

China Musings

China reopening playbook

The light at the end of the tunnel?

China's Zero-Covid Policy (ZCP) has kept Covid cases at low absolute levels but at rising economic costs as the virus becomes more transmissible. Reported cases are rising but more signs of Covid policy relaxation have been made available post the Party Congress, and our economists expect China could start to reopen in 2Q23 on political and public health considerations.

Kinger Lau, CFA

+852-2978-1224 | kinger.lau@gs.com
Goldman Sachs (Asia) L.L.C.

Timothy Moe, CFA

+65-6889-1199 | timothy.moe@gs.com
Goldman Sachs (Singapore) Pte

Si Fu, Ph.D.

+852-2978-0200 | si.fu@gs.com
Goldman Sachs (Asia) L.L.C.

Kevin Wang, CFA

+852-2978-2446 | kevin.wang@gs.com
Goldman Sachs (Asia) L.L.C.

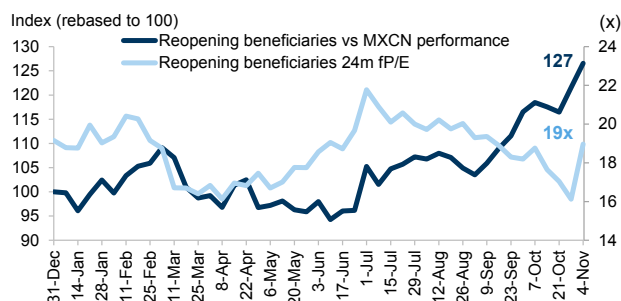
China could rally 20% on (and before) reopening

Cross-country empirical analysis shows that equity markets tend to pre-trade reopening (as defined by the peak of activity disruptions) about a month in advance and the positive momentum typically lasts for 2-3 months. We estimate that a full reopening could drive 20% upside for Chinese stocks based on empirical, top-down, and historical sensitivity analyses. Importantly, equity markets usually react more positively to local policy relaxation than to international reopening, with Domestic Cyclical and Consumer sectors outperforming.

Reopening beneficiaries: An attractively-priced call option on reopening hopes

While the reopening roadmap is still unclear, our Reopening Beneficiaries have outperformed MXCN by 20% since July. We refresh the list to include 30 names in 10 industries that appear well-placed for easing social distancing/travel curbs. They collectively trade on 19x 24m fP/E, 40% median 22-24 EPS CAGR, and 0.3x fPEG.

Reopening beneficiaries have begun to outperform since July



Source: FactSet, Bloomberg, Goldman Sachs Global Investment Research

Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.

The light at the end of the tunnel?

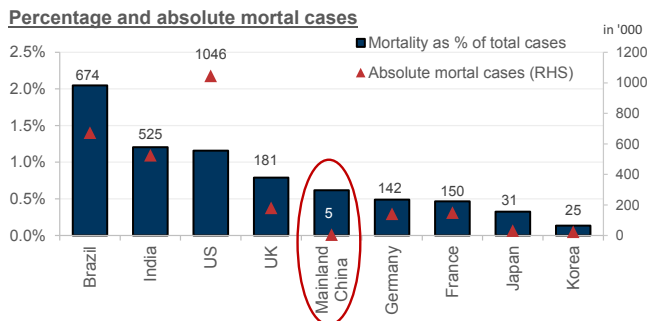
- **China had the success of containing Covid.** Since the first official Covid-19 case was reported to the WHO on 31 December 2019, China has managed to keep the pandemic relatively under control. The number of Covid-19 cases has averaged up to 20 per million people per day at the peak and less than 1 per million people per day since 2020, which is significantly below the average levels of the US and UK of around 300-400 per million people per day during the same period. The reported death rates in China are also one of the lowest globally, at 0.1% compared to the worldwide average of 0.3%.
- **China took a different path.** The relative success is mainly attributable to China's commitment to its Zero-Covid Policy (ZCP), which mandates local authorities to carry out stringent social distancing and isolation measures, compulsory mass testing, and hard/soft lockdowns until no new Covid cases are identified in local communities. This targeted approach enabled China to effectively limit the spread of the virus, and keep the economy operating more or less under normal conditions for the most part in the pandemic era.
- **Omicron has posted a significant challenge to ZCP.** However, the Covid situation has rapidly deteriorated since March when the highly infectious Omicron became the mainstream variant in the latest wave of the outbreak, leading to significant activity disruptions as exemplified by the strict lockdown in Shanghai from April to June. The disruptions moderated somewhat in June and July but have intensified since then, with reported cases rising after the conclusion of the 20th Party Congress and cities accounting for 50% of China's economy likely subject to some form of social-distancing and mobility restrictions as of Nov 4. Overall, our economists estimate that Covid-related restrictions have reduced Chinese GDP output by around 4-5% from its trend levels.
- **Encouraging news and policy signs on reopening have emerged post the Party Congress.** First, on the vaccine/medication development front, an inhalable vaccine by CanSino has been adopted post the Party Congress and could be rolled out to more provinces; BioNTech has been approved for foreign residents in China after the German Chancellor Scholz met with President Xi and Premier Li on November 4; 2 domestically-produced mRNA vaccines (CSPC and Abogen) could release data readouts in the foreseeable future; and, the mass local production of Paxlovid could begin shortly, with Pfizer's local partner Huahai equipped with 60 tons capacity and recently-signed agreement with Ascletis for ritonavir supply (capacity of 530mn tablets). Second, the Aviation Bureau has increased the number of international flights between November 22 and March 23 by more than 100% yoy (but still only 3-5% of 2019 level) and news reports suggest that the authorities are considering to relax quarantine requirements for inbound travelers and to ease Covid circuit-breaker measures for international flights. Third, several high-profile multi-national events, such as the F1 in Shanghai and the Asian games in Hangzhou, have been scheduled domestically in 2Q23 onward. And lastly, on November 3, a media account under People's Daily cited an expert's view which downplays the symptoms of "Long

Covid” for the first time. All these suggest that the authorities may have kick-started the preparations for the eventual reopening.

■ **China could start to reopen in 2023, subject to a few necessary conditions:**

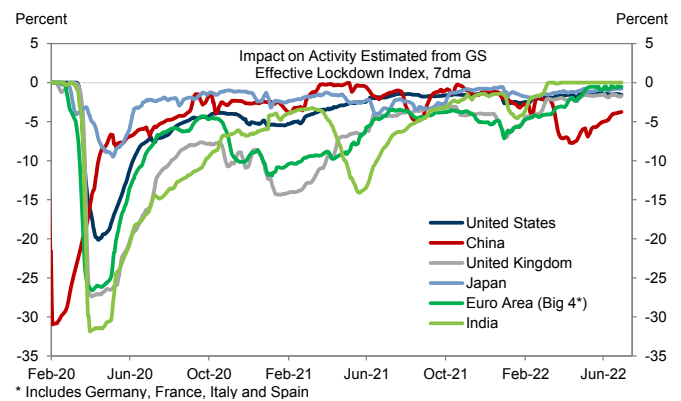
Assuming the prerequisites for reopening including significantly higher elderly vaccination rate, broad accessibility to affordable and effective Covid pills, changes in official communication to alleviate fears of Covid infections among the population, and availability of sufficient medical resources in the case of a major infection wave materialize in the next few months, our economists believe that next spring—after the Lunar New Year peak travel rush and next March’s Two Sessions when the reshuffling of government officials takes place—may be a plausible time for China to finally exit its zero-Covid policy.

