METALS FOCUS

Spotlight on Mainland China Gold Market

APRIL 2026

Contents

Chapter 1

- The strength of Chinese gold demand has been a key driver behind the growth in local mine supply, especially given that gold cannot be freely exported from China.

- The establishment of the SGE in 2002 marked a shift of China's gold industry from being a restricted to a market-oriented period, allowing gold to be traded freely in the domestic market.

- Gross gold bullion imports into mainland China in 2025 totalled 901t, highlighting their importance in international bullion trade.

Introduction

Since 2013, China has been the world's largest gold consumer, with combined physical investment, jewellery demand, and industrial offtake in 2025 totalling 869t. Jewellery consumption used to be the country's leading segment of gold demand, accounting for 61%-75% of the total until 2023. However, on the back of the structural shift in the jewellery market (notably a move towards lighter, premium collections) and a transition from quasi-investment purchases of gold jewellery to gold bars and investment in gold accumulation plans, we saw a turnaround from mid-2024. This was ultimately driven by growing consumer awareness, amplified by social media, of the more favourable buy-sell spreads offered by bars, which typically incur lower labour costs and are exempt from consumption tax. As a result, consumers became extremely price-sensitive during strong price rallies over the past few years. In turn, the jewellery supply chain's shift from conventional products to premium collections with higher margins, as well as the new VAT policy, reinforced this trend. This culminated with retail investment for the first time outperforming jewellery consumption in 2025.

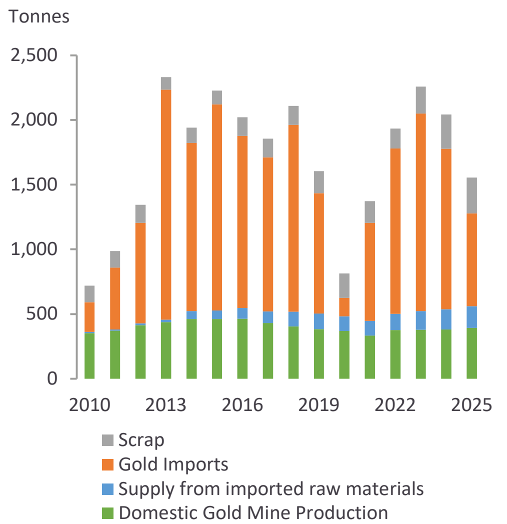
On the supply side, since 2007 China has been the world's largest gold producer. This saw four consecutive years of growth, reaching 392t in 2025. Fewer safety and environmental stoppages impacting production, along with higher gold prices, underpinned the rise in gold output. To meet the country's substantial demand for gold, China is also the world's largest gold bullion importer, with total imports reaching 901t in 2025.

Market Liberalisation

The history of the Chinese gold market can be divided into three broad phases: 1949-1993, the restricted period; 1994-2001, undergoing reform; and from 2002 onwards, market liberalisation, after the establishment of the Shanghai Gold Exchange - SGE. During the first phase, gold production was an essential way for the government to increase its foreign exchange reserves. The allocation of gold was therefore a typical feature of a planned economy, being tightly controlled by the government. In 1993, China began aligning its domestic gold prices with the international market. The following year, it abolished all preferential policies for gold producers and started its market-oriented price mechanism.

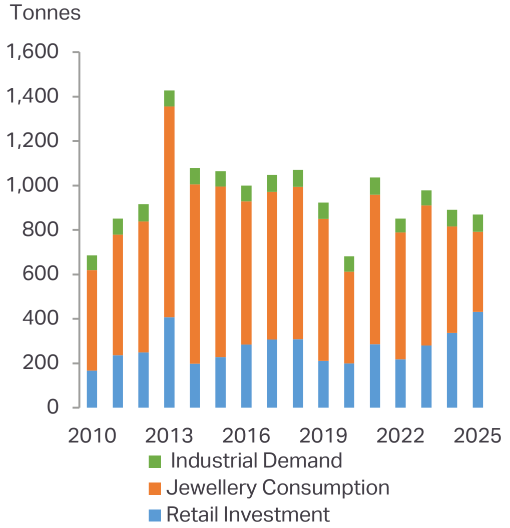
From 1995 onwards, China's foreign exchange reserves surged, surpassing US$100bn in 2000 before reaching $403bn in 2003. Consequently, the significance of gold in China's foreign exchange reserves began to diminish. Meanwhile, increasingly affluent Chinese households and individuals began shifting their focus on gold from short-term returns on wealth to its long-term value preservation and intergenerational transfer. All these factors led to the establishment of the SGE on 30th October, 2002. This marked the point when China's gold industry became fully market-driven, entering a new era where market forces determined prices and trading.

