CHINA MUSINGS

1Q26 Earnings Brochure: A-share tech in the driver's seat

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Following the conclusion of the 1Q26 results season, we highlight the key trends and themes emerging from the financial statements of ~7,000 listed Chinese companies, as well as 4,500+ conference call transcripts:

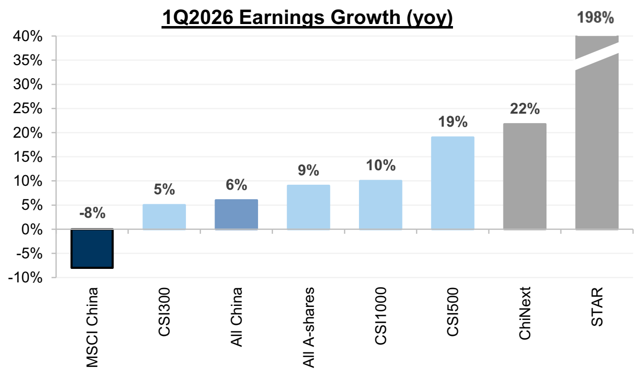
1. **A-share tech leading the growth:** A stark earnings growth gap emerged as onshore indices (CSI300 +9%, ChiNext +22%, STAR +198% yoy) outpaced their offshore counterparts (MSCI China -8%), driven by the "Hard vs. Soft" tech divide. We project **2Q26 and 2026E** earnings growth of **+11%/+20% yoy for CSI300** vs. **0%/+8% yoy for MSCI China**, validating our preference for A over H-shares.
2. **AI profits shifting towards hardware, both globally and domestically.** Within China's AI supply chain, the hardware profit share rebounded to 54% in 1Q26 (from 41% in 2024), while downstream software applications faced margin compression.
3. **Recovering aggregate revenues but bifurcated margins in "involuted" sectors**: Margins compressed for consumer-facing New Economy/POEs and Banks, whereas Old Economy/SOEs experienced a margin recovery.
4. **"Going global" is still ongoing**: Despite tariff uncertainties, Chinese corporates **expanded their overseas revenue exposure to 18% in 2025** (from 16% in 2024), led by Autos, Semis, Cap Goods, Pharma, and Transportation.
5. Total corporate cash returns are **projected to reach a record Rmb3.8tn in 2026** (from Rmb3.4tn in 2025), representing a total shareholder yield of 2.9%. Payouts are driven by robust dividends, while remaining cash is **increasingly allocated to R&D and acquisitions**.
6. Textual analysis of earnings calls reveals that market participants' **AI focus has shifted from downstream software toward upstream hardware**, while **"Going Global" initiatives** remain a common theme across manufacturing and hard-tech sectors.

Earnings Strategy: Combining our top-down earnings themes with recent corporate disclosures, we screen 25 names for our refreshed **GS China Growth Portfolio** to help investors capture growth opportunities with compelling risk/reward profiles.

1) A-share tech leading the growth

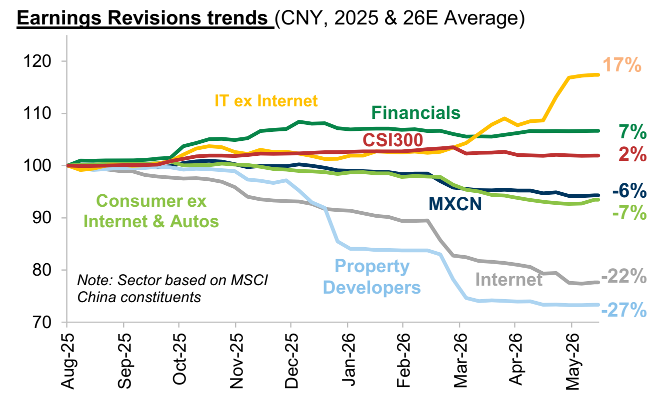
- **A outpacing H:** Aggregate net profits for all listed Chinese companies (~7,000 names across A, H, and ADRs) **delivered a resilient 6% yoy growth in 1Q26** (vs +7% in 2025 and -4% in 4Q25). However, a substantial divergence has emerged among major indices: CSI300 (+9% yoy) significantly outpaced MSCI China (-8% yoy) in 1Q26. The outperformance of A-shares was driven by indices with higher AI hardware exposure, such as ChiNext (+22% yoy) and STAR (+198% yoy). Conversely, the offshore index continues to be weighed down by quick commerce subsidies and rising AI Capex.
- **Sector divergence: SOE profit growth picked up** to +7% yoy in 1Q26 (vs. +1% in 2025), while **POE growth slowed down** to +4% yoy in 1Q26 (from +11% in 2025). At the sector level, **upstream and technology sectors maintained robust momentum**, led by Materials (+73% yoy), Tech Hardware (+25%), and Energy (+48%). In contrast, growth in **consumer and property-related sectors remained subdued**, with Retailing (-50%) and Autos (-27%) both contracting sharply.
- **Looking ahead:** We have recently revised down our **MSCI China EPS growth forecasts** to **8%/12% for 2026/27E**, while maintaining our CSI300 EPS growth forecasts at 20%/12%, supported by the ongoing "Soft vs. Hard" tech divide. Consensus estimates for ChiNext and STAR50 also point to robust growth of +34%/+25% and +83%/+60% yoy for 2026/27E, respectively. On a quarterly basis, our top-down model and analysts' estimates collectively **project 0%/+11% earnings growth yoy for MSCI China/CSI300 in the upcoming 2Q26** results season starting in August, reflecting a delayed earnings recovery for offshore mega-caps under the headwinds mentioned above.

Exhibit 1: A-share tech/small-mid caps led year-on-year earnings growth in 1Q26



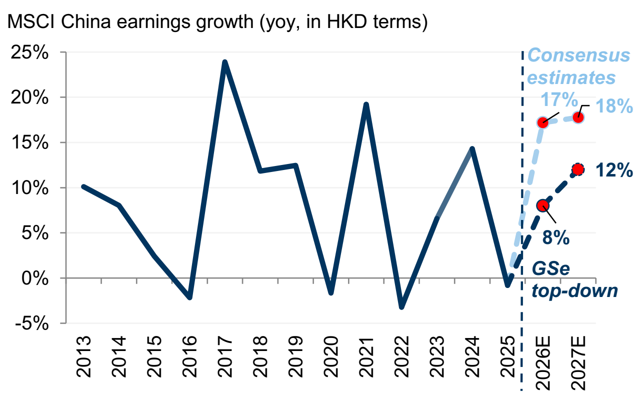
Source: FactSet, Wind, MSCI, Goldman Sachs Global Investment Research

Exhibit 2: Better earnings revision trend in A-shares/IT compared to MSCI China/Internet



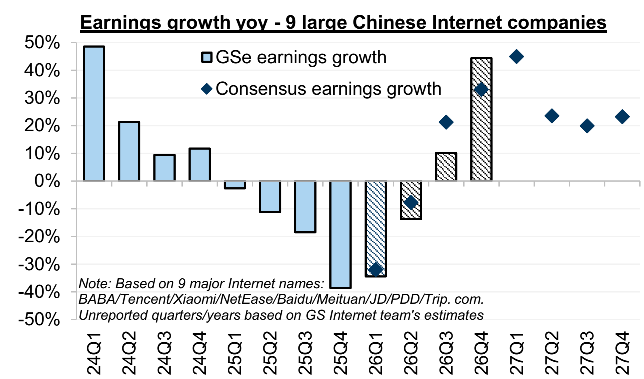
Source: FactSet, MSCI, Goldman Sachs Global Investment Research

Exhibit 3: We now expect 8%/12% earnings growth for MSCI China in 2026/27E, below consensus estimates



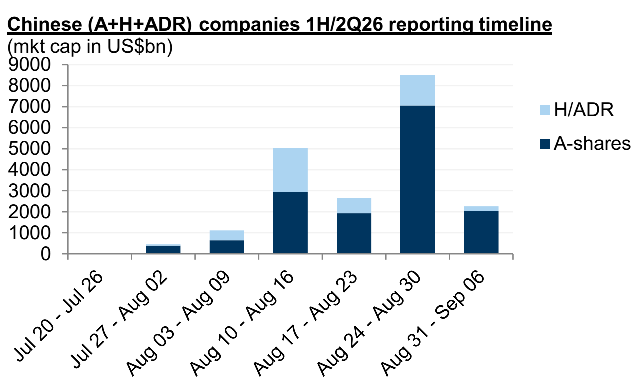
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

Exhibit 4: Profit growth momentum for offshore tech could improve in 2H26 per GS and consensus expectations