Exhibit 1: The absolute number of cases and mortality rate for China have remained low in a global context so far during the pandemic



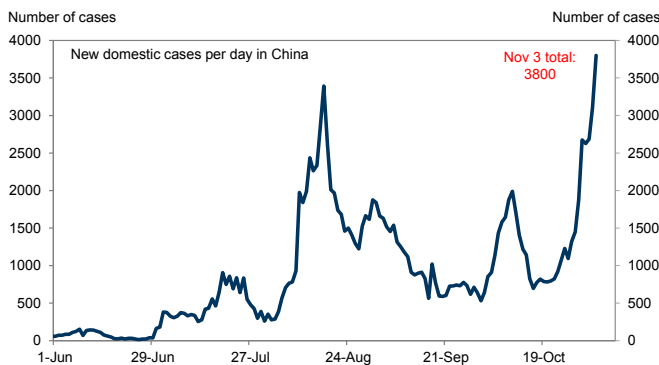
Source: Worldometer, Data compiled by Goldman Sachs Global Investment Research

Exhibit 2: Restrictions still a material drag on China activity



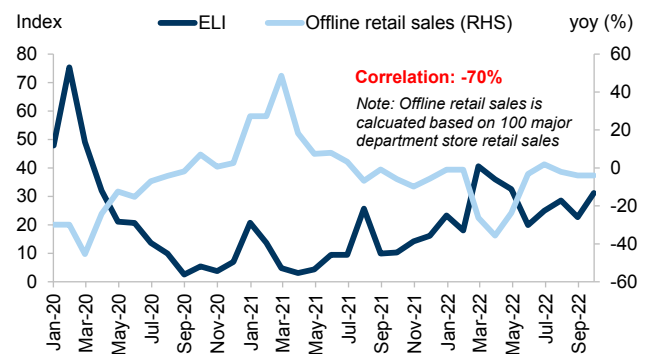
Source: Goldman Sachs Global Investment Research

Exhibit 3: Reported Covid cases have risen sharply over the past weeks

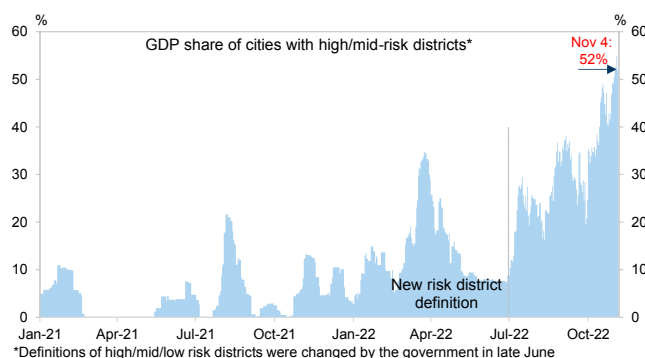


Source: NHC, CEIC

Exhibit 4: Logistic disruptions have stabilized but consumer activity has remained under pressure



Source: Goldman Sachs Global Investment Research, University of Oxford (covidtracker.bsg.ox.ac.uk), Wind

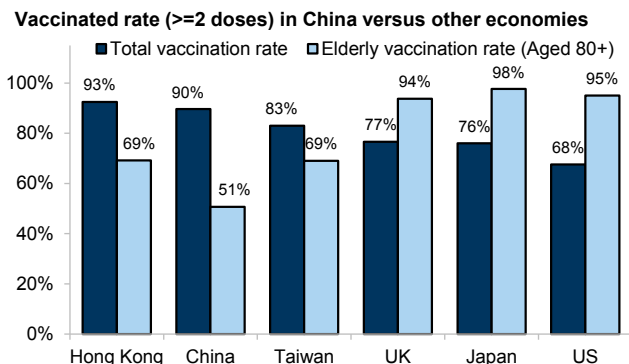
Exhibit 5: Cities with high-/mid-risk districts increased to around 52% of national GDP

Source: NHC, CEIC, Goldman Sachs Global Investment Research

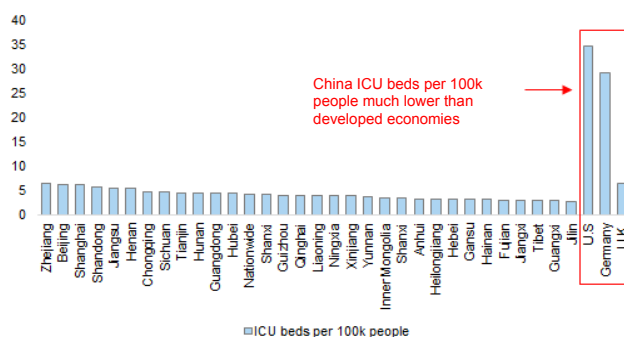
Exhibit 6: A series of high-level policymaker meetings will occur over the next year

Dates (possible)	Key political and policy events
Early Dec 2022	Politburo meeting on 2023 economic policy outlook, preparation for CEWC
Mid Dec 2022	Central Economic Work Conference (CEWC)
Jan/Feb 2023	Second Plenum of the 20th CPC Central Committee
Mar 2023	Two Sessions - NPC and CPPCC
Oct/Nov 2023	Third Plenum of the 20th CPC Central Committee

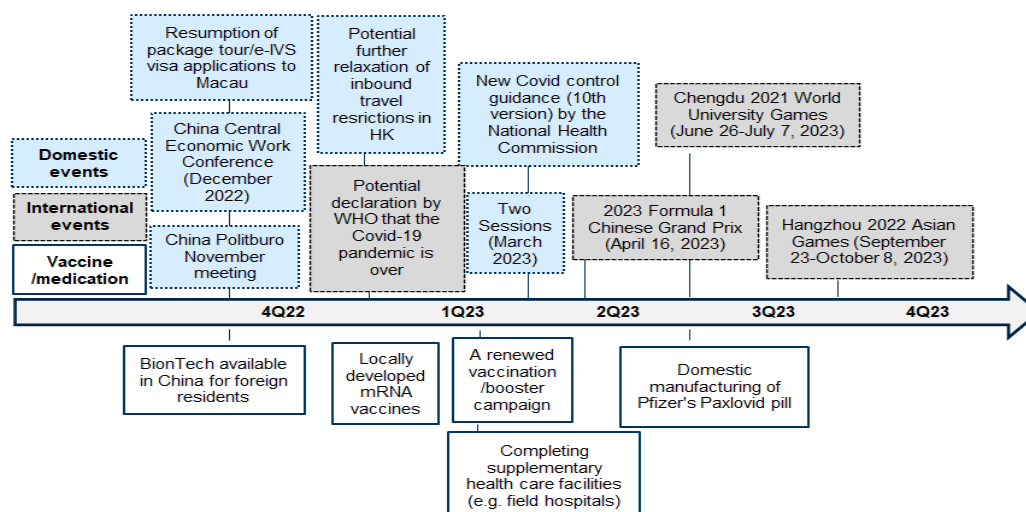
Source: Xinhua, www.gov.cn

Exhibit 7: Elderly vaccination rate in China is lagging that in other major DM and EM economies

Source: NHS, CDC, Statista, Data compiled by Goldman Sachs Global Investment Research

Exhibit 8: Hospital resources and capacity look insufficient in China to handle a major outbreak

Source: Chinese Health Resources: DOI: 10.13688/j.cnki.chr.2021.200805

Exhibit 9: Potential catalysts and key events for China reopening

Source: News Sources, Data compiled by Goldman Sachs Global Investment Research

Exhibit 10: More signs on reopening have emerged in recent weeks, although the ZCP approach has been further emphasized by the authorities