Gold Supply by Sector



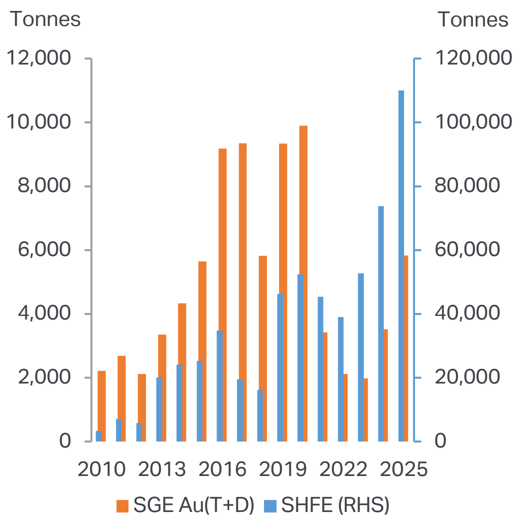
Source: Metals Focus

Gold Consumption by Sector



Source: Metals Focus

SGE Au (T+D) and SHFE Trading volume



Source: Metals Focus

Initially, the SGE was mostly established as a commodity trading platform to help facilitate the transition of gold trading from the People's Bank of China's (PBOC's) centralised allocation and procurement system to market-driven trading. In 2004, the SGE launched gold spot deferred products (Au (T+D)), designed for institutional investors, marking a transformation towards a specialised financial market. At the same time, the China Banking Regulatory Commission approved the four major state-owned commercial banks (Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, and China Construction Bank) to launch gold investment services for retail investors. This new regulation, together with the launch of the Au (T+D) contract, led to a gradual increase in gold retail investment products, including minted gold bars, paper gold trading, and Gold Accumulation Plans.

In 2008, physical gold trading accounted for only 27% of the SGE's total trading volume, with Au (T+D) dominating at 73%. To further support institutional and retail investors demand, on 8th January 2008, gold futures contracts were launched on the Shanghai Futures Exchange (SHFE). It was arguably the establishment of these two exchanges that helped strengthen China's role in the global gold market.

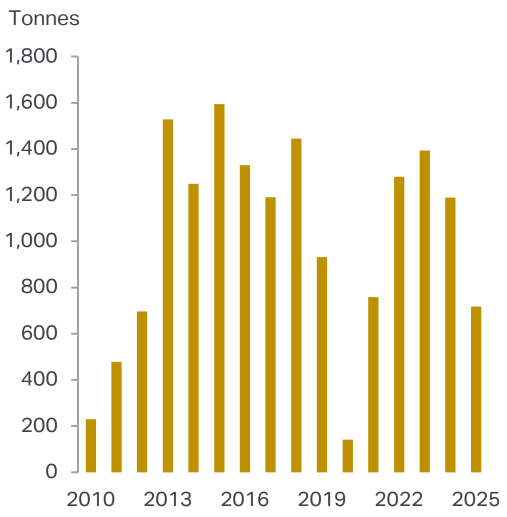
Importantly, the SGE did not immediately open to foreign participation. However, in 2008, the SGE began admitting overseas financial institutions to trade on its main board. A more significant milestone came in 2014 with the launch of the SGE International Board in the Shanghai Pilot Free Trade Zone, which has allowed overseas institutions to use offshore RMB for trading on the SGE main board. In 2016, the SGE launched the "Shanghai Gold" pricing platform, conducted twice daily at 10:15 AM and 2:15 PM (or 3:00 PM). At the time of writing, the SGE has 104 foreign membership companies.