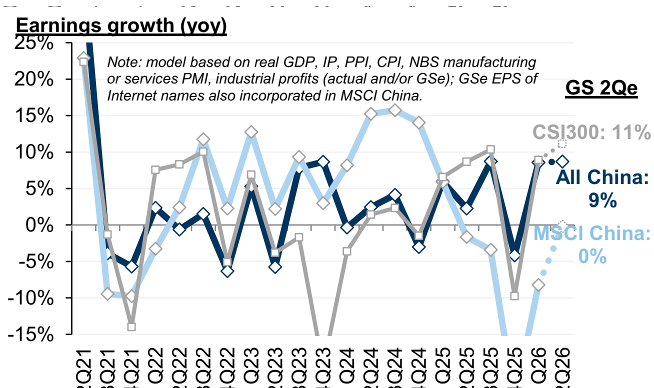
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

Exhibit 5: The 1H/2Q26 earnings season will kick off in August



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 6: Based on our top-down model and analysts estimates, we expect 0%/+11%/+9% earnings growth yoy for MSCI China/CSI300/All China in 2Q26

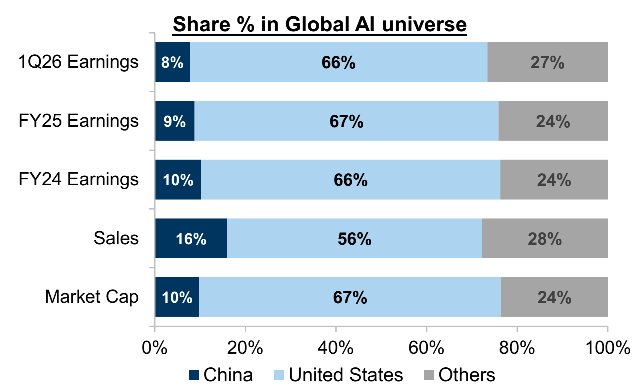


Source: Wind, FactSet, NBS, Goldman Sachs Global Investment Research

2) AI profits shifting towards hardware, both globally and domestically

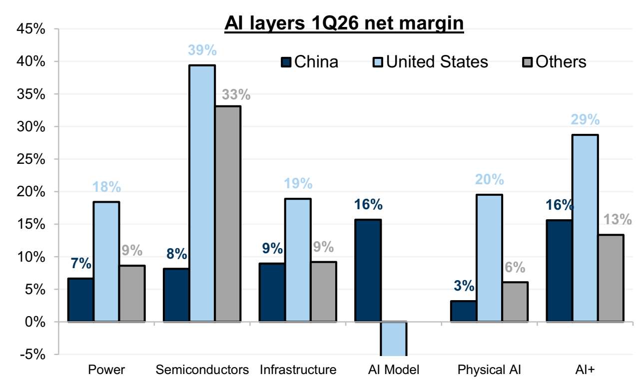
- **Global AI profit pool:** We laid out our global AI equity universe maps in March, covering over 3,700 companies across 29 industries and 5 thematic layers, representing a total market cap of $42tn. While the US dominates high-margin IP layers, such as IC Design, capturing 66% of global AI earnings, **China's share is shrinking from 10% in 2024 to 9% in 2025 and 8% in 1Q26.** Other regions (primarily North Asia) have capitalized on advanced foundry and memory demand, growing their global earnings share from 24% in 2024 to 27% in 1Q26. **The Chinese AI universe's earnings grew by 10%/35% yoy in 2025/1Q26** (led by upstream hardware, with Chinese Power, Semis, and Infrastructure layers growing 18%/12%/46% in 2025 and 32%/141%/70% in 1Q26, respectively), while the US AI universe's earnings grew by 30%/67% yoy.
- Within **China's AI supply chain**, the **profit pool has undergone a pronounced rebound toward hardware** (to 54% in 1Q26 vs 41% in 2024). This was particularly evident in **semiconductors**, with Memory, IC Design, and Materials gaining the most earnings share, while Foundry slightly lost share. Among the power and infrastructure layers, the profit pool shifted toward Data Center, Power Generation, and PCB/CCL. Consequently, AI applications lost share, falling from 59% in 2024 to 46% in 1Q26.
- **Capex drivers**: This rebound toward hardware is heavily supported by the massive Capex commitments of major CSPs. As shown in Exhibit 9, US hyperscalers continue to aggressively scale up AI Capex, while Chinese CSPs are also accelerating their spending, providing a visible demand runway for upstream hardware players.

Exhibit 7: China's share in global AI profit pool declined as other regions gained



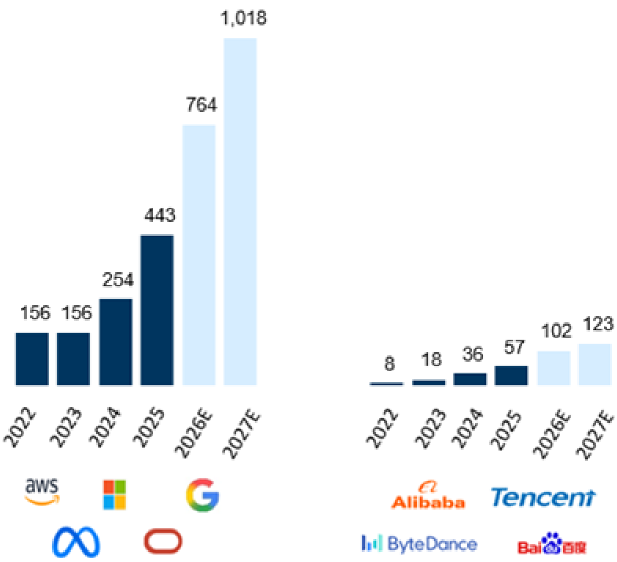
Source: FactSet, MSCI, Goldman Sachs Global Investment Research

Exhibit 8: The margin profile for Chinese AI companies still lags global peers



Source: FactSet, MSCI, Goldman Sachs Global Investment Research

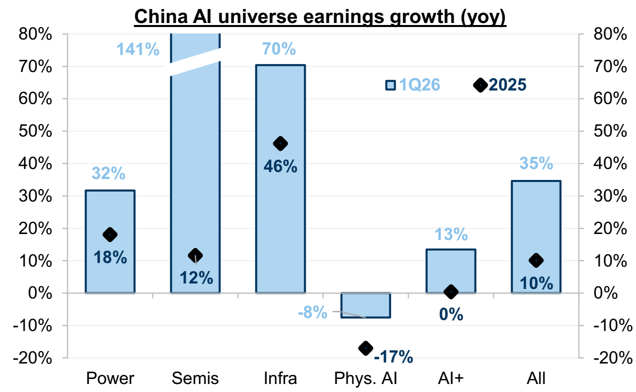
Exhibit 9: Both US and Chinese hyperscalers keep scaling up AI Capex
estimates by GS Internet team (US$bn)



Our Internet analysts calculate Bytedance's (Not Covered) relevant operating metrics by analyzing the industry and companies that they cover, and then extrapolating them to Bytedance.

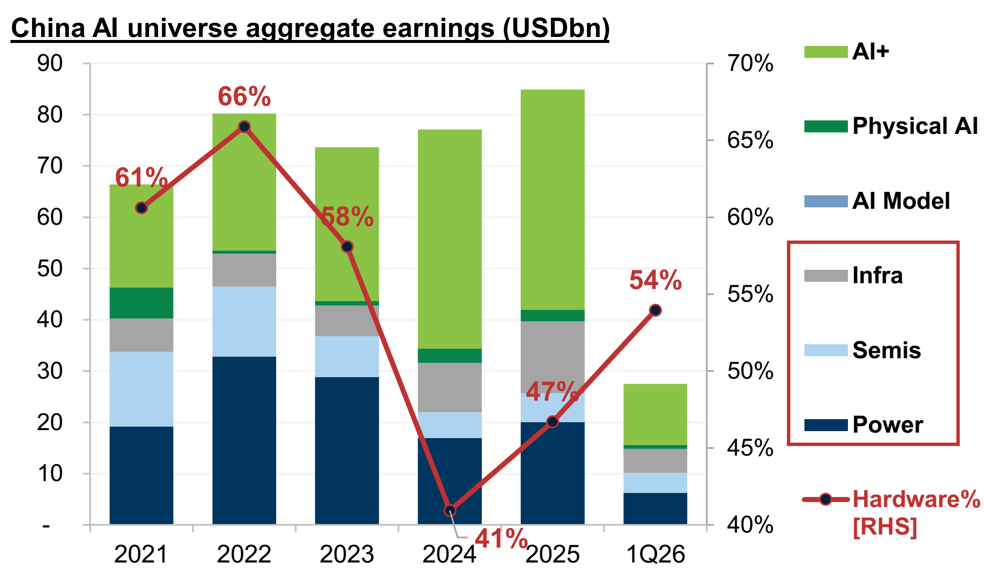
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: The semiconductors layer grew the fastest in the Chinese AI universe in 1Q26



Source: FactSet, MSCI, Goldman Sachs Global Investment Research

Exhibit 11: Within China's AI supply chain, the internal profit pool has undergone a rebound toward hardware