Month	Development in reopening	Development in ZCP
Feb	Imported oral therapies Paxlovid/ PF-07321332 have been authorized as a treatment	Imported oral therapies Paxlovid/ PF-07321332 have been authorized as a treatment
Apr	2 more mRNA vaccines enter the clinical trial stage. Totally, 6 mRNA vaccines have been in the clinical trial stage	Shanghai officially announced all areas are under three-level control President Xi presided over the Politburo meeting and emphasized to adhere to the dynamic zero COVID policy
May	Shanghai announced that the approval system for enterprises to resume work will be exempted since June 1	-
Jun	NHC stated that it is necessary to delineate the scope and frequency of nucleic acid detection. In areas where no epidemic has occurred, nucleic acid testing should not become the norm NHC announced that the quarantine time for close contacts and inbound travelers has been shortened from "14 days of centralized isolation + 7 days of home monitoring" to "7 days of centralized isolation + 3 days of home monitoring" MIT removed asterisk symbol (*), which had appeared in the "Big Data Itinerary Card" of anyone who had travelled to the cities with Covid-19 cases in the previous 14 days, to facilitate intercity movement	People who do not participate in massive testing will be fined
Jul	NMPA gave conditional approval to domestic firm Genuine Biotech's Azvudine pill to treat certain adult patients with COVID-19	The frequency of Covid testing has been increased in many cities, from 5 or 7 days to 2 or 3 days President Xi chaired the July Politburo meeting and reiterated the "Dynamic Zero Covid" policy stance.
Aug	Chinese Customs relaxed the declaration requirements for previous test information, infection status, and vaccination dates. Yet, passengers still need to provide a negative test certificate and quarantine.	A few cities including Sanya, Chengdu has extended lockdowns as the COVID-19 outbreak grows since early August
Sep	Incoming travellers to Hong Kong from Sep 26 will only be required to go through three days of home medical surveillance ("0+3") Macau's Chief Executive, Ho Iat-Seng stated that Macau and Mainland China will resume packaged tour visas and the electronic issuance of e-IVS visas around early Nov, quoted by media (IAG, GGRAsia)	Several of China's biggest cities imposed tougher COVID-19 curbs as of Sep 1. Some districts of Shenzhen extended curbs on public activities, dining out and entertainment venues, but city officials stopped short of a full lockdown
Oct	NDRC and 5 other regulators called for more streamlined facilitation for international travel for foreign company executives, key personnel and their relatives Bureau of Aviation said there will be 840 scheduled flights from Oct 30 till March 25th next year, which is double the flights YoY compared with 2021 Universal Beijing Resort will reopen after the temporarily shutting	Xinjiang government suspended train rail services out of the region to stop the spread of Covid-19. Universal Beijing Resort temporarily closed its theme park, hotels and malls as Covid-19 cases continued to rise in the Chinese capital Shanghai Disney Resort abruptly shut its doors on Oct 31, trapping guests who are not permitted to leave until they test negative for COVID-19
Nov	A media account under People's Daily cited expert's view which downplays the symptoms of Covid sequelae for the first time Chinese authorities will make BioNTech vaccine available to foreigners living in China	Foxconn went into lockdown in mid-October as coronavirus cases rose in Zhengzhou city, which drew public attention in November China NHC reiterated to insist on the Zero Covid policy while guided to control sudden Covid outbreaks with the smallest scope, shortest time and lowest cost

Note: As of Nov 5, 2022

Source: Bloomberg, Reuters, Government websites, Data compiled by Goldman Sachs Global Investment Research

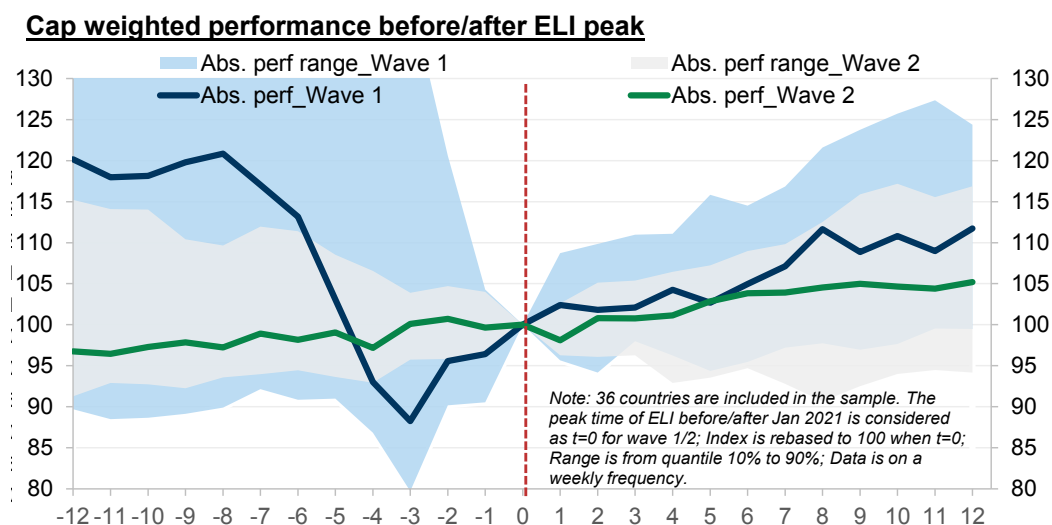
China could rally 20% on (and before) reopening

- Investors have been eagerly looking for policy signposts for reopening during and after the 20th Party Congress. This is understandably so as China reopening could be **one of the most visible, long-awaited, and powerful upside catalysts** for the market aside from the possibility of a (dovish) Fed pivot and/or a cessation of the Russia-Ukraine war, in our view.
- In fact, on a perfect hindsight basis, our cross-country empirical study from 36 markets since 2020 reveals that **equity markets tended to pre-trade the actual implementation of reopening** (as defined by the peak readings of our economists' Effective Lockdown index during the initial and the Delta waves), gaining 5% 1-month before Covid-related disruptions began to dissipate, with the positive momentum generally lasting for 2-3 months.
- Specifically, we estimate the potential reopening impact on equity prices using the following analytical approaches:
 - a. Fundamentally, our economists estimate that reopening with immediate growth impulse in 2023 could add around 1pp to real GDP growth in 2023 but a delayed scenario could subtract 1.8pp from their base-case expectation of 4.5% GDP growth next year. Using these scenarios, we estimate that the full-reopening (vs. no reopening in 2023) could result in **14%-20% incremental upside for the index** (i.e. the return differential between our upside/base case and no-reopening case) via the earnings and valuation channels based on our top-down PE and earnings models.
 - b. Replacing GDP growth with our economists' Effective Lockdown Index (ELI) as the dependent variable in our regression model, we estimate that Chinese equities could see **15%-30% potential gains** in price and valuation terms assuming the ELI to fall to 10 by end-2023 per our economists' base case. Under this approach, we note that the Offshore market could react more favorably to the easing restrictions than A shares, perhaps reflecting the high consumer-oriented sector representation (e.g. online retailing) and comparatively more depressed valuations in the former.
 - c. Applying the "reopening equity beta" from 36 markets/economies during their respective reopening rallies post the Alpha and Beta waves on Chinese stocks, we estimate that **the market could gain 15%** if activity disruptions normalize by end of next year.
- The results from the above three approaches average to about **20% potential reopening upside** for Chinese stocks, ceteris paribus. And if our estimates prove to be correct, **the "reopening benefit" could amount to US\$2.6tn** (US\$13tn of total market cap*20%) in equity market capitalization terms, representing 15% of 2021 nominal GDP using current price and exchange rates. However, the market could see **15% downside from here in a no- or delayed-reopening scenario**.
- Besides potential market response in terms of timing and magnitude, the reopening experiences from the West also yield two important market implications. First,

domestic-oriented, consumer-facing sectors, which are key components to the Reopening Baskets by our US and UK Strategy Team, tend to respond more favorably to the reopening impulse. Second, **domestic reopening** (i.e. reduction of social-distancing, testing, and isolation/lockdown measures), which often preceded relaxation of international travel restrictions, appears more influential to equity market returns.