In essence, the SGE has evolved into a gold market featuring various trading methods (including auction, inquiry, and pricing), multiple time dimensions (such as spot, deferred spot, and forward), several precious metals (gold, silver, and platinum), and a number of product types (including standard gold, gold coins, and gold derivatives). On the back of gold's impressive price gains and a series of record high prices in 2025, trading volumes of the SGE Au(T+D) surged by 66% y/y to a five-year high of 5,826t. Meanwhile, trading volumes of gold futures on the SHFE enjoyed a 49% y/y gain to a historical high of 110,020t.

Chapter 2

- Gold bullion and products cannot be freely imported into mainland China (via general trade) without an Import and Export License.
- There is no import duty or VAT on gold ore, gold concentrates, standard gold, and non-standard gold imported into the Chinese domestic market.
- Standard and non-standard gold exports are prohibited in mainland China.
- The new VAT policy is equivalent to 7.5-8% for gold jewellery. Physical gold investment products remain VAT-exempt.

Chinese Gold Imports



Source: Metals Focus

Gold Market Tax Regime

Import Regulations

While gold ore and gold concentrates can be freely imported into China under general trade without an import license or any taxes, this is not the case for gold doré, gold bullion and gold products. Gold doré can only be imported under a processing trade, which means the refined gold bullion must be exported. Gold bullion and gold products (i.e., jewellery/ornaments, and coins) cannot be freely imported into mainland China (via general trade) without an Import and Export License for Gold and Gold Products, which is granted by the People's Bank of China (PBOC). All standard gold imported into mainland China under general trade must be sold initially through the Shanghai Gold Exchange (SGE). Standard gold refers to bars or ingots with a fineness of 9999, 9995, 999, or 995, and a weight of 50g, 100g, 1kg, 3kg, or 12.5kg.

The PBOC has granted gold import licenses to nineteen commercial banks (including four foreign banks), and one mining company (Zijin Group). Each importing entity will apply for both an import quota and a foreign exchange quota for its shipments. China Gold Coin Corporation and China Jewellery Import and Export Corporation can import gold products (i.e., jewellery/ornaments, and coins) under the general trade code.

Processing trade for gold products (where imported gold is manufactured and subsequently exported as a finished product) does not require an import license. However, an application for a tolling license must be submitted to the local PBOC branch along with the relevant documentation. Fabricators can import bullion without going through the SGE, using that metal to manufacture jewellery locally and subsequently exporting the finished product.

Export Regulations

Standard and non-standard gold exports are prohibited from mainland China. For general trade, only China Gold Coin Corporation, China Jewellery Import and Export Corporation, and Nanjing Jinling Gold Foil Group are approved to export gold coins, gold jewellery, and gold foil, respectively. There is no tax rebate on such trading.

In the processing trade, the importer is obliged to export refined or finished gold products.

Import Duties and Taxes

There is no import duty or VAT on gold ore, gold concentrates, standard gold, and non-standard gold imported into the Chinese domestic market. There is also no import duty on legal tender gold coins; however, 13% VAT is imposed at the point of import.

Generally, gold jewellery imported into mainland China is subject to import duty and import VAT. Duty exemption applies to gold jewellery imports from all countries that have signed a Free Trade Agreement with mainland

China. For other locations (including Hong Kong, Macau and Taiwan), the import duty is set at 8% of the CIF value of the jewellery, except for the 34% retaliatory tariff levied on products from the US. (CIF value is the China Customs Benchmark tariffing value of the imported goods, including the cost of insurance and freight.) Import VAT is set at 13% and applies to the sum of the CIF value and the import duty. No consumption tax is levied at the import level.

The list of institutions officially approved for the import of gold bullion
Industrial and Commercial Bank of China Limited (ICBC)
Agricultural Bank of China Limited (ABC)
Bank of China Limited (BOC)
China Construction Bank Corporation (CCB)
Bank of Communications (BOCOM)
China Merchants Bank(CMB)
Shanghai Pudong Development Bank (SPDB)
China Minsheng Bank (CMBC)
China CITIC Bank (CNCB)
China Everbright Bank(CEB)
Industrial Bank(IB)
Ping An Bank (PAB)
China Guangfa Bank (CGB)
Bank of Ningbo(BNB)
Bank of Shanghai(BOS)
Australia and New Zealand Banking Group Limited (ANZ Bank)
Standard Chartered Bank (China) Limited
HSBC Bank (China) Company Limited
United Overseas Bank (China) Limited (UOB)
Zijin Mining Group

Tax Implications

1. VAT

Under the county's VAT system, corporations' VAT payable to the Chinese tax authorities is calculated as follows: VAT payable = Output VAT – Input VAT.