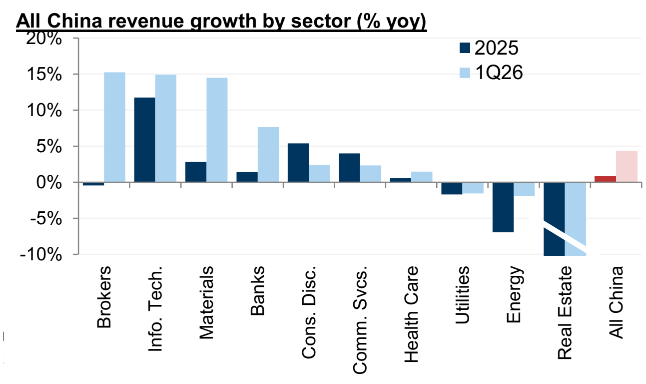
For definition and weighting methods of the AI universe, please refer to China Strategy | AI changes the game (Part 2): A top-down guide to the Chinese AI universe

Source: FactSet, MSCI, Goldman Sachs Global Investment Research

3) Recovering aggregate revenues but bifurcated margins in "involuted" sectors

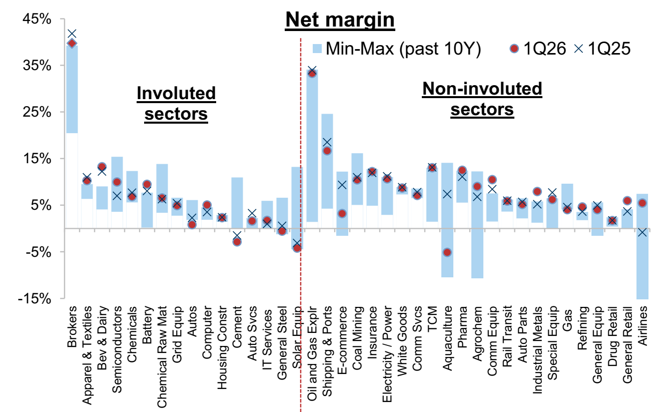
- **Revenue acceleration:** In 1Q26, the aggregate revenue growth for the listed universe **picked up to +4% yoy**, up from +1% in 2025 and -1% in 2024. This overall improvement masks a bifurcated sector landscape, characterized by sharp rebounds in cyclicals and tech-heavy sectors (Brokers/IT/Industrial all +15% yoy in 1Q26), a stabilization in consumer staples, and substantial declines in Real Estate.
- **Margin divergence:** The net margin for the listed universe remained stable, ticking up slightly to 9.0% in 1Q26 (from 8.9% in 1Q25). Consumer-facing New Economy/POE and Banks (pressured by narrowing NIM) generally underperformed their Old Economy/SOE counterparts. Among our defined "involuted" sectors, Semiconductors, Industrial Metals, and Airlines (aided by an 8% yoy decline in domestic jet fuel prices in 1Q26) were the primary margin gainers. Conversely, the margin erosion was exacerbated in select consumer sectors (Autos, Agriculture, and E-commerce), Construction Materials (such as Cement and Steel) and Solar Equipment, highlighting a stark divergence between a hard-tech recovery and a consumer/property-linked slowdown. See Exhibit 33 in Appendix for more details.

Exhibit 12: Aggregate revenue growth for the All China universe accelerated to 4% in 1Q26 vs. +1% in 2025



Source: Wind, FactSet, Bloomberg, Goldman Sachs Global Investment Research

Exhibit 13: Mixed margin profile across the "involuted" sectors in 1Q26

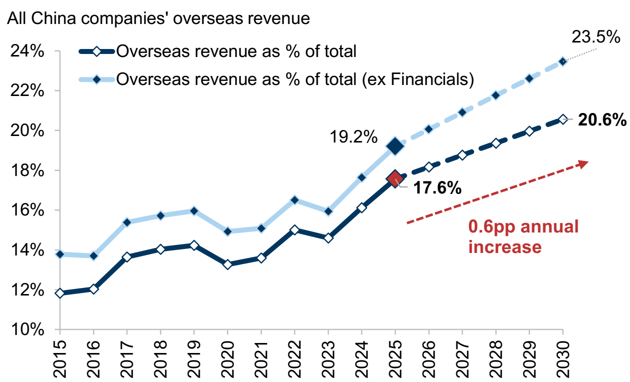


Source: Wind, FactSet, Goldman Sachs Global Investment Research

4) "Going Global" is still ongoing

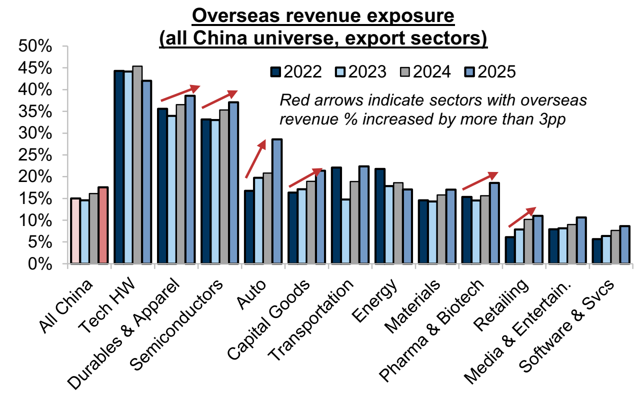
- **Sustained momentum:** Chinese corporate **overseas revenue exposure continued its upward trajectory to 18% in 2025 from 16% in 2024.** The Auto sector has been the leader of this globalization trend, surging to 29% in 2025 (+8pp vs. 2024 due to rapid EV overseas expansion), and the 1Q26 results for the sector leader confirmed the trend. This globalization trend is increasingly broad-based, with Semiconductors, Transportation, Capital Goods, Durables, and Pharma & Biotech also making inroads. Conversely, Tech Hardware (driven by smartphones) and Energy both declined.
- **Profitability premium:** Most sectors still enjoy better profit margins in overseas markets compared to their domestic operations (as shown in Exhibit 16), providing a strong structural incentive for continued international expansion. In fact, Chinese **exporters** (>50% overseas exposure) **delivered robust growth across both revenue and earnings in 1Q26** (see Exhibit 28 in Appendix), significantly higher than the aggregate listed universe.
- **FX impact**: The FX impact **reversed to a net loss** of Rmb5.8bn in 2025 from a net gain of Rmb3.3bn in 2024, driven by a slight appreciation of the CNY against the USD (on a full-year average basis). Export-heavy and commodity-related segments (including Industrials, Materials, Energy, and IT) experienced a squeeze, while USD-debt-heavy sectors (such as Airlines) and Consumer Discretionary capitalized on this currency strength.

Exhibit 14: Foreign sales exposure of Chinese listed universe rose further to 18% despite tariff headwinds



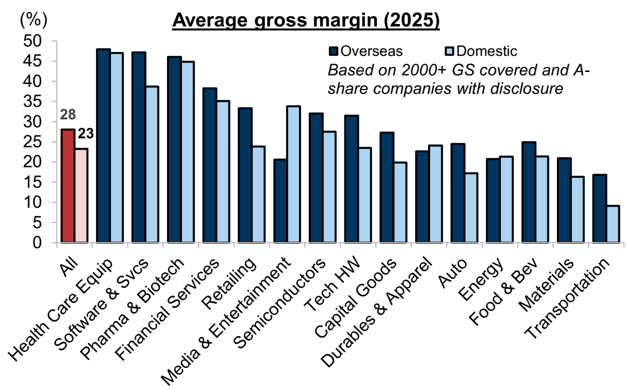
Source: Wind, FactSet, Goldman Sachs Global Investment Research

Exhibit 15: Autos and Pharma are the leaders in the globalization trend



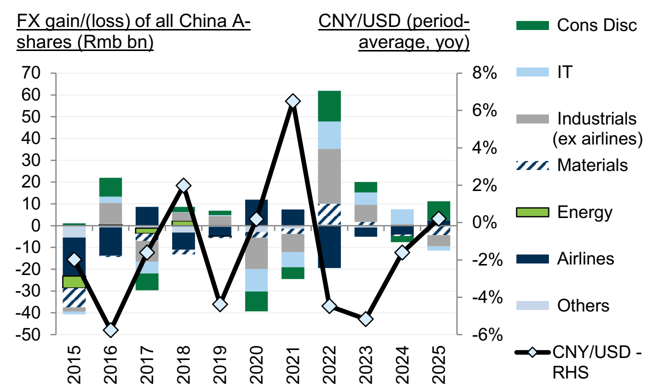
Source: Wind, FactSet, Goldman Sachs Global Investment Research