- **Caveats/other points to note:** 1) light investor positioning and the high level of risk premium in equity price may amplify market reaction to positive reopening signs/catalysts, posing upside risk to our estimates; 2) our sensitivity work does not assume the market to re-rate to its fair value per our macro expectations, and reopening should be an important catalyst to narrow the valuation discounts (around 20% now); 3) the strong equity moves late last week on investors' rising reopening hopes suggest that the market will focus on newsflows and policy signals to frame their reopening expectation until official timeline is given, implying likely elevated market volatility in the months ahead; and, 4) the recovery in consumption demand could be constrained by the lack of significant income transfer programs in China and the ongoing stresses in the housing and labor markets.

Exhibit 11: Equity markets are forward-looking: They usually pre-trade the actual reopening 1 month in advance



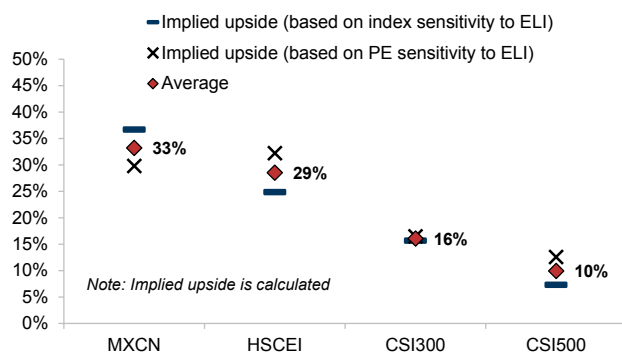
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

Exhibit 12: Reopening boost could translate into 14% incremental index upside via the earnings and valuation channels
Impact of China reopening on MSCI China EPSg/fPE/Index upside

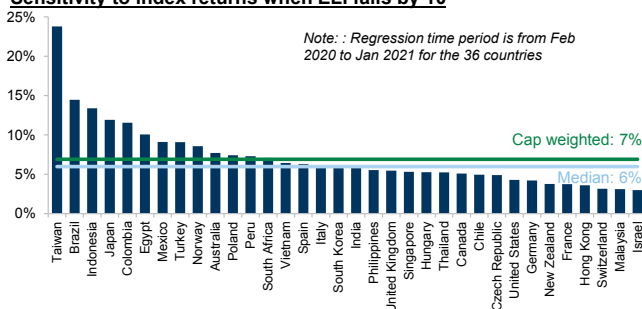
Scenario	2023 China real GDP growth ^A	2023 MXCN EPSg ^{AA}	2023 MXCN fPE ^{AAA}	MXCN Index upside ^{AAAA}
Upside Reopening in 2023Q2 + boost to activity starts immediately	+0.9pp	13% (+5pp)	11.2x (+2pp)	+36% (+7pp)
Baseline Reopening starts in 2023Q2	4.5%	8%	11.0x	+29%
Downside Delayed reopening	-1.8pp	-2% (-10pp)	10.6x (-4pp)	+15% (-14pp)

Note: ^Aplease refer to Global Economics Analyst | Risks to Growth in Europe and China: Mostly Downside, Oct 17, 2022; ^{AA}EPSg was derived from based on two-step macro model on SPsg and Net Margin; ^{AAA}fPE was derived from top-down macro model; ^{AAAA}based on 12-month index target, as of Nov 4, 2022

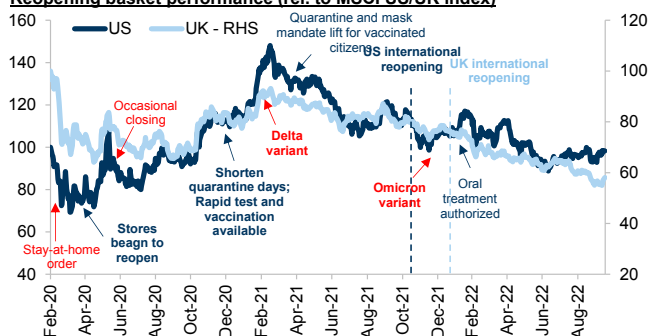
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

Exhibit 13: Activity normalization could boost equity prices and valuations by 20-30% per our economists' Effective Lockdown Index


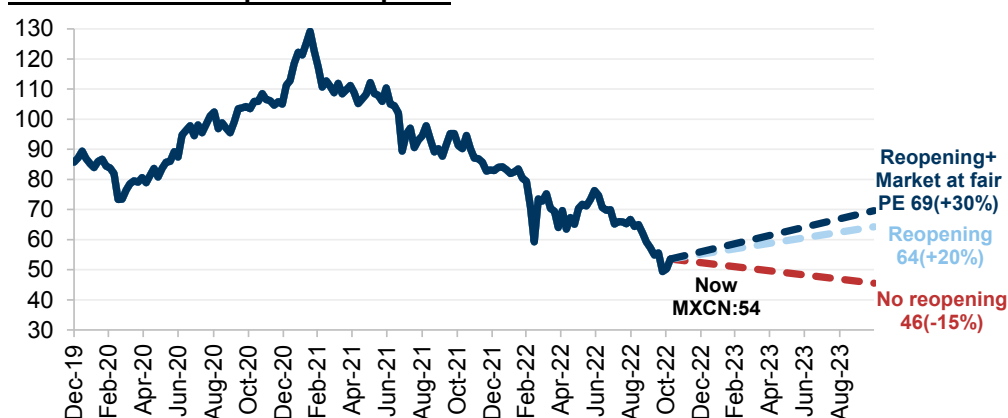
Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 14: A full reopening could drive the market 15% higher based on cross-country empirical observations
Sensitivity to index returns when ELI falls by 10


Source: MSCI, FactSet, Goldman Sachs Global Investment Research

Exhibit 15: Domestic Cyclical and Consumer sectors led the reopening rally in the US and UK when domestic Covid policies softened there
Reopening basket performance (rel. to MSCI US/UK index)


Source: MSCI, FactSet, Goldman Sachs Global Investment Research

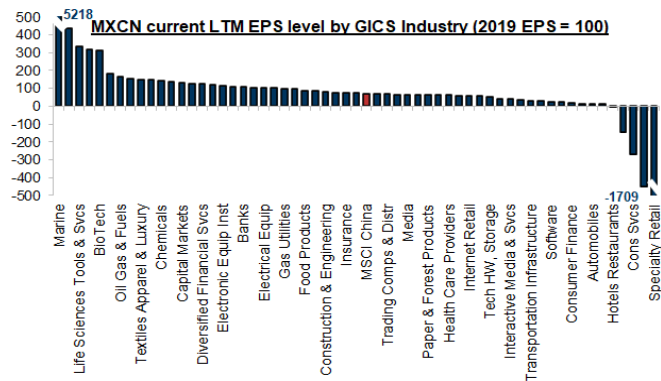
Exhibit 16: China could rally 20% in a full-reopening scenario on our estimate
MSCI China index potential upside


