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Laopu Gold (6181.HK)

Industry Check with Individual Daigou on Jul/Aug SKP Promotion

CITI'S TAKE

During the recent July/August SKP promotion, Citi notes an improvement in Laopu's daigou sales compared to April under the new pricing and discount strategy, and believes the sales boost can offset a lower GPM. We also note the sequentially better sales mainly come from new customers who appreciate the brand and design more, without the previous cohort's bargain-hunting mindset. Given these early indicators, we think 2Q26 likely marks the earnings bottom for Laopu regardless of the gold price outlook. We have revised our pecking order in the China jewelry space to Laopu > Chow Tai Fook > Luk Fook.

Buy	
Price (04 Aug 26 16:10)	HK$318.80
Target price	HK$507.00
Expected share price return	59.0%
Expected dividend yield	9.7%
Expected total return	68.8%
Market Cap	HK$56,346M
	US$7,185M

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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

Daigous a key moving part – Citi conducted an industry-check with an individual "daigou" who purchases gold jewelry brands, mainly Laopu, on behalf of customers. Citi estimates daigous represented one-third of Laopu's 2025 sales. Daigous can obtain higher discounts through shopping malls' member point-redemption programs (mainly at SKP mall) due to the larger transaction values they accumulate. Hence, customers can buy at a lower price through a daigou than they could on their own. This means a daigou's customers are price-sensitive. Citi believes price-sensitive customers were a key driver of Laopu's sales growth from 2024 to 1Q26, given lagged price adjustments during the gold price uptrend, which narrowed the price premium over gold. Their departure after Mar-2026, driven by a significantly widened price gap, caused an estimated SSS decline of >30% in 2Q26.

Daigou sales trends – The major individual daigou's daily sales during SKP's promotions (held 4x a year) shrank from RMB3–4mn this February (the peak) to <RMB1mn this April (down 50–70% YoY and back to 2023 levels). During the presale for the 6–19 August promotion, which started on 23 July, daily sales recovered to RMB 2–3mn for the first few days (matching the 2025 average), later stabilized at RMB 1–2mn, roughly in line with the Feb-2024 level (Figure 1). SKP mall's overall traffic remained lackluster and was down YoY.

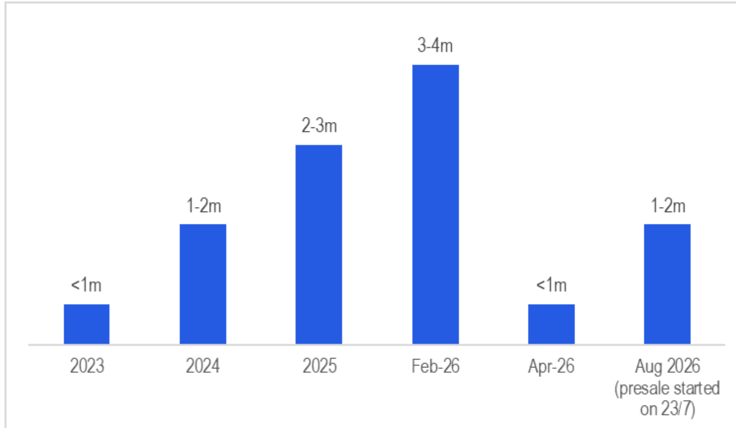
Discount offering – Beijing SKP's July/August promotion offered Laopu's steepest discount on record. The daigou offered 22% and 18% discounts on old and new products, respectively, by stacking: 1) an unchanged 10% store discount; 2) a newly applied 5% VIP discount; 3) a 5-gram gold-coin gift on purchases of RMB250k (2–3% discount equivalent); and 4) cash coupons via SKP member point-redemptions (2–3% discount equivalent). Versus April, the major change in August is an extra 5% VIP discount on top of the store discount; the gold-coin gifting threshold remains at RMB250k, having been lowered from RMB500k before. After such a large discount, product prices are almost back to levels before the >25% price hike this February (Figure 2).

Shift in customer demographics – The July/August event attracted a wave of new customers. While new buyers showed stronger purchasing intent than the daigou's previous clients, average transaction values were lower, mainly small items in the RMB10–20k range versus >RMB50k for previous clients. These new customers genuinely appreciate the brand's storytelling and product design, show greater interest in gem-inlaid pieces, and are less concerned about gold prices, whereas the daigou's previous customers mainly bought heavier-weight pure gold pieces with a bargain-hunting mindset due to the narrower price premium over gold. The daigou sees significant headroom for new customer acquisition via Rednote.

New product pricing – Recently launched new products are priced 15–20% below existing items, bringing them close to their Feb-2026 levels (before the >25% price hike). For example, the Pink Sapphire Cross Pendant retails at RMB31k versus the existing diamond and sapphire variant at RMB36k. Existing customers are willing to accept the introduction of lower-priced items, whereas offering steeper discounts on legacy SKUs would trigger concerns about future price trends.

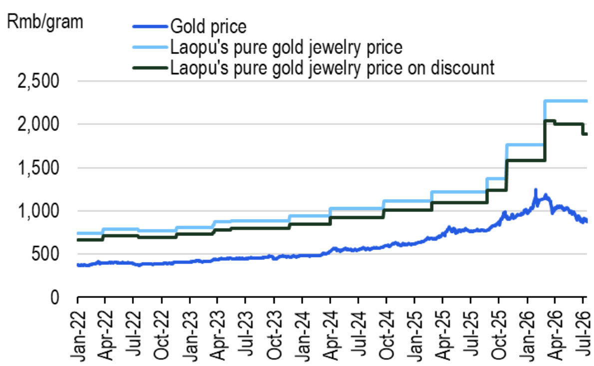
Daigous' role in Laopu's business – For price-sensitive customers—and even wealthy clients who want to avoid overpaying—purchasing via a daigou offers better effective discounts than achieving high-tier SKP or Laopu membership independently. Daigous can leverage top-tier membership benefits (for both SKP mall and Laopu stores) and easily reach the thresholds for gold coin incentives.