Exhibit 16: Most sectors enjoy better profitability in the overseas markets



Source: Wind, FactSet, Goldman Sachs Global Investment Research

Exhibit 17: A slight FX loss was recorded in 2025 due to CNY appreciation

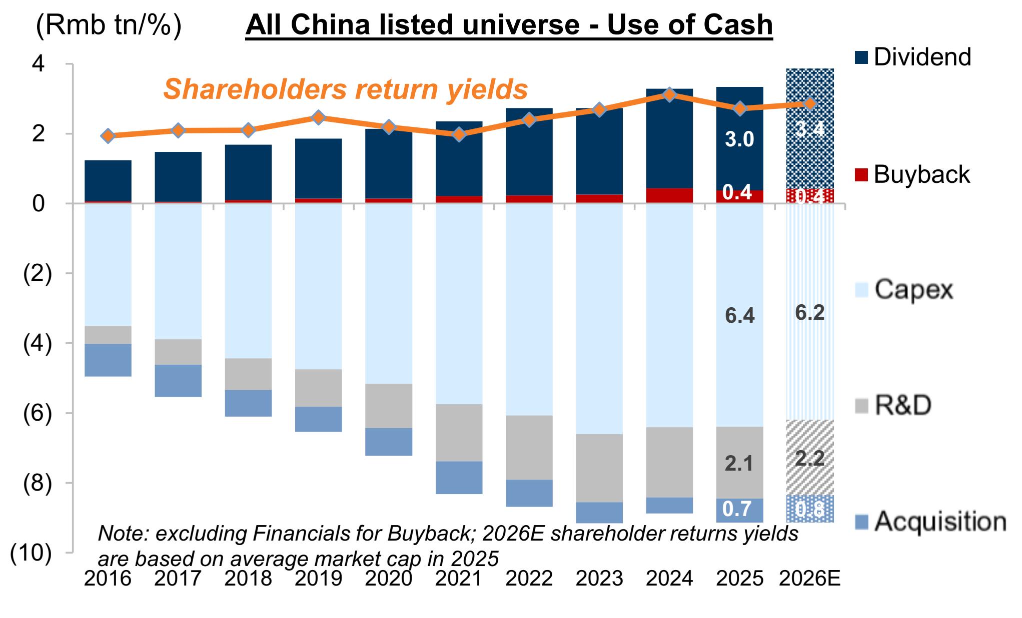


Source: FactSet, MSCI, Goldman Sachs Global Investment Research

5) Record cash returns along with more R&D and acquisitions

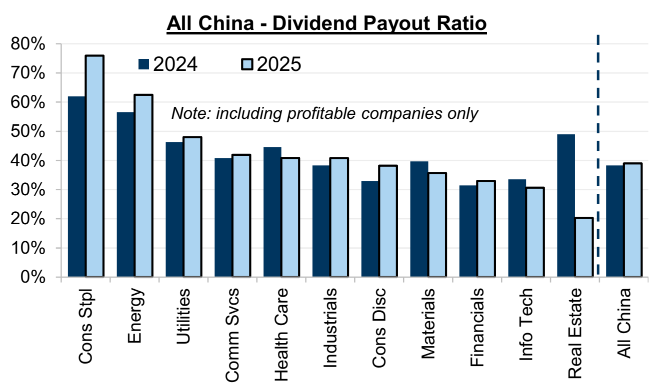
- **Record-high cash returns driven by dividends:** Aggregate **dividends** distributed by the All-China listed universe aligned with our prior expectations at Rmb3.0tn in 2025. Traditional and SOE-dominated sectors, such as Consumer Staples, Utilities, Financials, and Energy raised their dividend payouts, supported by regulatory directives that encourage higher payout ratios and interim and quarterly dividend distributions.
- Conversely, share **buybacks** fell short, totaling Rmb0.4tn (-11% yoy). This decline in buybacks was heavily concentrated in Internet (Retailing and Media), where buyback volume fell 28% in 2025 as companies prioritized AI spending and quick commerce subsidies. Despite lower volumes, **net buybacks remain accretive to EPS** for existing MSCI China universe (ex-Financials).
- **Shifts in corporate cash allocation:** Beyond shareholder returns, **growth investments grew by 3%** yoy (vs. -5% in 2024). Sector-level spending varied dramatically underneath a **flat Capex** (remaining at Rmb6.4tn): Retailing, Tech Hardware, and Media grew by 94%, 22%, and 16% yoy, respectively, whereas Real Estate, Solar Equipment, and Materials declined by 33%, 48%, and 8% yoy, reflecting a disciplined approach to capacity expansion in oversupplied industries. Conversely, cash allocated to **acquisitions surged** by 46% yoy to Rmb0.7tn, as relaxed regulatory frameworks prompted leading Chinese firms to increasingly prioritize inorganic growth, industry consolidation, and overseas expansion. Meanwhile, **R&D spending rose** 3% yoy to Rmb2.1tn, driven by sustained corporate commitments to localized technology and AI hardware.
- For 2026, we **project total shareholder returns to reach Rmb3.8tn**, led by a 15% yoy increase in dividends to Rmb3.4tn, which represents a **total shareholder yield of 2.9% (vs. 2.7% in 2025).** The surge is supported by robust A-share and upstream earnings growth and favorable regulatory tailwinds. Growth investments are also expected to remain flat, with modestly lower Capex (primarily in “involuted” sectors, while remaining strong in Tech Hardware) offset by higher spending on R&D and acquisitions.

Exhibit 18: Chinese corporates spent more cash on dividends, acquisitions, and R&D in 2025



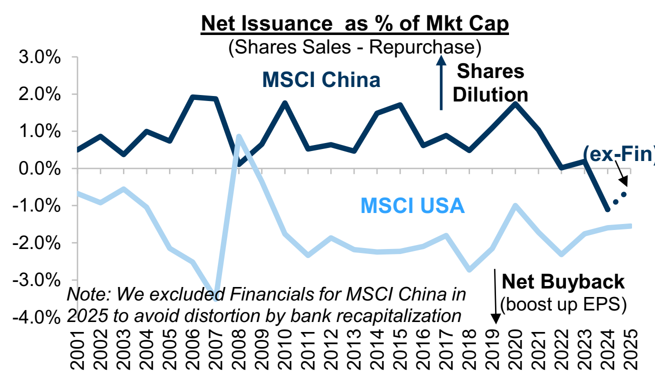
Source: FactSet, Wind, Goldman Sachs Global Investment

Exhibit 19: Dividend payout ratio edged up to 39% in 2025



Source: FactSet, Wind, Goldman Sachs Global Investment

Exhibit 20: Net buybacks remain accretive to EPS despite lower absolute volumes



Represents the net change in the carrying value of common and preferred stock

Source: FactSet, MSCI, Goldman Sachs Global Investment Research

6) Key themes from earnings calls: AI and "Going Global"

- **AI discussion trends**: We compiled **over 4,500 earnings call transcripts** released by Chinese companies and extracted the key themes discussed by management and investors. Overall, **approximately 1/4 of companies directly referenced "artificial intelligence"** or closely related keywords (such as semiconductors, memory chips, and humanoid robots) on earnings calls. The surge in AI-related discussions has been **notable in physical and hardware-heavy sectors**, such as Capital Goods, Tech Hardware, and Materials, compared to previous quarters. Conversely, downstream segments experienced a relative moderation.
- **Sustained focus on globalization**: Concurrently, **"Going Global"** initiatives remained a dominant strategic focus across nearly all manufacturing and hard-tech sectors in 1Q26. Sectors such as Capital Goods, Materials, Tech Hardware, and Biotechnology saw a notable rise in overseas expansion discussions. Direct mentions of **tariff** headwinds generally moderated or stabilized at lower levels compared to the peaks of 1Q25.

Exhibit 21: AI/Technology and shareholder (returns) were frequently mentioned in listed companies' earnings transcripts

Source: Wind, FactSet, Goldman Sachs Global Investment Research

Exhibit 22: Our textual analysis reveals a notable surge in AI-related discussions within physical and hardware-heavy sectors in A-shares

Number of mentions per thousand words for key themes in earnings calls transcripts