On 1st November 2025, the Chinese Ministry of Finance and the State Taxation Administration announced adjustments to the VAT policy for the gold market, effective immediately and remaining in force until 31st December 2027.

With reference to the LBMA price and from an accounting perspective, no VAT applies to gold sold onto the SGE and SHFE. Gold prices quoted on the two exchanges are effectively considered VAT-inclusive. Previously, when gold was withdrawn from SGE and SHFE vaults, the Chinese tax authority would issue a full 13% Special VAT Invoice (SVI) on behalf of the SGE/SHFE, which the delivery entity could use as a tax credit to offset against its Output VAT.

In the past, the following would apply: Output VAT = Current period taxable sales x 13%; Input VAT = Current period costs of eligible purchases x 13%. This essentially meant that when looking at the final product price, VAT was charged only on the value added over and above the gold price. Under the new policy, members trading gold directly on the SGE/SHFE (e.g. gold exchange-traded products and commercial banks' Gold Accumulation Plans) will remain VAT-exempt. However, when taking delivery of physical gold from the vaults, members will now be subject to different policies, depending on whether the gold is intended for investment or non-investment purposes.

SGE/SHFE members, who take delivery of physical gold for investment purposes and then resell it, will continue to receive the full 13% SVI and only pay 13% VAT on the value-added portion of the sale of investment products (such as gold bars). This means that if retail consumers buy gold bars/coins directly from exchange members, there will be no change in their VAT burden with the new policy. However, if member companies' customers (e.g. manufacturers or wholesalers) resell the products, they will bear an additional VAT burden (13% of the selling price). This is because they will receive normal invoices from the member companies, rather than deductible Input VAT invoices. As a result, we have already seen SGE member companies (e.g., commercial banks, refineries, and leading retailers) gain market share in the retail investment market due to the implicit price advantages the new rules give them. Apart from the structural change in sales channels, the VAT policy change is supposed to have no material adverse effect on domestic retail investment.

In contrast, members who take delivery of gold from the exchanges' vaults for non-investment purposes will receive a normal 6% Input VAT invoice (down from the previous full 13% SVI) against their 13% output VAT. The increased tax burden will be passed onto their customers (e.g., second-tier wholesalers and retailers) and ultimately to retail consumers. As a result of this change, the retail price of gold jewellery in mainland China has increased. Taking into consideration the urban maintenance and construction tax and the Education Surcharge, both of which are imposed at the VAT-inclusive price, consumers now pay an additional VAT at an effective rate of approximately 7.5-8%.

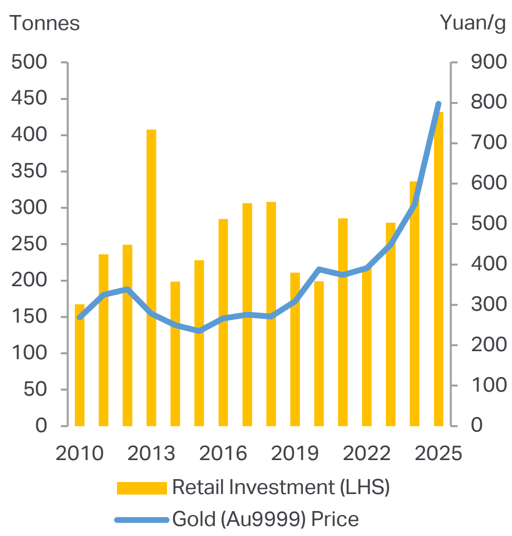
2. Consumption Tax

In addition to the above-discussed VAT, retail sales of gold jewellery are also subject to a consumption tax of 5% applied to the VAT-exempted product value.