Source: MSCI, FactSet, Goldman Sachs Global Investment Research

Reopening beneficiaries: An attractively-priced call option on reopening hopes

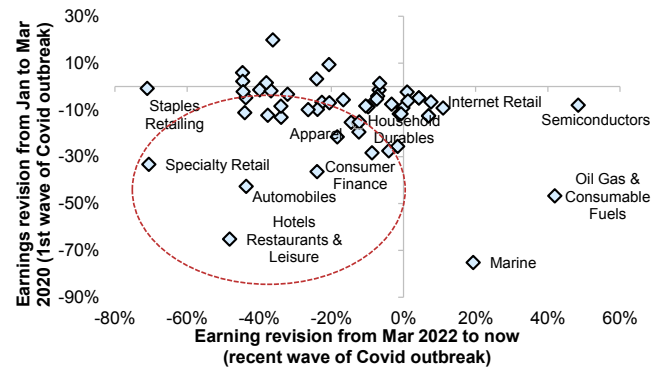
- Our top-down framework of identifying potential reopening beneficiaries revolves mainly around companies and sectors' **returns sensitivity to the change of GS China ELI and offline retail sales**, in addition to their earnings trends (absolute levels and revisions) in the two major outbreak/strict Covid-control periods since 2020.
- Sectorally, we note that Internet Retailing and Online Entertainment tend to outperform when the Covid restrictions tighten (proxied by ELI) and vice versa for Autos, Tech Hardware, Mining, and Transportation, suggesting that the potential further moderation in **logistical and transportation disruptions could disproportionately benefit the manufacturing sector**. Fundamentally, **travel/leisure-related sectors have been hit the most** so far in the pandemic given the nature of their business model, with their revenues still 30% below their respective 2019 levels and their 2022 consensus earnings having been downgraded by 58% ytd. At the other side of the spectrum, select Biotech/Healthcare subsectors have seen upward EPS revisions during the recent outbreak.
- Applying the above parameters at the stock level, **we refresh our Reopening Beneficiaries portfolio** to include 30 names that: 1) thematically belong to sectors that may benefit from relaxation of lockdown measures, mostly in the consumer-related cohorts; 2) are most sensitive to relaxation of lockdown measures and reduction in social-distancing/domestic travel curbs in price returns terms; and, 3) could have the highest positive earnings beta when ELI eases and retail sales activity recovers. To ensure sector balance, the 30 names are split among 10 GICS industries with no individual names representing more than 5% of the weighting in the portfolio.
- Overall, our back-test shows that the Reopening Beneficiaries portfolio has outperformed the index benchmark by 27pp year-to-date and 20pp since July, suggesting that the market has started to price in a normalization in consumer demand ahead of the Party Congress, in our view. That said, the portfolio is trading on 19x 24m Consensus EPS, 0.3x fPEG (-1.5 s.d. relative to its 5Y mean), offering 40% median 2022-2024 EPS CAGR, and the average 2023 EPS integer of the constituents is still significantly below their respective 2019 levels (many in net losses), implying **still-ample room for further valuation and fundamental recovery potential** if reopening momentum gathers pace.

Exhibit 17: Earnings are depressed for many consumer-facing sectors so far in the pandemic era



Source: MSCI, FactSet, Goldman Sachs Global Investment Research

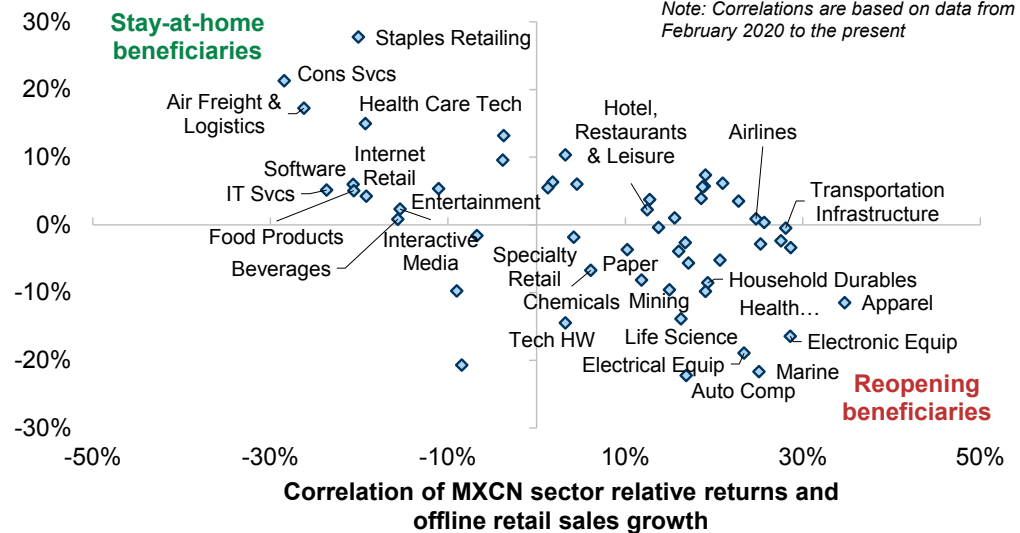
Exhibit 18: Many consumer-facing sectors saw significant downward EPS revisions during the 2 Covid outbreak periods



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 19: Sectors that are positive sensitive to moderation in logistic disruption and improvement in offline retail sales could outperform if reopening gathers steam

Correlation of MXCN sector relative returns and GS Effective Lockdown Index



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

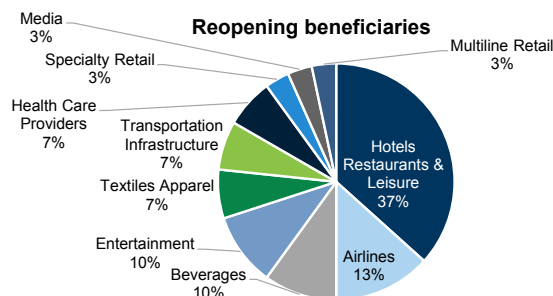
Exhibit 20: GS China Reopening Beneficiaries