Industry Group	AI			Tariff			Shareholder Returns		Anti-Involution		Going global		*Ytd Perf
	1Q26	1H/2Q25	CY24/1Q25	1Q26	1H/2Q25	CY24/1Q25	1Q26	1H/2Q25	1Q26	1H/2Q25	1Q26	1H/2Q25	
Semis	3.1	2.9	1.4	0.3	0.5	1.3	0.9	0.1	0.7	0.1	1.8	0.4	28%
Tech Hardware	3.8	3.2	2.4	0.4	0.6	2.0	1.4	0.1	0.9	0.1	2.7	0.4	18%
Energy	0.1	1.6	0.2	0.0	0.2	1.1	0.2	0.8	0.1	0.4	0.3	0.2	12%
Utilities	0.2	0.6	0.3	0.1	0.2	0.2	0.6	0.9	0.1	0.1	0.3	0.2	5%
Capital Goods	5.1	2.6	0.5	0.9	0.8	1.2	2.5	0.4	1.4	0.1	5.6	0.7	-1%
Cons Durables	1.2	3.9	1.1	0.4	1.4	5.8	0.9	0.7	0.5	0.1	1.8	0.6	-2%
Banks	0.2	0.9	0.5	0.0	0.1	0.1	0.3	0.7	0.1	0.1	0.1	0.1	-3%
Materials	2.1	0.9	0.3	0.8	0.3	1.3	2.4	0.3	1.6	0.1	3.4	0.3	-4%
Software Svcs	2.6	4.9	6.3	0.2	0.2	0.2	0.7	0.0	0.2	0.1	0.9	0.2	-8%
Biotech	0.8	0.9	0.7	0.4	0.2	1.4	0.9	0.4	0.4	0.1	1.7	0.2	-11%
Transportation	0.4	3.5	0.9	0.1	1.1	1.3	0.5	0.5	0.1	0.2	0.4	0.9	-13%
Div Financials	0.1	1.8	1.7	0.0	0.4	0.0	0.2	0.4	0.0	0.7	0.2	0.4	-14%
Food Bev	0.5	0.9	0.1	0.2	0.1	1.0	0.6	0.4	0.4	0.2	1.0	0.1	-15%
Property	0.2	1.6	0.6	0.0	0.6	0.0	0.4	0.0	0.1	0.1	0.3	0.5	-18%
HC Equip & Svcs	0.9	1.1	2.0	0.3	0.7	1.4	0.6	0.2	0.3	0.1	1.4	0.7	-20%
Cons Svcs	0.6	2.0	1.2	0.1	1.5	0.0	0.5	0.5	0.1	0.2	0.6	1.5	-21%
Autos	1.1	4.0	0.3	0.1	0.4	2.4	0.4	0.1	0.2	0.2	0.9	0.4	-21%
Telecom Svcs	0.0	2.7	1.3	0.0	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0	-22%
Media & Ent	1.2	3.3	5.7	0.2	0.3	0.2	0.9	0.5	0.3	0.2	1.1	0.3	-25%
Retailing	0.2	0.3	1.4	0.1	0.1	0.4	0.2	0.1	0.1	0.0	0.4	0.1	-38%

*YTD performance references refer to CSI300 performance by industry group.

Source: Wind, FactSet, Goldman Sachs Global Investment Research

Methodology & Tools: To systematically track corporate sentiment, we utilized our text-mining tools to parse over 4,500 earnings call transcripts and investor relations Q&A sessions released by 3,000+ listed Chinese companies (primarily A-shares) since April 2026. **Our analysis follows the approach below:**

1. **Data acquisition:** We download the raw transcripts of earnings calls (primarily in Chinese), which typically cover both management presentation and investor Q&A sessions.
2. **Thematic keyword mapping:** We defined and categorized key search terms into distinct strategic themes (e.g., “AI/Semis/Chips/Humanoid robots” under the AI theme, and “Overseas expansion/exports” under the “Going Global” theme).
3. **Frequency calculation:** We calculated **the adjusted frequency** as the number of keywords per thousand words.
4. **Historical comparison:** We compared the frequency and sentiment of these discussions against our previous textual analysis exercises conducted in 1H/2Q25 and CY24/1Q25, which allows us to identify shifting thematic trends and corporate priorities.

Following the profit growth: refreshing GS China Growth Portolio

- To help investors identify high-conviction growth opportunities with compelling risk/reward profiles, we have refreshed our **GS China Growth Portolio**, selecting 25 premier names across the China A-share and H-share markets. Our selection process systematically leverages corporate disclosures, earnings call transcripts, profit guidance, and NDR notes to target companies aligned with our core structural themes.
- To ensure the portfolio remains highly selective and geared toward high-perorming leaders, we have upgraded our screening framework across three key dimensions**:**
  - a) **Near-term catalysts**: we prioritize companies with clear operational tailwinds, specificallyocusing on price increases, Capex expansion, or overseas market penetration. Eligible constituents must have explicitly discussed these strategic drivers in their recent earnings calls or corporate announcements;
  - b) **Robust growth profile**: we have raised our growth threshold, now requiring an estimated 2025–27E EPS CAGR of greater than 10%, compared to >5% EPS CAGR previously;
  - c) **Positive earnings momentum**: selected companies must demonstrate positive revision trends, defined as an average upward revision of at least 1% in their 2026/2027E EPS estimates over the trailing month.
- The refreshed portfolio exhibits a highly robustundamental profile, with the 25 constituents having a median market cap/ADVT/25-27E EPS CAGR of US$16bn/US$249mn/39%. On an equal-weighted basis, the portfolio trades at a orward P/E of 23x and aorward PEG of 1.4x. This strong absolute and relative perormance—rallying +102% ytd and +14% in the past 4 weeks (equal-weighted from the start of the period)—strongly validates our core investment thesisor visible earnings delivery. In the current environment, low valuation in isolation is no longer a reliable driver of outperormance; instead, theocus has shifted decisively to where earnings are actually being generated.
- We also compiled the **1Q26 earnings wraps by our sector analysts** in Exhibit 26, which highlights the key surprises and key stock ideasor implementation.

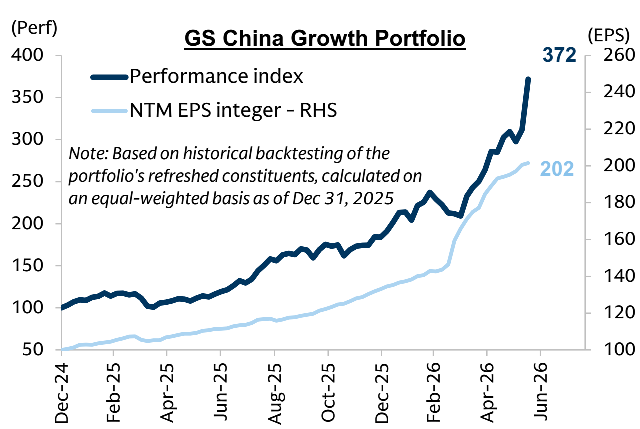
Exhibit 23: We screen for 25 names as our refreshed GS China Growth Portfolio to help investors identify growth opportunities with compelling risk/reward profiles

			Discussed in company announcements / earnings calls					*>=5bn*	*>20mn*	*>10%*		*>=1%*
Ticker	Name	GICS Industry Group	Price hike	Capex / overseas expansion	25 Foreign sales exposure %	Quoted Price	Quoted Ccy	Total Mkt Cap (US$bn)	ADVT (US$mn)	25-27E EPS CAGR (%)	26E P/E (X)	26/27 Avg EPS rev in past 1M (%)
GS China Growth Portfolio												
300308 CS	Zhongji Innolight	Tech HW		√	91%	1,367.9	CNY	226	3420	122	45	+1
2899 HK	Zijin Mining	Materials	√	√	57%	32.1	HKD	115	342	38	9	+1
002475 CS	Luxshare Precision	Tech HW		√	85%	69.9	CNY	75	1512	29	24	+1
600183 CG	Shengyi Tech	Tech HW	√	√	24%	183.9	CNY	66	781	52	77	+4
3986 HK	GigaDevice Semi	Semis	√			939.0	HKD	66	125	154	70	+2
3993 HK	China Molybdenum	Materials	√	√	92%	18.9	HKD	61	136	33	11	+1
2338 HK	Weichai Power	Cap Goods	√	√	53%	39.7	HKD	40	91	33	21	+2
1888 HK	Kingboard Laminates	Tech HW	√	√	8%	91.9	HKD	37	207	86	40	+36
600176 CG	China Jushi	Materials	√	√	33%	53.5	CNY	32	562	50	36	+4
301217 CS	Tongguan Copper Foil	Materials	√	√	3%	200.0	CNY	25	364	408	200	+22
301308 CS	Longsys Electronics	Tech HW	√	√	67%	577.8	CNY	24	1048	99	18	+64
002080 CS	Sinoma Science & Tech	Materials	√	√	9%	80.6	CNY	20	395	45	47	+2
1929 HK	Chow Tai Fook	Retailing	√			12.4	HKD	16	29	15	12	+4
601689 CG	Ningbo Tuopu	Autos		√	21%	62.3	CNY	16	358	19	33	+1
1138 HK	COSCO Shipping Energy	Energy	√	√	76%	15.9	HKD	14	80	27	8	+2
002648 CS	Satellite Petro	Materials	√	√	17%	21.7	CNY	11	249	32	9	+2
000960 CS	Yunnan Tin	Materials	√	√	24%	41.7	CNY	10	400	39	20	+13
600460 CG	Silan Microelectronics	Semis	√	√		41.8	CNY	10	297	84	76	+4
600426 CG	Hualu-Hengsheng	Materials	√	√	5%	25.5	CNY	8	156	29	11	+1
600988 CG	Chifeng Jilong Gold	Materials	√	√	71%	30.6	CNY	8	387	39	10	+1
601233 CG	Tongkun Group	Materials	√	√	8%	21.0	CNY	7	141	49	11	+7
300037 CS	Capchem	Materials	√	√	17%	83.3	CNY	7	249	51	30	+2
002126 CS	Yinlun Machinery	Autos		√	21%	52.7	CNY	6	179	29	36	+2
002444 CS	Great Star Indus	Cons Dur	√	√	94%	29.6	CNY	5	65	18	12	+1
300866 CS	Anker Innovations	Tech HW		√	97%	117.1	CNY	5	95	25	20	+1
Median						52.7		16	249	39	21	+2

Notes: Prices as of Jun 18, 2026; Valuation and EPS revision items are I/B/E/S consensus.