Chapter 3

- In addition to gold bars, Chinese retail investors can also invest in gold coins, gold accumulation plans and China-listed ETPs.
- There has been a growing shift from quasi-investment purchases of jewellery to gold bar purchases since 2024.
- Total retail investment peaked at 432t in 2025, accounting for half of total gold consumption.
- This was the first time annual physical investment has surpassed jewellery consumption.

China Retail Investment



Source: Metals Focus, Bloomberg

Investment - The evolving gold product investment landscape in China

Coins

The Panda gold coin is issued by the People's Bank of China and distributed by China Gold Coin Corporation. It was launched in 1969, initially available only overseas, and was officially introduced to the domestic market in 1984. In 2018, the Panda gold coin was listed for trading on the Shanghai Gold Exchange. At the time of writing, gold Panda coins are sold at a premium ranging from 2% to 45%, depending on the weight, point of sale, and issue year. The most popular sizes are 1g, 3g, 8g, 15g, and 30g, while 50g, 100g, 150g, and 1,000g are also available. Due to its higher premiums compared to gold bars, coin demand in China is driven by less price-sensitive local collectors and the small gifting market, rather than by genuine retail investors. In 2025, gold coin sales stood at 14t, accounting for only 3% of retail gold investment in China, with the balance comprising bars and net gold accumulation programs.

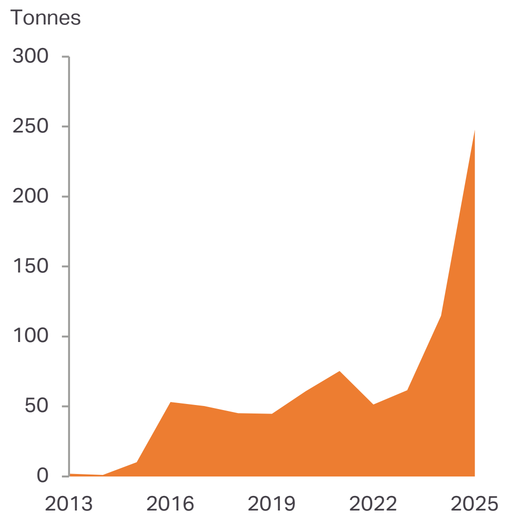
Gold Bars

Small gold bars were prevalent in the 1930s and 1940s, but disappeared after gold restrictions were introduced. The SGE listed 50g and 100g gold bars in 2004 and 2006, respectively. During the same year, the four central state-owned commercial banks (as mentioned earlier) also introduced their own branded small gold bars, followed by the four major gold mining groups (China National Gold, Shandong Gold, Zijin Mining, and Zhaojin Mining). Driven by China's zodiac culture, commemorative zodiac gold bars emerged, fostering a unique type of Chinese investor who often purchase a fixed quantity around the Chinese New Year period.

Gold bar sales peaked at 372t in 2025, accounting for 86% of retail gold investment in China. Investment gold bars are struck in 9999 purity. Several bar weights are available, covering 3g, 5g, 8g, 10g, 20g, 50g, 100g, 500g, 1kg, 3kg and 12.5kg. Before the gold price rallied in 2024, the most popular sizes for retail investors were 50g and 100g. This has shifted to 10g and 20g weights for those retail investors with a fixed budget. Some high-net-worth individuals (HNWIs) prefer 200g and 500g. Before the SGE suspended the individual withdrawal service in 2022, many HNWIs leveraged this cost-effective service (at costs lower than the typical labour costs of gold bars) to indirectly trade SGE spot gold contracts and withdraw gold (weighed in multiples of 100g) via SGE membership companies (mostly banks).

Currently, there are three main routes to buy gold bars in China: through commercial bank branches, jewellers, or licensed retailers, either in their branches/stores, or on online platforms. 2022 saw Chinese retail investment slump by 24% due to COVID-related disruptions and the lack of support from SGE individual withdrawals. Subsequently, gold's growing

China-Listed ETP Holdings



Source: World Gold Council

value-preservation and safe-haven appeal prompted renewed interest among new investors, including HNW investors.