Selected industries			Either < -50%		OR	Either < -20%		Top 30		>5mn		Not S				
Ticker	Name	GICS Sub-industry	Stock performance correlation with Effective Lockdown Index		Earning revision during Covid-19 outbreak		Price	Currency	Listed mkt cap (US\$bn)	6M ADVT (US\$mn)	23E EPSg (%)	22-24E EPS CAGR (%)	23E PEG (X)	23E P/E (X)	23E P/B (X)	GS Ratings
			Feb 2020 - now	Mar 2022 - now	Jan-Apr 2020	Mar 2022 - now										
Reopening beneficiaries																
601888 CG	China Tourism Group Duty Free	Specialty Retail	-67%	-79%	-53%	-43%	182.6	CNY	48.7	321	71	49	0.9	28	7.6	B*
2020 HK	ANTA Sports	Textiles Apparel & Luxury Goods	-50%	-18%	-23%	-15%	72.0	HKD	24.9	88	17	21	0.7	18	4.3	B
27 HK	Galaxy Entertainment	Hotels Restaurants & Leisure	-49%	-2%	-70%	NM	40.6	HKD	22.6	52	-	-	0.4	20	2.4	B
600009 CG	Shanghai Int'l Airport	Transportation Infrastructure	-5%	-24%	-56%	NM	58.6	CNY	19.9	106	-	-	1.1	65	3.8	N
9987 HK	Yum China	Hotels Restaurants & Leisure	-73%	-61%	-39%	-32%	373.2	HKD	19.9	25	57	41	1.1	28	2.4	B
291 HK	CR Beer	Beverages	-62%	-69%	-28%	-4%	42.7	HKD	17.6	63	17	21	0.9	24	4.2	B*
9961 HK	Trip.com	Hotels Restaurants & Leisure	-78%	-47%	NM	-50%	199.3	HKD	16.3	26	303	148	0.4	24	1.0	B
1928 HK	Sands China	Hotels Restaurants & Leisure	-32%	-14%	-86%	NM	16.2	HKD	16.7	44	-	-	0.1	41	-	B*
1179 HK	H World	Hotels Restaurants & Leisure	-75%	-48%	-78%	NM	24.8	HKD	10.2	5	-	-	0.8	28	5.7	B
002027 CS	Focus Media	Media	-67%	-42%	-35%	-54%	5.0	CNY	9.9	93	64	40	0.7	14	2.9	B
600115 CG	China Eastern Airlines	Airlines	-37%	-40%	NM	-	5.2	CNY	8.0	20	-	-	0.3	84	3.5	B
600754 CG	Jin Jiang Int'l Hotels	Hotels Restaurants & Leisure	-34%	-61%	-59%	-89%	56.6	CNY	7.1	42	723	238	0.9	35	3.3	B
601021 CG	Spring Airlines	Airlines	-54%	-73%	-62%	NM	55.4	CNY	6.9	26	-	-	0.4	30	3.7	N
600763 CG	Topchoice Medical	Health Care Providers & Services	-64%	-45%	2%	-31%	133.9	CNY	5.9	104	21	24	1.9	51	9.9	N
603885 CG	Juneyao Airlines	Airlines	-16%	-61%	NM	NM	15.5	CNY	4.7	21	-	-	0.3	37	3.2	NC
300144 CS	Songcheng Performance	Hotels Restaurants & Leisure	-52%	-21%	-41%	-90%	13.3	CNY	4.2	55	684	237	0.9	38	4.1	B
780 HK	Tongcheng Travel	Hotels Restaurants & Leisure	-57%	-47%	-42%	-49%	13.9	HKD	3.9	9	75	54	0.5	18	1.7	B
600258 CG	BTG Hotels	Hotels Restaurants & Leisure	-38%	-2%	-84%	NM	23.5	CNY	3.6	38	-	-	0.8	30	2.2	N
753 HK	Air China	Airlines	-10%	-52%	NM	NM	5.9	HKD	3.4	9	-	-	0.1	108	2.1	B
002739 CS	Wanda Film	Entertainment	-40%	-16%	-57%	NM	11.2	CNY	3.2	34	-	-	0.9	21	2.6	NC
600859 CG	Wangfujing	Multiline Retail	-58%	-51%	-33%	-48%	23.7	CNY	3.5	57	25	19	1.5	21	1.3	NC
002568 CS	Bairun	Beverages	-63%	-55%	8%	-57%	35.3	CNY	3.5	50	61	39	2.6	50	7.9	N
000516 CS	Xi'an Int'l Medical Investment	Health Care Providers & Services	-48%	-57%	-	NM	9.1	CNY	2.8	32	-	-	0.8	456	4.2	NC
600977 CG	China Film	Entertainment	-43%	-18%	-65%	-88%	11.0	CNY	2.8	14	771	205	3.5	23	1.7	NC
300251 CS	Beijing Enlight Media	Entertainment	-54%	-45%	-38%	-26%	7.2	CNY	2.7	20	33	26	1.1	21	2.1	CS
9922 HK	Jiunaoju Int'l	Hotels Restaurants & Leisure	-58%	-31%	-61%	-49%	14.2	HKD	2.6	22	120	80	0.6	26	4.7	B
1128 HK	Wynn Macau	Hotels Restaurants & Leisure	-30%	-13%	NM	-	3.7	HKD	2.5	6	-	-	-	-	-	N
000089 CS	Shenzhen Airport	Transportation Infrastructure	-44%	-27%	-65%	NM	6.9	CNY	1.9	12	-	-	0.4	154	1.3	CS
002867 CS	Chow Tai Seng Jewelry	Textiles Apparel & Luxury Goods	-68%	-38%	-10%	-25%	11.9	CNY	1.8	11	18	15	0.7	9	1.8	NC
000669 CS	Changyu Pioneer Wine	Beverages	-71%	-52%	-9%	-48%	27.8	CNY	1.7	7	20	21	1.4	29	1.7	NC
Average			-50%	-40%	-45%	-47%	-	-	9	47	181	75	0.9	53	3.5	-
Median			-53%	-45%	-47%	-48%	-	-	4	29	61	40	0.8	28	3.0	-

Note: Prices as of Nov 3; 23E PEG = 23E PE / 24E EPS growth. "NM" indicates companies with earnings revised down from a positive number to a negative one. GS rating: B=Buy, N=Neutral, NC=Not Covered, CS=Cover Suspended. * indicates Asia Pacific Conviction List.

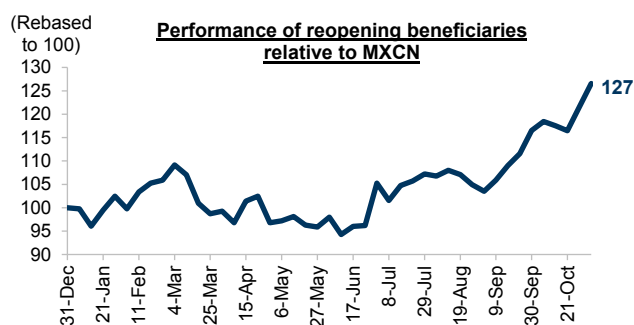
Source: FactSet, IBES, Goldman Sachs Global Investment Research

Exhibit 21: The beneficiaries are mainly concentrated in consumer-facing sectors, notably Hotels, Catering, and Entertainment



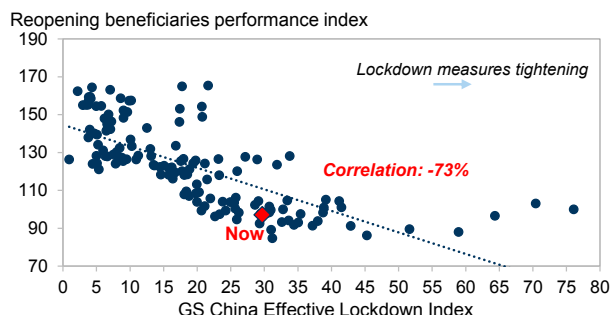
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 23: Reopening beneficiaries have outperformed MXCN by 27% ytd



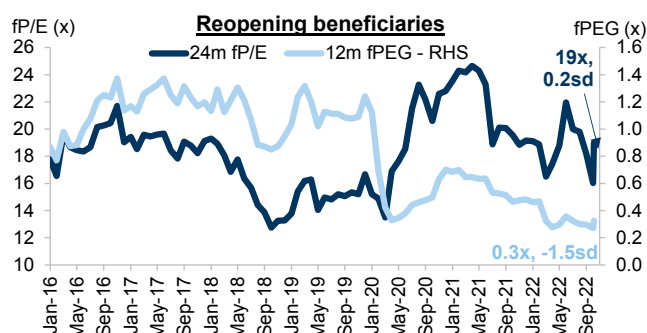
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 22: The performance of Reopening Beneficiaries is well linked with GS China ELI



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 24: Valuations are at the low end of the historical ranges

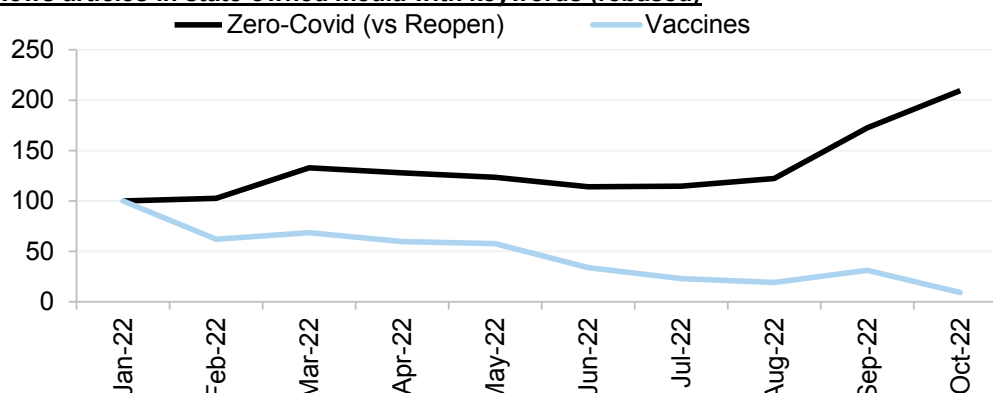


Source: FactSet, Goldman Sachs Global Investment Research

Appendix

Exhibit 25: State-media outlets are still emphasising the adherence to ZCP

News articles in state-owned media with keywords (rebased)



Note: Keywords: Zero-Covid: (清零 or 防控 or 封控 or 隔离 or 静态管理 or 静态管控) and (动态 or 坚持 or 不松懈 or 不动摇 or 可持续 or 攻坚战) not (新增新冠肺炎确诊病例); Reopen: (疫情 or 防控 or 封控 or 隔离 or 静态管理 or 静态管控 or 高风险 or 中风险) and (放开 or 放松 or 解除 or 取消) not (新增新冠肺炎确诊病例); Vaccines: 疫苗 and (接种 or 推广 or 批准 or 激励 or 国产 or 进口) not (新增新冠肺炎确诊病例); based on full texts from Xinhua.net, China Daily, People's Daily, etc.