Figure 1. A major individual daigou's daily sales during SKP mall promotions (Rmb)



Source: Citi Research

Figure 2. Price comparison of Laopu and gold price



Source: Citi Research, Wind

Figure 3. Laopu gold price relative to gold price

Source: Citi Research, Wind

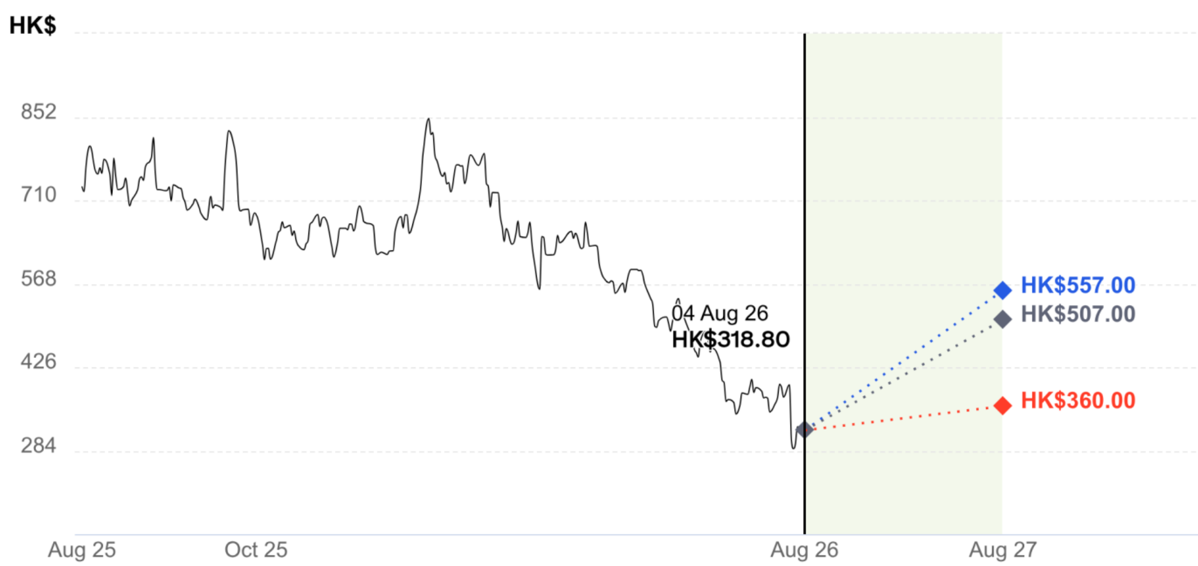
Removing Downside 30-Day Short-Term View on Laopu Gold (6181.HK)

Direction:	**Downside**
Date Added:	27 Jul 2026
Category:	Earnings

Weakness in 2Q26 has already been priced in

Bull/Bear: Laopu Gold

HK$ 557.00	HK$ 507.00	HK$ 360.00
▲75% Upside	▲59% Upside	▲13% Upside



Spread 62pp
Current Price and expected returns (upside/downside) as of 04 Aug 2026

BULL Assumptions

- Revenue growth faster than expected
- EBIT margin higher than expected

BASE Assumptions

- Revenue to grow by 17% in 2026E
- EBIT margin to expand to 27.1% in 2026E

BEAR Assumptions

- Revenue growth slower than expected
- EBIT margin lower than expected

Laopu Gold

Valuation

Our target price of HK$507 is based on 15x 2027E P/E (normalized earnings) vs. global luxury peers' 22x 2026E P/E. We apply ~30% valuation discount for Laopu's to reflect its shorter brand history and track record period in the luxury industry. The implied 12x 2026E P/E is at the low end of global luxury peers.

Risks

Key downside risks that could impede the shares from reaching our target price include: 1) gold price volatility; 2) intense competition; 3) evolving consumer tastes and preferences; 4) consumption trade-down amid China's soft economy; and 5) negative free cash flow amid expansion.

Chow Tai Fook Jewellery Group

(1929.HK; HK$12.2; 1; 04 Aug 26; 16:10)

Valuation

Our target price of HK$15.40 is based on 15x FY27E P/E (down from 18x fwd P/E given softer market sentiment), which is in line with our target multiple for Laopu Gold.

Risks

Downside risks that could prevent the shares from reaching our target price include: 1) gold price volatility; 2) weak consumption sentiment due to slower-than-expected economic recovery, trade disputes, and RMB depreciation; 3) increased rental cost in HK and operating deleverage impact; and 4) capex increase and lower dividend.

Luk Fook Holdings (International)

(0590.HK; HK$24.88; 1; 04 Aug 26; 16:10)

Valuation

Our target price for LF of HK$31.8 is based on a discounted cash flow (DCF) model with a 14.1% WACC and a 2.0% long-term growth rate. Our WACC is derived from a capital structure of 100% equity and 0% net debt, cost of equity of 14.1%, and an after-tax cost of debt of 1.0%.

Risks

Downside risks that could prevent the shares from reaching our target price include: (1) worse-than-expected gold jewelry demand volume curbed by any sharply higher gold prices; (2) worse-than-expected sales on an accelerated decline of mainland China tourist traffic in Hong Kong; (3) weaker-than-expected gold gross margin due to a sharper gold price decline; and (4) milder-than-expected rental cost reduction in Hong Kong. Upside risks that could cause the shares to trade above our target price include: (1) better-than-expected SSSG; (2) stronger-than-expected GP margin; and (3) higher-than-expected rental cost reduction.