Gold Accumulation Plans

China's Gold Accumulation Plans (GAP) were launched by the Industrial and Commercial Bank of China (ICBC) in 2009. They allow investors to make regular (buy at any time or on a scheduled timeline), small investments and eventually take physical delivery of the entire position in the form of gold bars or gold jewellery. Transactions are mostly operated through online and mobile banking systems. They also offer the advantage of easy liquidation over physical bars, with redemptions available during trading hours, with funds credited in real time.

As of 2026, GAPs are widely available across China's banking system, including at all large state-owned banks, nationwide joint-stock commercial banks, and many local city and rural commercial banks. Due to strong and volatile gold prices, multiple banks have announced increases in the minimum purchase amounts for GAPs over 2025 and 2026-to-date. For instance, while the threshold for most banks was raised from RMB 500 in 2024 to RMB1,000 in late-2025, this year their minimum purchase amounts have risen to around RMB1,500 (at the time of writing).

Gold ETPs

In 2013, China launched three gold exchange-traded products (ETPs), managed by China Guotai Fund, Huaan Fund, and E Fund. Over the past 12 years, the number of ETPs has increased notably, with 16 active gold ETP listed on the Shanghai and Shenzhen Stock Exchanges by November 2025. Meanwhile, the start of the second Trump administration, tariff announcements and subsequent retaliation between the US and China

Investment Bars and Coins, Houde Gold

China Jewellery Fabrication and Retail Investment

Source: Metals Focus

saw a jump in safe-haven demand. This led to notable inflows, with total holdings of China-listed gold ETPs reaching 248t by end-2025.

Market Development

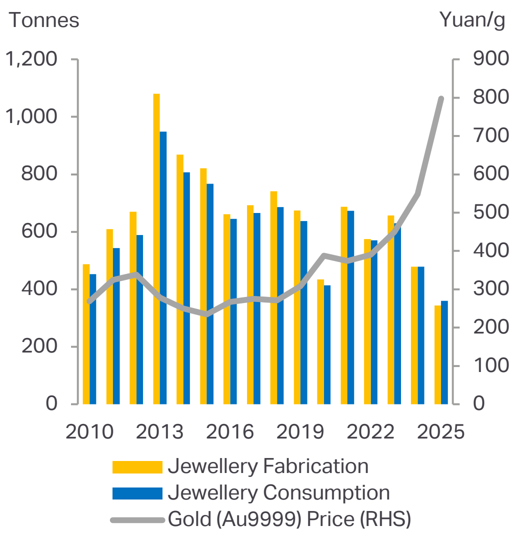
Despite the 59% growth in local gold prices in 2025, Chinese physical investment surged by 28% y/y to a record high of 432t. Gains were led by a notable increase in gold bar sales, followed by robust net inflows into GAPs. Strong price rallies boosted gold's value-preservation appeal, compared with falling returns on fixed deposits and government bonds. Elevated geopolitical concerns and numerous challenges for property developers heightened gold's appeal as an asset diversifier. The PBOC's numerous announcements of gold acquisitions (27t in 2025) also reinforced investors' belief in gold. That said, gold coin sales edged lower by 2% y/y to 14t due to collectors' stronger preference for zodiac dragon-themed coins in 2024 compared to zodiac snake-themed coins in 2025.

Gold investment also benefited from the shift from quasi-investment buying of jewellery to gold bar purchases in 2024. In part, this has been driven by consumers' growing awareness of the more attractive buy-sell spreads on investment products. The jewellery supply chain's ongoing shift from conventional products to premium collections with higher margins had also reinforced this trend. The developments in the two sectors diverged markedly last year. China's annual retail investment rose by 28%, while jewellery consumption fell by 25% y/y in 2025. This was the first time that annual physical investment has surpassed jewellery consumption. This trend has also become more pronounced during early 2026, following the announcement of the new VAT policy effective from 1st November 2025.

Chapter 4

- In 2025, retail stores generated 90% of their revenue from 24-carat products, compared to 70% in 2014.
- K-gold, platinum and gem-set have faced strong competition from 24-carat products.
- Gold jewellery consumption in 2025 fell by 25% to 360t, its lowest since 2008.
- Given the 46% gain in average local gold prices, consumer spending on gold jewellery was still up last year.

