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China Equity Strategy | Asia Pacific

Focus List Changes – China/HK

We add Spring Airlines (601021.SS) to our China/HK Focus List and remove Kweichow Moutai (600519.SS) from the list

Adding Spring Airlines (601021.SS): As the largest low-cost carrier in China, Spring Airlines is likely benefit from these trends in China:

1. Stronger growth in service consumption vs. product consumption;
2. Stronger growth in leisure travel demand vs. business travel demand; and
3. Tighter household travel budgets.

Air travel demand has remained resilient despite tariff hits, while supply-side disruptions continue, supporting load factors. Pricing has also shown improvement since May 2025, thanks to Chinese airlines' efforts to improve their pricing power. Management is optimistic about summer peak performance given the better-than-expected Labor Day holiday. Spring Airlines' earnings growth is likely to improve from 2Q25, vs. a relatively soft 1Q25.

Removing Kweichow Moutai (600519.SS) from China/HK Focus List.

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Exhibit 1 : China/HK Focus List Changes

Company Name	Focus List Changes		
	Market	Sector	Ticker
Add	China	China	601021.SS
Remove	China	Industrials Consumer Staples	600519.SS

Source: Morgan Stanley Research

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Focus List and Performance

Exhibit 2: Morgan Stanley China/HK Focus List

Company Name	Ticker	Market	Sector
Alibaba Group Holding	BABA.N	China	Consumer Discretionary
China Resources Power	0836.HK	China	Utilities
China Resources Sanjiu Medical & Pharma	000999.SZ	China	Health Care
China Yangtze Power Co.	600900.SS	China	Utilities
Contemporary Amperex Technology Co. Ltd.	300750.SZ	China	Industrials
Espressif Systems	688018.SS	China	Information Technology
HK Exchanges & Clearing	0388.HK	Hong Kong	Financials
HKT Trust and HKT Ltd.	6823.HK	Hong Kong	Communication Services
NARI Technology	600406.SS	China	Industrials
PetroChina	0857.HK	China	Energy
Pop Mart International Group	9992.HK	China	Consumer Discretionary
Spring Airlines	601021.SS	China	Industrials
Tencent Holdings Ltd.	0700.HK	China	Communication Services
Zijin Mining Group	2899.HK	China	Materials
ZTO Express	ZTO.N	China	Industrials

Source: Morgan Stanley Research

Exhibit 33: Morgan Stanley China/HK Focus List

Company Name	Ticker	Rating	Market	GICS Sector	Mkt Cap (US\$bn)	Date Added	Total US\$ Returns Since Added	12M Total Return Perf.	Last Price	Upside to Target Price	MS P/E		MS P/Book	MS ROE	MS Div. Yld	MS P/Sales	Analyst	
											2024E	2025E						
Alibaba Group Holding	BABA.N	OW	China	Consumer Discretionary	278.3	24-Feb-25	-13.7%	56.6%	117.2	53.6%	17.7x	13.2x	2.0x	11.2%	-	2.1x	Yu, Gary	
China Resources Power	0836.HK	OW	China	Utilities	12.5	10-Apr-25	12.9%	-5.7%	✓	2.6	16.7%	6.7x	6.9x	1.0x	14.5%	5.9%	0.9x	Li, Albert
China Resources Sanjiu Medical & Pharma	000999.SZ	OW	China	Health Care	7.6	18-Aug-24	2.2%	-5.4%	6.0	44.9%	16.0x	13.2x	2.7x	17.0%	3.4%	2.1x	Tam, Laurence	
China Yangtze Power Co.	600900.SS	OW	China	Utilities	95.9	24-Aug-23	45.6%	18.3%	✓	4.2	13.0%	23.2x	20.6x	3.5x	15.2%	2.7%	8.3x	Hou, Eva
Espressif Systems	688018.SS	OW	China	Information Technology	3.0	24-Feb-25	-16.5%	164.1%	26.5	52.6%	64.4x	48.1x	10.0x	15.6%	0.9%	10.9x	Yen, Daniel	
HK Exchanges & Clearing	0388.HK	OW	Hong Kong	Financials	64.7	24-Feb-25	16.5%	52.0%	✓	51.1	12.4%	38.5x	35.3x	9.2x	23.9%	2.3%	22.5x	Xu, Richard
HKT Trust and HKT Ltd.	6823.HK	OW	Hong Kong	Communication Services	11.1	24-Mar-21	45.8%	40.3%	✓	1.5	0.5%	16.9x	16.1x	2.2x	13.2%	7.0%	2.5x	Tang, Tom
NARI Technology	600406.SS	OW	China	Industrials	24.8	13-Jun-19	129.9%	0.3%	✓	3.1	19.5%	23.8x	21.1x	3.7x	15.5%	3.1%	3.2x	Hou, Eva
PetroChina	0857.HK	OW	China	Energy	205.0	16-Apr-24	-5.0%	-12.0%	0.8	31.8%	6.9x	8.4x	0.7x	10.9%	7.6%	0.5x	Lu, Jack	
Pop Mart International Group	9992.HK	OW	China	Consumer Discretionary	38.6	16-Apr-24	652.6%	525.4%	✓	28.7	-0.4%	86.3x	39.7x	26.4x	30.6%	0.1%	21.6x	Wei, Dustin
Spring Airlines	601021.SS	OW	China	Industrials	8.1	2-Jun-25	NA	6.6%	8.2	16.3%	25.9x	22.4x	3.4x	13.1%	1.4%	2.9x	Fan, Qianlei	
Tencent Holdings Ltd.	0700.HK	OW	China	Communication Services	610.8	27-May-24	35.9%	38.4%	✓	65.1	23.4%	23.0x	20.4x	4.5x	19.5%	0.7%	6.8x	Yu, Gary
Zijin Mining Group	2899.HK	OW	China	Materials	64.8	14-Nov-22	87.7%	1.4%	✓	2.3	31.0%	13.8x	10.7x	3.2x	22.9%	1.8%	1.6x	Zhang, Rachel
ZTO Express	ZTO.N	OW	China	Industrials	14.1	8-Mar-23	-24.3%	-22.8%	17.9	35.5%	10.8x	11.8x	1.7x	15.5%	0.0%	2.3x	Fan, Qianlei	

Source: OW = Overweight. ModelWare, RIMES, Factset, Morgan Stanley Research. Data as of May 30, 2025. The US\$ total return of the Morgan Stanley China/HK Equity Strategy Focus List since inception on September 3, 2014 is +48.0% (MSCI China Index total return of +20.7%). This assumes the Focus List constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute return (including dividends) and exclude brokerage commissions. These figures are not audited. Past performance is no guarantee of future results. (X) indicates stock has outperformed MSCI China Index since inclusion in the Focus List.

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	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
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Equal-weight/Hold	1650	44%	372	45%	23%	782	46%
Not-Rated/Hold	4	0%	0	0%	0%	2	0%
Underweight/Sell	602	16%	74	9%	12%	235	14%
Total	3,749		825			1717	

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