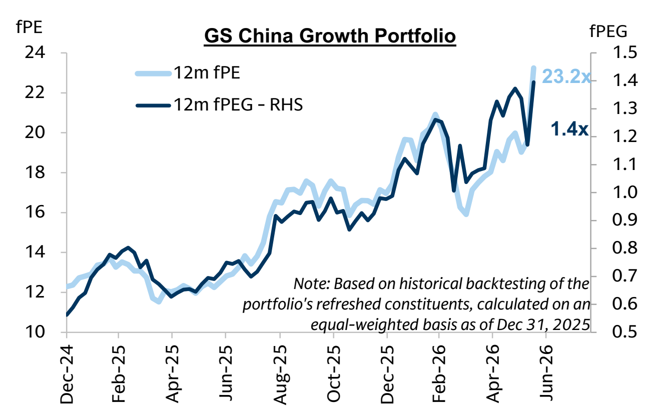
Source: Wind, FactSet, Bloomberg, IBES, Goldman Sachs Global Investment Research

Exhibit 24: The refreshed portfolio exhibits strong performance and EPS revision trends



Source: FactSet, IBES, Goldman Sachs Global Investment Research

Exhibit 25: The portfolio trades at 23x fP/E and 1.4x fPEG on an equal-weighted basis



Source: FactSet, IBES, Goldman Sachs Global Investment Research

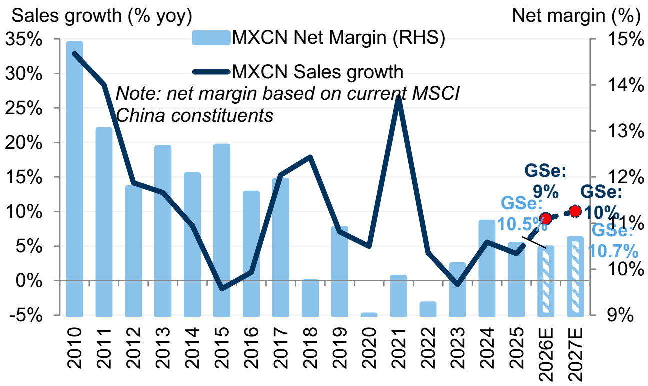
Exhibit 26: Summary of 1Q26 earnings results by sector

Sector	Sub-sector	1Q26 result summary	Key surprises
Consumer	Cosmetics	In line; sales up, GPM down.	Positive: Botanee beat. Negative: Jahwa & Bloomage missed.
	Sportswear	Mixed; GPM contracted on discounts.	Positive: Li Ning & Anta beat. Negative: Xtep missed.
	Consumer Durables	Flat sales, profits -3%. White goods resilient.	Positive: White goods margins beat. Negative: Furniture missed.
	Pet Food	Online sales grew; domestic outperformed.	Negative: Missed on high promo costs & FX.
Healthcare	Plasma	Revenue down; pressure from VAT & VBP.	Negative: Oversupply & vaccine ASP risk.
	Drug Chains	Stabilized; SSSG positive since mid-2025.	Positive: SSSG ~5% on prescription outflow.
Industrials	Industrial Tech	In line; FX & material cost headwinds.	Positive: Han's Laser & Hongfa beat. Negative: Sungrow missed.
Transportation	Airports	SIAC in line; GBIA beat.	Positive: GBIA D&A lower. Negative: SIAC DFS rental down.
	Airlines	Returned to profit in 1Q26.	Negative: Labor Day traffic weak (-5% YoY).
Financials	Insurance	Beat on tax/bond sales; NBV strong.	Positive: China Life NBV beat. Negative: Solvency down.
	Banks	PPOP +12% (+6% beat); NP +4%.	Positive: NIM +2bps QoQ. Negative: Provisions +29% YoY.
Technology & Internet	Cloud	Strong revenue growth driven by AI demand.	Positive: Alibaba Cloud AI grew triple-digit. Negative: None.
	Data Centers	Softer 1Q26 capacity expansion on seasonality and chip constraints.	Positive: Robust YTD orders. Negative: GDS China pricing pressure.
	Games	Healthy segment mostly uncorrelated to macro with margin expansion.	Positive: Apple/Google reduced China commission rates. Negative: None.
	Entertainment	Diverging trends with Bilibili strong but Kuaishou/TME soft.	Positive: Kling AI reached $500mn ARR. Negative: Kuaishou ads/eCommerce headwinds.
	eCommerce	Soft 2Q online retail trends led to moderated growth.	Positive: JD Retail maintained solid margins. Negative: PDD growth slowed on taxes.
	Mobility & Local Services	Clear paths toward profit recovery starting in 2H26E.	Positive: Meituan achieved faster 2Q breakeven. Negative: DiDi near-term group profit pressure.
	AI Models	MiniMax launched M3; Zhipu/MiniMax target $1bn ARR.	Positive: M3 priced twice predecessor's rate. Negative: Intense API price cuts.
Basic Materials	Steel	Unit gross profits and earnings estimates revised down.	Positive: None. Negative: Delayed capacity cuts depressed margins.
	Coal	Spot price forecasts and earnings estimates revised up.	Positive: Strong supply/demand fundamentals. Negative: Yankuang-A downgraded on overvaluation.
	Cement	Unit gross profits and earnings estimates revised down.	Positive: Demand expected to stabilize in 2H26. Negative: Weaker 2Q26E pricing.
	Aluminum	Spreads expected to decline in 2H26E, minor earnings changes.	Positive: Spreads expected to normalize in 2H26E. Negative: Spreads declining HoH.
	Copper	Price forecasts and earnings estimates revised up.	Positive: Global market in deficit. Negative: Slower mine production recovery.
	Gold	Price forecasts cut by 5%, slightly reducing earnings.	Positive: Bullish target of $5,400/oz by end-2026E. Negative: Near-term forecast cut.
	Paper	Earnings revised down on declining paper prices.	Positive: None. Negative: New capacity additions kept utilization low.
Agriculture	Hog & feed	Price assumptions and earnings estimates revised down.	Positive: Cyclical upturn expected in 2H26E. Negative: Weak 1H26 pricing.
	Fertilizer	Unit gross profits and earnings estimates revised down.	Positive: Margin recovery expected in 2H26E. Negative: Rising sulfur input costs.
	Traditional seed	Sales volume and earnings estimates revised down.	Positive: None. Negative: Delayed purchases due to high fertilizer prices.
	Animal health & feed additive	Minor earnings revisions of -1% to 2%.	Positive: Adisseo supported by methionine pricing. Negative: Weak vaccine sales.

Source: Goldman Sachs Global Investment Research

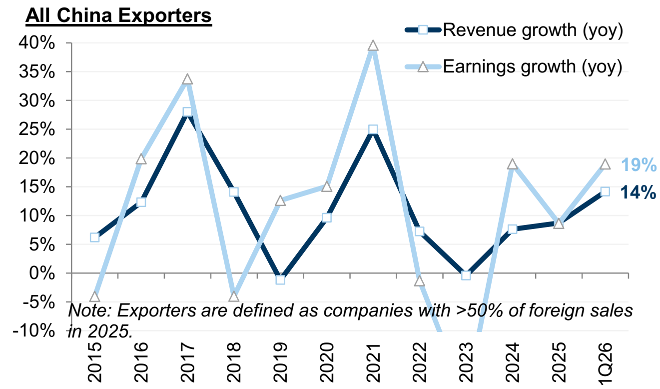
Appendix

Exhibit 27: Top-line growth may pick up for MSCI China universe



Source: Wind, FactSet, Bloomberg, Goldman Sachs Global Investment Research

Exhibit 28: Exporters saw resilient top-line and earnings growth in 1Q26



Source: Wind, Bloomberg, FactSet, Goldman Sachs Global Investment Research

Exhibit 29: All listed developers incurred around Rmb400bn of net losses in 2025

Including both developers and property management companies; Losses in recent years are underestimated as some real estate companies stopped/delayed disclosing financial results