Chinese Jewellery Fabrication and Consumption



Source: Metals Focus, Bloomberg

Jewellery - The Development of the Chinese Gold Jewellery Market

In 2000, the PBOC authorised Shenzhen to utilise its local foreign exchange reserves to import gold, which was then supplied to local jewellery manufacturers. This policy attracted not only jewellery companies from Hong Kong, but also numerous enterprises from across mainland China to Shenzhen, which has become a hub for Chinese gold jewellery manufacturers and wholesalers.

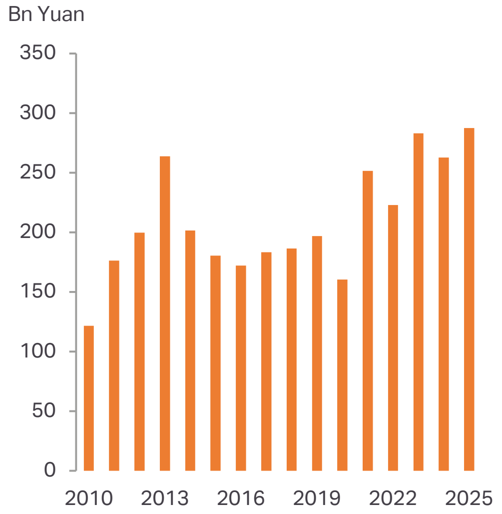
After the establishment of the SGE in 2002, gold consumption in China experienced significant growth. To attract younger consumers, 18-carat jewellery was introduced in 2003, bringing more innovative designs and craftsmanship. During the development of the 18-carat market, local jewellery manufacturers' infrastructure improved significantly. This, together with local consumers' changing perceptions and awareness of higher value-added gold jewellery, provided a foundation for the development of 24-carat gold jewellery.

Notably, in 2013, the country's jewellery fabrication exceeded 1,000t while local jewellery consumption hit 949t, driven by consumer bargain-hunting as the gold price corrected. 2014 then saw Chinese jewellery demand decline for the first time in over a decade, followed by two consecutive years of losses until 2016. The main driver behind this trend was the slowdown in the Chinese economy and its impact on consumer sentiment. In addition, shifting consumer preferences from higher purity toward more design-focused products (often with a lower gold content to appeal to a fixed budget) also weighed on jewellery demand.

2014 saw the introduction of the new 'National Gold Standard Mark' scheme, which standardised the labelling of different types purities of 24-carat gold jewellery. This new hallmarking policy abolished the labels and certificates of 'Au999' and 'Au9999' and stipulated that jewellery with a gold tenet of no less than 990% must be labelled with 'Chuk Kam'. It highlighted the added value of gold jewellery and encouraged the development of new production techniques and product R&D.

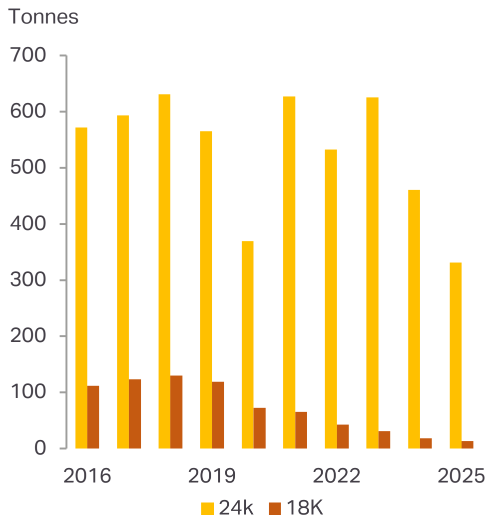
Since 2014, China's gold jewellery industry has adopted a consumer-led approach. To some extent, this has been a reaction to the growth of younger, fashion-conscious and dynamic "spending classes" in the country. Different consumer needs and their buying power have become the main drivers of product R&D. This, in turn, has led to an growing range of products. The resulting product range, including both new designs and manufacturing technology innovations, was arguably the critical factor supporting demand over the past decade. The highly successful "antique crafted gold" (ACG) range of products, 5G hard gold collections, and 3D/5D hard gold help grow the market for 24-carat products in jewellery retail stores' total revenue, rising from less than 70% in 2014 to over 90% in

Chinese Jewellery Consumption in Value Terms



Source: Metals Focus

24k vs. 18k Jewellery Demand



Source: Metals Focus

2025. Interestingly, K-gold, which began enjoying solid growth in 2006, has faced competition from 24-carat products since 2021.