Source: Factiva, Xinhua, China Daily, People's Daily, Cankao Xiaoxi, Global Times, Data compiled by Goldman Sachs Global Investment Research

Exhibit 26: The Covid normalization journey could be gradual in mainland China based on HK's reopening experience

Dimensions for comparison	US	HK	Mainland China
Quarantine time for inbound travelers	No	Self-medical monitoring for 3 days	7-day centralized quarantine + 3-day home quarantine
Travel restrictions	Need foreign travellers to show proof of being fully vaccinated	Negative rapid antigen test results within 24 hours to take a plane to HK	Negative nucleic acid test results within 48 hours to travel by plane, train, cross-province long-distance bus and ships
Case reporting frequency	Daily	Daily	Daily
Positive cases and close contacts	CDC recommends people with COVID-19 should isolate for 5 days and if they are asymptomatic or their symptoms are resolving (without fever for 24 hours), follow that by 5 days of wearing a mask when around others	People who have positive test results are encouraged to report to the government immediately. The government will consider their home environment and ask them to either quarantine at home or at the designated places	Positive cases must be reported within 2 hours of diagnosis, and transferred to designated medical institutions or makeshift hospitals Close contacts must have centralized quarantine for 7 days + home quarantine for 3 days Close contacts of close contacts must have home quarantine for 7 days
Risk classification	No	No	Places are categorized as high/mid/low-risk areas, subject to different lockdown or control measures
Regular testing requirement	No	Negative rapid antigen test results within 24 hours or negative nucleic acid test results within 48 hours are required to attend a banquet or enter a bar Employees of certain premises, such as fitness centers, event venues, nightclubs and etc. are required to have a rapid antigen test every three days	Daily nucleic acid tests are required for people who have direct contact with inbound travelers and import goods; and people who work in the hospitals and centralized quarantine places People who work in crowds, have frequent contacts, and are highly mobile, are required to have nucleic acid tests twice a week Places with positive cases need to have an immediate nucleic acid test for all the people, followed by sample tests for >20% of the population per day
Mask requirement	No	Yes	Yes
Vaccination requirement	No	Yes, to enter public places	No
Restrictions on gathering	No	<12 people at a table	No

Source: China NHC, HK CHP, US CDC, Data compiled by Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Kinger Lau, CFA, Timothy Moe, CFA, Si Fu, Ph.D. and Kevin Wang, CFA, 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.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

Disclosures

Regulatory disclosures

Disclosures required by United States laws and regulations

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; for equity securities, market making and/or specialist role. Goldman Sachs trades or may trade as a principal in debt securities (or in related derivatives) of issuers discussed in this report.

The following are additional required disclosures: **Ownership and material conflicts of interest:** Goldman Sachs policy prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage.

Analyst compensation: Analysts are paid in part based on the profitability of Goldman Sachs, which includes investment banking revenues. **Analyst as officer or director:** Goldman Sachs policy generally prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director or advisor of any company in the analyst's area of coverage. **Non-U.S. Analysts:** Non-U.S. analysts may not be associated persons of Goldman Sachs & Co. LLC and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with subject company, public appearances and trading securities held by the analysts.

Additional disclosures required under the laws and regulations of jurisdictions other than the United States

The following disclosures are those required by the jurisdiction indicated, except to the extent already made above pursuant to United States laws and regulations. **Australia:** Goldman Sachs Australia Pty Ltd and its affiliates are not authorised deposit-taking institutions (as that term is defined in the Banking Act 1959 (Cth)) in Australia and do not provide banking services, nor carry on a banking business, in Australia. This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act, unless otherwise agreed by Goldman Sachs. In producing research reports, members of the Global Investment Research Division of Goldman Sachs Australia may attend site visits and other meetings hosted by the companies and other entities which are the subject of its research reports. In some instances the costs of such site visits or meetings may be met in part or in whole by the issuers concerned if Goldman Sachs Australia considers it is appropriate and reasonable in the specific circumstances relating to the site visit or meeting. To the extent that the contents of this document contains any financial product advice, it is general advice only and has been prepared by Goldman Sachs without taking into account a client's objectives, financial situation or needs. A client should, before acting on any such advice, consider the appropriateness of the advice having regard to the client's own objectives, financial situation and needs. A copy of certain Goldman Sachs Australia and New Zealand disclosure of interests and a copy of Goldman Sachs' Australian Sell-Side Research Independence Policy Statement are available at: <https://www.goldmansachs.com/disclosures/australia-new-zealand/index.html>. **Brazil:** Disclosure information in relation to CVM Resolution n. 20 is available at <https://www.gs.com/worldwide/brazil/area/gir/index.html>. Where applicable, the Brazil-registered analyst primarily responsible for the content of this research report, as defined in Article 20 of CVM Resolution n. 20, is the first author named at the beginning of this report, unless indicated otherwise at the end of the text. **Canada:** This information is being provided to you for information purposes only and is not, and under no circumstances should be construed as, an advertisement, offering or solicitation by Goldman Sachs & Co. LLC for purchasers of securities in Canada to trade in any Canadian security. Goldman Sachs & Co. LLC is not registered as a dealer in any jurisdiction in Canada under applicable Canadian securities laws and generally is not permitted to trade in Canadian securities and may be prohibited from selling certain securities and products in certain jurisdictions in Canada. If you wish to trade in any Canadian securities or other products in Canada please contact Goldman Sachs Canada Inc., an affiliate of The Goldman Sachs Group Inc., or another registered Canadian dealer. **Hong Kong:** Further information on the securities of covered companies referred to in this research may be obtained on request from Goldman Sachs (Asia) L.L.C. **India:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (India) Securities Private Limited, Research Analyst - SEBI Registration Number INH000001493, 951-A, Rational House, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India, Corporate Identity Number U74140MH2006FTC160634, Phone +91 22 6616 9000, Fax +91 22 6616 9001. Goldman Sachs may beneficially own 1% or more of the securities (as such term is defined in clause 2 (h) the Indian Securities Contracts (Regulation) Act, 1956) of the subject company or companies referred to in this research report. **Japan:** See below. **Korea:** This research, and any access to it, is intended only for "professional investors" within the meaning of the Financial Services and Capital Markets Act, unless otherwise agreed by Goldman Sachs. Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (Asia) L.L.C., Seoul Branch. **New Zealand:** Goldman Sachs New Zealand Limited and its affiliates are neither "registered banks" nor "deposit takers" (as defined in the Reserve Bank of New Zealand Act 1989) in New Zealand. This research, and any access to it, is intended for "wholesale clients" (as defined in the Financial Advisers Act 2008) unless otherwise agreed by Goldman Sachs. A copy of certain Goldman Sachs Australia and New Zealand disclosure of interests is available at: <https://www.goldmansachs.com/disclosures/australia-new-zealand/index.html>. **Russia:** Research reports distributed in the Russian Federation are not advertising as defined in the Russian legislation, but are information and analysis not having product promotion as their main purpose and do not provide appraisal within the meaning of the Russian legislation on appraisal activity. Research reports do not constitute a personalized investment recommendation as defined in Russian laws and regulations, are not addressed to a specific client, and are prepared without analyzing the financial circumstances, investment profiles or risk profiles of clients. Goldman Sachs assumes no responsibility for any investment decisions that may be taken by a client or any other person based on this research report. **Singapore:** Goldman Sachs (Singapore) Pte. (Company Number: 198602165W), which is regulated by the Monetary Authority of Singapore, accepts legal responsibility for this research, and should be contacted with respect to any matters arising from, or in connection with, this research. **Taiwan:** This material is for reference only and must not be reprinted without permission. Investors should carefully consider their own investment risk. Investment results are the responsibility of the individual investor. **United Kingdom:** Persons who would be categorized as retail clients in the United Kingdom, as such term is defined in the rules of the Financial Conduct Authority, should read this research in conjunction with prior Goldman Sachs research on the covered companies referred to herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risks warnings, and a glossary of certain financial terms used in this report, are available from Goldman Sachs International on request.