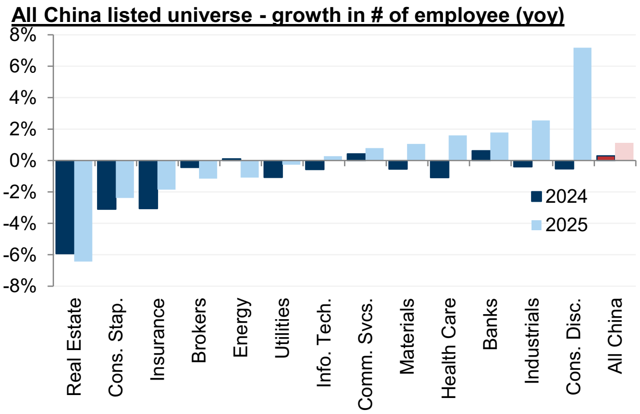
Source: Wind, Goldman Sachs Global Investment Research

Exhibit 30: Still around 60% of companies in property sector are loss-making

Including both developers and property management companies; % in recent years are underestimated as some real estate companies stopped/delayed disclosing financial results

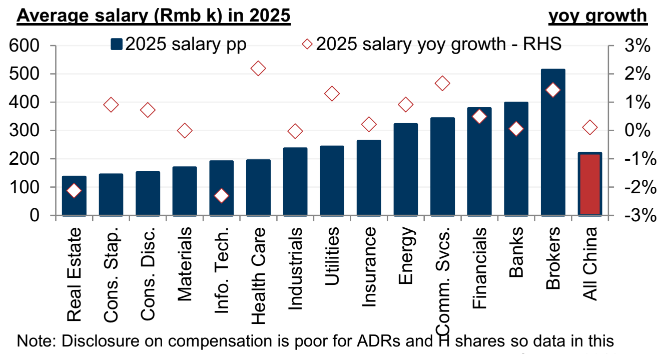
Source: Wind, Goldman Sachs Global Investment Research

Exhibit 31: Consumer Discretionary saw meaningful headcount additions



Source: Wind, Goldman Sachs Global Investment Research

Exhibit 32: Average salary per headcount has remained stable for most sectors



Note: Disclosure on compensation is poor for ADRs and H shares so data in this chart are mostly based on A shares which started to diclose such info since 2012.

Source: Wind, FactSet, Goldman Sachs Global Investment Research

Exhibit 33: Consensus estimates Capex growth to moderate in most sectors while tech hardware notably upscales the Capex

	All China listed universe (A+H+ADR)	Earnings Growth (yoy)			Revenue Growth (yoy)			Net Margin			R&D intensity			Capex Growth (yoy)		
Cohorts	Industry	CY19-1Q26 trend	1Q26 vs 19-25 median	26-28E vs 19-25 median	CY19-1Q26 trend	1Q26 vs 19-25 median	26-28E vs 19-25 median	CY19-1Q26 trend	1Q26 vs 19-25 median	26-28E vs 19-25 median	CY19-1Q26 trend	1Q26 vs 19-25 median	26-28E vs 19-25 median	CY19-1Q26 trend	1Q26 vs 19-25 median	26-28E vs 19-25 median
Traditional Energy	Oil Gas & Consumable Fuels		↑	↑		↑	↑		↑	↑		↑	↓		↓	↓
	Energy Equipment & Services		↓	↑		↓	↓		↓	↑		→	↓		↓	↓
	Ground Transportation		↑	↑		↑	↑		↓	↑		→	↓		↑	↓
	Gas Utilities		↓	↑		↓	↓		↓	↓		→	↑		↓	↓
Renewables/ Semiconductor	Chemicals		↑	↑		↑	↑		↑	↑		→	↑		↓	↓
	Metals & Mining		↑	↑		↑	↑		↑	↑		↑	↓		↑	↓
	Semiconductors & Semiconductor Equipment		↑	↑		↓	↑		↑	↑		↑	↓		↓	↓
	Independent Power and Renewable Electricity Producers		↓	↓		↓	↓		↓	↑		↑	↓		↓	↓
Autos	Automobile Components		↓	↑		↓	↑		↓	↑		↑	↑		↓	↓
	Automobiles		↓	↑		↓	↑		↓	↑		↑	↑		↓	↓
Tech Hardware/ Telecom	Electronic Equipment Instruments & Components		↑	↑		↑	↑		↑	↑		↓	↓		↑	↓
	Technology Hardware Storage & Peripherals		↓	↑		↓	↓		↓	↑		↑	↓		↑	↓
	Communications Equipment		↑	↑		↑	↑		↓	↑		↑	↓		↑	↓
	Diversified Telecommunication Services		↓	↓		↓	↓		↓	↑		→	↑		↑	↓
	Wireless Telecommunication Services		↓	↓		↓	↓		↓	↓		→	↑		↓	↓
Property	Building Products		↓	↑		↓	↑		↓	↑		→	↑		↓	↓
	Diversified Real Estate Activities		↑	↑		↓	↑		↑	↑		→	↑		↓	↓
	Real Estate Development		↓	↓		↓	↓		↓	↑		→	↓		↓	↓
	Real Estate Operating Companies		↑	↑		↑	↓		↑	↑		↓	↓		↑	↓
Infrastructure	Construction & Engineering		↓	↑		↓	↓		↓	↓		↓	↑		↓	↓
	Electrical Equipment		↑	↑		↑	↑		↓	↑		↓	↓		↑	↓
	Machinery		↑	↑		↑	↑		↑	↑		↑	↓		↓	↓
	Transportation Infrastructure		↑	↑		↑	↑		↓	↑		↑	↑		↑	↑
Consumer	Household Durables		↓	↑		↓	↑		↓	↑		→	↑		↑	↓
	Textiles Apparel & Luxury Goods		↓	↑		↑	↑		↑	↑		→	↓		↓	↓
	Beverages		↓	↓		↓	↓		↓	↑		→	↓		↓	↓
	Food Products		↓	↑		↓	↓		↓	↑		↑	↓		↓	↓
	Hotels Restaurants & Leisure		↑	↑		↑	↑		↑	↑		↓	↑		↓	↓
Financials	Banks		↑	↑		↑	↑		↓	↑		→	→		↑	→
	Capital Markets		↓	↓		↑	↓		↓	↑		→	↑		↓	↓
	Insurance		↓	↑		↓	↑		↑	↑		→	→		↓	↑
Health Care	Health Care Equipment & Supplies		↓	↑		↓	↑		↓	↑		↑	↑		↓	↓
	Biotechnology		↑	↑		↓	↑		↑	↑		↓	↓		↓	↓
	Life Sciences Tools & Services		↑	↑		↑	↓		↑	↑		→	↓		↑	↓
	Pharmaceuticals		↑	↑		↓	↑		↓	↑		↑	↑		↓	↓
	# of industry		18	30	↑	16	22	↑	14	33	↑	15	21	↑	16	4
	# of industry		18	6	↓	20	14	↓	22	3	↓	9	23	↓	31	41

Source: Wind, FactSet, Bloomberg, IBES, Goldman Sachs Global Investment Research

Exhibit 34: All China listed/MSCI China universe has reported with 1Q26 earnings rising 6%/declining 8% yoy, accounting for 21%/21% of 26E consensus estimates