ACG features antique-styled designs that are finished using a process that results in a matte surface with a deeper gold colour, aiming to achieve the look of mined gold ore. When it was first launched, the styles mainly focused on traditional imperial and Buddhist themes and boasted superior craftsmanship. In 2018, manufacturers developed 5G gold, which achieves a hardness similar to that of K-gold alloys, thereby leveraging their design advantages while maintaining 24-carat purity. In addition, the development of light 3D/5D electroformed hard gold (cyanide-free, hollow inside) fits well within consumers' budgets and offers appealing designs.

Since 2021, in light of lower disposable incomes and higher gold prices, the development of new products in these three segments has accelerated, with a focus on lighter collections or better integration of diamonds, jade, pearls, shells, feathers, and enamels (which ultimately enable lower gold content). This was achieved via the growing maturity of production technology (which hardens pure gold). As a result, these segments have been able to capture a broader spectrum of consumers, especially among younger consumers.

Despite the supply chain's efforts in R&D, there was a rise in quasi-investment purchases of gold jewellery from late 2021 to 2023, encouraged by concerns about inflation and the economic outlook. This was reflected in robust demand for heavier pieces sold by weight with relatively low labour costs. However, since 2024, China has seen a significant shift, from quasi-investment purchases of jewellery to the buying of gold bars.

As explained earlier in this report, the new VAT policy has made gold jewellery in China more expensive, as consumers now pay additional VAT of 7.5%-8%. This policy will particularly affect sales of heavy, plain 24K gold products (often sold by weight with relatively low labour costs) and accelerate the shift from quasi-investment purchase of jewellery to gold bars. Some consumers may purchase gold bars and send them to goldsmiths for fabrication to avoid the additional tax burden of purchasing finished gold jewellery directly.

This policy is also reshaping strategies across the local supply chain. 'Exchange for new' promotions are poised to bolster gold jewellery sales, leveraging their exemption from the new tax on traded-in materials. Meanwhile, some retailers are applying for SGE membership to become price-competitive, while others are seeking opportunities to forge partnerships with membership companies, leaving the ongoing jewellery market consolidation to accelerate. Meanwhile, product innovation is now more focused on developing high value-added collections, leveraging IP partnerships/licensing, strengthening cultural elements and enhancing production technology. From a long-term perspective, this will lead to the country's jewellery industry operating in a healthier environment, with more attractive margins for the remaining supply chains and more appealing products for consumers.

Last year, China's gold jewellery consumption fell by 25% to 360t. That said, given the 46% average annual local gold price gains in 2025, Chinese consumer spending on gold jewellery was still up year-on-year. This is also reflected in the China's National Bureau of Statistics figures, which suggest that China's total gold and silver jewellery retail sales in 2025 recorded a 13% y/y increase in value terms. Looking ahead, we expect Chinese jewellery consumption, measured in tonnage terms, to face ongoing headwinds from forecast strength in the gold price, as consumers opt for lighter pieces, given their fixed budgets for gold jewellery. Meanwhile, the ongoing shift from jewellery to bars is also expected to continue.

The Evolving Range of Chinese Gold Jewellery

24K gold gem-sets, courtesy of Bartar Group

5D electroformed gold gem-sets, courtesy of Mingfeng Group

5D gold integrated with wood, courtesy of Yuehao Group

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For Sales Information Please Contact:

Charles de Meester, Managing Director
charles.demeester@metalsfocus.com
+44 7809 125 334

Neelan Patel, Sales Director
neelan.patel@metalsfocus.com
+ 44 7783 448 891

Metals Focus - Contact Details

Address
6th Floor, Abbey House
74-76, St John Street
London, EC1M 4DT
U.K.

Tel: +44 20 3301 6513
Email: info@metalsfocus.com
Bloomberg launch page: MTFO
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