needs a significant amount of capital investment from raw material procurement in the upstream reaches to production and processing in the midstream reaches to the establishment of a sales network in the downstream. Moreover, the initial financial investment for the raw materials involving gold, diamond, and other precious metals is enormous. As a result, new entrants to the industry face high barriers to capital.

INDUSTRY OVERVIEW

DIRECTORS’ CONFIRMATION

Our Directors confirm that, after making reasonable inquiries, there is no material adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict, misrepresent or otherwise adversely affect the accuracy and completeness of the information in this section in material respects.

SOURCE OF INFORMATION

In connection with the [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare a market research report on the gold jewelry market in the PRC. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the U.S. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. The agreed fee paid to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report is RMB500,000. The payment of such amount was not contingent upon our successful [REDACTED] or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other market research report in connection with the [REDACTED]. We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the gold jewelry market for potential investors. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan’s view on the future development of the gold jewelry market.

In preparing the Frost & Sullivan Report, Frost & Sullivan has relied on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices, and other relevant information. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct, and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the gold jewelry market. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: (i) the economy in the global range is likely to maintain stable growth in the next decade, and (ii) the gold jewelry market is expected to grow based on the macroeconomic assumptions of the economy. Frost & Sullivan’s research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report.