Sectors	All China			1Q26 Earnings		A shares	1Q26 Earnings		HK-listed	1Q26 Earnings		US-listed	1Q26 Earnings	
	26E earnings weights	# of cos reported	% mkt cap reported	growth yoy	% of 26E est.	% mkt cap reported	growth yoy	% of 26E est.	% mkt cap reported	growth yoy	% of 26E est.	% mkt cap reported	growth yoy	% of 26E est.
Autos	3%	259	96%	-27%	11%	100%	-24%	13%	77%	-40%	16%	99%	NM	1648%
Banks	26%	59	95%	4%	26%	100%	5%	26%	88%	3%	-	-	-	-
Capital Goods	8%	1147	93%	6%	20%	100%	7%	20%	26%	-6%	20%	17%	NM	-12%
Comm & Prof Svcs	0%	171	94%	11%	20%	100%	12%	18%	6%	-11%	-	98%	16%	22%
Retailing	6%	82	92%	-50%	9%	100%	22%	44%	3%	27%	-	100%	-58%	8%
Cons Dur	3%	269	78%	-8%	22%	100%	-8%	22%	19%	-15%	13%	99%	16%	24%
Cons Svcs	1%	63	42%	37%	11%	100%	73%	12%	6%	7%	19%	60%	35%	10%
Stpl retailing	0%	28	42%	41%	30%	100%	35%	29%	0%	-	-	84%	2846%	34%
Energy	6%	97	97%	48%	22%	100%	6%	22%	92%	343%	-	0%	-	-
Fin Svcs	3%	97	91%	15%	25%	100%	23%	27%	54%	17%	-	85%	-58%	11%
Food Bev	5%	218	88%	-24%	27%	100%	-24%	27%	8%	-24%	-	95%	60%	29%
Health Care Equip	1%	163	85%	-7%	25%	100%	-8%	26%	12%	-1%	19%	0%	-	-
Household Products	0%	39	70%	-12%	23%	100%	-10%	25%	0%	-	-	100%	NM	-41%
Insurance	6%	11	92%	-18%	18%	100%	-18%	17%	89%	-17%	22%	0%	-	-
Materials	8%	864	94%	73%	23%	100%	70%	24%	43%	136%	7%	0%	-	-
Media	7%	155	96%	4%	21%	100%	17%	24%	94%	17%	20%	99%	-30%	23%
Pharma	2%	351	76%	6%	21%	100%	6%	25%	15%	-3%	9%	92%	NM	2%
Real Estate	0%	132	60%	NM	-101%	100%	NM	75%	1%	NM	-	98%	16%	25%
Semis	1%	249	97%	NM	4%	100%	NM	4%	68%	26%	20%	95%	NM	53%
Software	0%	248	83%	NM	34%	100%	NM	18%	0%	-	-	74%	-37%	1047%
Tech HW	6%	561	97%	25%	15%	100%	50%	16%	74%	-55%	10%	59%	NM	82%
Telecom	1%	16	100%	-7%	23%	100%	-16%	22%	99%	-4%	24%	-	-	-
Transportation	3%	142	86%	13%	26%	99%	12%	29%	51%	23%	16%	100%	2%	22%
Utilities	2%	149	87%	-6%	24%	100%	-5%	24%	24%	-11%	31%	-	-	-
Market	100%	5579	91%	6%	21%	100%	9%	23%	59%	10%	19%	93%	-45%	11%
Market ex fin.	65%	5419	91%	9%	20%	100%	12%	21%	53%	22%	19%	94%	-44%	11%
Market ex fin. & energy	60%	5323	90%	5%	19%	100%	13%	21%	50%	0%	19%	94%	-44%	11%
POE	44%	4009	89%	4%	17%	100%	20%	19%	48%	-1%	19%	93%	-45%	11%
SOE	56%	1570	94%	7%	24%	100%	4%	25%	74%	15%	19%	-	-	-
New China	32%	2816	91%	6%	20%	100%	12%	20%	57%	2%	19%	94%	-25%	20%
Old China	68%	2763	91%	6%	22%	100%	8%	24%	61%	13%	20%	93%	-56%	8%
MSCI China		508	87%	-8%	21%	CSI300	9%	24%						

Note: The universe includes all Chinese listed firms including A shares, HK-listed and US-listed; Earnings are in RMB terms; Estimates are Bloomberg consensus; Data as of Jun 9, 2026

'NM' replaces numbers that are not meaningful, when the base is negative or close to zero;

US/HK Dual-primary and secondary listings are counted only under US-listed;

*MSCI China: index weights rather than market cap weights are used; earnings growth in CNY term, and would be different from HKD term due to FX change

Source: Wind, FactSet, Bloomberg, IBES, Goldman Sachs Global Investment Research

Exhibit 35: All China listed/MSCI China universe has reported with CY25 earnings rising 7%/declining 5% yoy, accounting for 92%/93% of 25E consensus estimates

Sectors	All China						A shares				HK-listed				US-listed			
	25E earnings weights	# of cos reported	% mkt cap reported	CY25 Earnings growth yoy	CY25 Earnings % of 25E est.	4Q25 growth yoy	% mkt cap reported	CY25 Earnings growth yoy	CY25 Earnings % of 25E est.	4Q25 growth yoy	% mkt cap reported	CY25 Earnings growth yoy	CY25 Earnings % of 25E est.	4Q25 growth yoy	% mkt cap reported	CY25 Earnings growth yoy	CY25 Earnings % of 25E est.	4Q25 growth yoy
Autos	2%	287	100%	10%	92%	32%	100%	8%	87%	29%	98%	4%	101%	-7%	100%	NM	88%	NM
Banks	29%	74	100%	2%	99%	3%	100%	2%	99%	3%	100%	2%	105%	3%	-	-	-	-
Capital Goods	8%	1284	100%	-2%	88%	-30%	100%	2%	93%	-24%	99%	-15%	47%	-44%	81%	NM	40%	NM
Comm & Prof Svcs	0%	211	100%	18%	99%	NM	100%	55%	90%	NM	100%	-17%	117%	-21%	99%	22%	100%	24%
Retailing	6%	128	100%	-30%	83%	-59%	100%	-48%	79%	NM	100%	NM	58%	NM	100%	-31%	84%	-52%
Cons Dur	3%	351	100%	-1%	98%	-43%	100%	-6%	98%	-65%	100%	5%	99%	-5%	100%	264%	87%	247%
Cons Svcs	1%	145	100%	-43%	69%	NM	100%	33%	91%	NM	99%	-92%	17%	NM	100%	63%	77%	50%
Stpl retailing	0%	51	100%	31%	73%	NM	100%	-54%	40%	NM	100%	222%	81%	128%	100%	-42%	63%	-91%
Energy	6%	130	99%	-6%	87%	58%	100%	-12%	87%	-4%	99%	44%	99%	NM	100%	NM	-	NM
Fin Svcs	3%	167	100%	41%	100%	5%	100%	41%	101%	9%	99%	39%	61%	5%	98%	50%	96%	-33%
Food Bev	5%	271	100%	-19%	86%	-87%	100%	-22%	86%	-96%	100%	-1%	88%	-11%	100%	-16%	101%	NM
Health Care Equip	1%	233	100%	-1%	91%	8%	100%	-7%	94%	-9%	100%	38%	82%	25%	99%	NM	-	-100%
Household Products	0%	56	100%	16%	94%	71%	100%	3%	91%	105%	100%	20%	100%	18%	99%	NM	-76%	NM
Insurance	8%	22	99%	26%	96%	-55%	100%	23%	97%	NM	100%	29%	94%	-11%	20%	46%	109%	51%
Materials	5%	961	100%	34%	90%	46%	100%	36%	92%	75%	100%	24%	78%	-17%	33%	NM	-	NM
Media	8%	244	100%	19%	89%	11%	100%	65%	84%	NM	100%	21%	86%	20%	100%	5%	99%	-21%
Pharma	2%	455	100%	-16%	72%	NM	100%	-14%	80%	NM	99%	-21%	69%	74%	100%	NM	-31%	NM
Real Estate	0%	281	99%	NM	102%	NM	100%	NM	NM	NM	99%	NM	-2577%	NM	98%	-30%	91%	-62%
Semis	0%	267	100%	NM	NM	NM	100%	NM	NM	NM	100%	NM	749%	NM	100%	NM	54%	NM
Software	0%	311	100%	NM	NM	NM	100%	NM	56%	NM	100%	NM	352%	NM	99%	NM	-131%	NM
Tech HW	5%	628	100%	44%	94%	59%	100%	34%	97%	69%	100%	84%	87%	28%	97%	NM	213%	NM
Telecom	2%	21	100%	0%	96%	-23%	100%	0%	96%	-49%	100%	0%	97%	-20%	-	-	-	-
Transportation	3%	184	99%	-6%	95%	-23%	99%	-5%	96%	-25%	100%	-12%	92%	-32%	100%	23%	95%	28%
Utilities	3%	195	100%	1%	98%	1%	100%	3%	98%	-5%	100%	-3%	99%	-25%	-	-	-	-
Market	100%	6975	100%	7%	92%	-4%	100%	4%	93%	-14%	100%	20%	89%	27%	99%	-14%	87%	-42%
Market ex fin.	60%	6719	100%	6%	87%	-8%	100%	0%	87%	-45%	100%	34%	88%	69%	100%	-17%	86%	-43%
Market ex fin. & energy	55%	6590	100%	7%	87%	-17%	100%	2%	87%	-66%	100%	33%	88%	40%	100%	-17%	86%	-43%
POE	76%	5282	100%	11%	93%	3%	100%	7%	95%	-2%	100%	72%	87%	115%	99%	-14%	87%	-42%
SOE	24%	1693	100%	1%	89%	-14%	100%	-4%	88%	-49%	100%	6%	93%	5%	-	-	-	-
New China	31%	3547	100%	11%	87%	-31%	100%	10%	91%	-50%	100%	12%	80%	-14%	99%	8%	85%	-48%
Old China	69%	3428	100%	6%	94%	3%	100%	2%	94%	-9%	99%	24%	101%	46%	99%	-20%	87%	-41%
MSCI China		555	100%	-5%	93%	-24%	CSI300	5%	94%	-10%								

Note: The universe includes all Chinese listed firms including A shares, HK-listed and US-listed; Earnings are in RMB terms; Estimates are Bloomberg consensus; Data as of May 8, 2026
'NM' replaces numbers that are not meaningful, when the base is negative or close to zero;
US/HK Dual-primary and secondary listings are counted only under US-listed;
*MSCI China: index weights rather than market cap weights are used; earnings growth in CNY term, and would be different from HKD term due to FX change

Source: Wind, FactSet, Bloomberg, IBES, Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Kevin Wang, CFA, Kinger Lau, CFA, Timothy Moe, CFA and Si Fu, Ph.D., hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

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