European Union and United Kingdom: Disclosure information in relation to Article 6 (2) of the European Commission Delegated Regulation (EU) (2016/958) supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council (including as that Delegated Regulation is implemented into United Kingdom domestic law and regulation following the United Kingdom's departure from the European Union and the European Economic Area) with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of

conflicts of interest is available at <https://www.gs.com/disclosures/europeanpolicy.html> which states the European Policy for Managing Conflicts of Interest in Connection with Investment Research.

Japan: Goldman Sachs Japan Co., Ltd. is a Financial Instrument Dealer registered with the Kanto Financial Bureau under registration number Kinsho 69, and a member of Japan Securities Dealers Association, Financial Futures Association of Japan and Type II Financial Instruments Firms Association. Sales and purchase of equities are subject to commission pre-determined with clients plus consumption tax. See company-specific disclosures as to any applicable disclosures required by Japanese stock exchanges, the Japanese Securities Dealers Association or the Japanese Securities Finance Company.

Global product; distributing entities

The Global Investment Research Division of Goldman Sachs produces and distributes research products for clients of Goldman Sachs on a global basis. Analysts based in Goldman Sachs offices around the world produce research on industries and companies, and research on macroeconomics, currencies, commodities and portfolio strategy. This research is disseminated in Australia by Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897); in Brazil by Goldman Sachs do Brasil Corretora de Títulos e Valores Mobiliários S.A.; Public Communication Channel Goldman Sachs Brazil: 0800 727 5764 and / or contatogoldmanbrasil@gs.com. Available Weekdays (except holidays), from 9am to 6pm. Canal de Comunicação com o Público Goldman Sachs Brasil: 0800 727 5764 e/ou contatogoldmanbrasil@gs.com. Horário de funcionamento: segunda-feira à sexta-feira (exceto feriados), das 9h às 18h; in Canada by Goldman Sachs & Co. LLC; in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd.; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs New Zealand Limited; in Russia by OOO Goldman Sachs; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198602165W); and in the United States of America by Goldman Sachs & Co. LLC. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom.

Effective from the date of the United Kingdom's departure from the European Union and the European Economic Area ("Brexit Day") the following information with respect to distributing entities will apply:

Goldman Sachs International ("GSI"), authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA, has approved this research in connection with its distribution in the United Kingdom.

European Economic Area: GSI, authorised by the PRA and regulated by the FCA and the PRA, disseminates research in the following jurisdictions within the European Economic Area: the Grand Duchy of Luxembourg, Italy, the Kingdom of Belgium, the Kingdom of Denmark, the Kingdom of Norway, the Republic of Finland, the Republic of Cyprus and the Republic of Ireland; GS - Succursale de Paris (Paris branch) which, from Brexit Day, will be authorised by the French Autorité de contrôle prudentiel et de résolution ("ACPR") and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers ("AMF") disseminates research in France; GSI - Sucursal en España (Madrid branch) authorized in Spain by the Comisión Nacional del Mercado de Valores disseminates research in the Kingdom of Spain; GSI - Sweden Bankfilial (Stockholm branch) is authorized by the SFSa as a "third country branch" in accordance with Chapter 4, Section 4 of the Swedish Securities and Market Act (Sv. lag (2007:528) om värdepappersmarknaden) disseminates research in the Kingdom of Sweden; Goldman Sachs Bank Europe SE ("GSBE") is a credit institution incorporated in Germany and, within the Single Supervisory Mechanism, subject to direct prudential supervision by the European Central Bank and in other respects supervised by German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and Deutsche Bundesbank and disseminates research in the Federal Republic of Germany and those jurisdictions within the European Economic Area where GSI is not authorised to disseminate research and additionally, GSBE, Copenhagen Branch filial af GSBE, Tyskland, supervised by the Danish Financial Authority disseminates research in the Kingdom of Denmark; GSBE - Sucursal en España (Madrid branch) subject (to a limited extent) to local supervision by the Bank of Spain disseminates research in the Kingdom of Spain; GSBE - Succursale Italia (Milan branch) to the relevant applicable extent, subject to local supervision by the Bank of Italy (Banca d'Italia) and the Italian Companies and Exchange Commission (Commissione Nazionale per le Società e la Borsa "Consob") disseminates research in Italy; GSBE - Succursale de Paris (Paris branch), supervised by the AMF and by the ACPR disseminates research in France; and GSBE - Sweden Bankfilial (Stockholm branch), to a limited extent, subject to local supervision by the Swedish Financial Supervisory Authority (Finansinspektionen) disseminates research in the Kingdom of Sweden.

General disclosures

This research is for our clients only. Other than disclosures relating to Goldman Sachs, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs conducts a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our Global Investment Research Division. Goldman Sachs & Co. LLC, the United States broker dealer, is a member of SIPC (<https://www.sipc.org>).

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and principal trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, principal trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research, unless otherwise prohibited by regulation or Goldman Sachs policy.

The views attributed to third party presenters at Goldman Sachs arranged conferences, including individuals from other parts of Goldman Sachs, do not necessarily reflect those of Global Investment Research and are not an official view of Goldman Sachs.

Any third party referenced herein, including any salespeople, traders and other professionals or members of their household, may have positions in the products mentioned that are inconsistent with the views expressed by analysts named in this report.

This research is focused on investment themes across markets, industries and sectors. It does not attempt to distinguish between the prospects or performance of, or provide analysis of, individual companies within any industry or sector we describe.

Any trading recommendation in this research relating to an equity or credit security or securities within an industry or sector is reflective of the investment theme being discussed and is not a recommendation of any such security in isolation.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options and futures disclosure documents which are available from Goldman Sachs sales representatives or at <https://www.theocc.com/about/publications/character-risks.jsp> and https://www.fiadocumentation.org/fia/regulatory-disclosures_1/fia-uniform-futures-and-options-on-futures-risk-disclosures-booklet-pdf-version-2018. Transaction costs may be significant in option strategies calling for multiple purchase and sales of options such as spreads. Supporting documentation will be supplied upon request.

Differing Levels of Service provided by Global Investment Research: The level and types of services provided to you by the Global Investment Research division of GS may vary as compared to that provided to internal and other external clients of GS, depending on various factors including your individual preferences as to the frequency and manner of receiving communication, your risk profile and investment focus and perspective (e.g., marketwide, sector specific, long term, short term), the size and scope of your overall client relationship with GS, and legal and regulatory constraints. As an example, certain clients may request to receive notifications when research on specific securities is published, and certain clients may request that specific data underlying analysts' fundamental analysis available on our internal client websites be delivered to them electronically through data feeds or otherwise. No change to an analyst's fundamental research views (e.g., ratings, price targets, or material changes to earnings estimates for equity securities), will be communicated to any client prior to inclusion of such information in a research report broadly disseminated through electronic publication to our internal client websites or through other means, as necessary, to all clients who are entitled to receive such reports.

All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is Goldman Sachs responsible for the redistribution of our research by third party aggregators. For research, models or other data related to one or more securities, markets or asset classes (including related services) that may be available to you, please contact your GS representative or go to <https://research.gs.com>.

Disclosure information is also available at <https://www.gs.com/research/hedge.html> or from Research Compliance, 200 West Street, New York, NY 10282.

© 2022 Goldman Sachs.

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of The Goldman Sachs Group, Inc.