

January 5, 2023 09:37 AM GMT

China Equity Strategy | Asia Pacific

Chinese Reopening Beneficiaries Set to Continue to Do Well

Redirected pent-up demand, on-track recovery, and potential allocation inflow should help domestic reopening beneficiaries continue to do well in the near term. We identify 21 single stocks as the most direct beneficiaries of the theme.

Recent rally of foreign stock beneficiaries from China's reopening (shown by the MSREGLCH Index) taking a pause:

The Morgan Stanley Global China Exposure Index (Bloomberg ticker MSREGLCH Index) is a list of 54 global stocks most exposed to China based on their revenue exposure. This group actually troughed before the Chinese market did (on October 12 vs. MSCI China on October 31). It rallied ~20% in November through early Dec (Exhibit 1). However, these stocks have been gradually declining and range-bound especially since mid-December.

Recent global market correction and concerns over China's outbound travel

could be factors: This trend coincided with two developments which may have contributed to the turn of direction. 1) Correction in global equity markets – both MSCI ACWI and the S&P 500 largely started to correct around the same time. Such risk-off sentiment would affect these companies given where they are based. 2) Rising concerns regarding new variant risks for China, and the growing testing/travel restrictions applied by foreign authorities on outbound travel from China. According to [Time.com](https://www.time.com), 14 countries/regions so far have made announcements in that vein, including the US, UK, France, etc. Morocco will ban all travelers from China from entry, effective on January 3, 2023.

Domestic beneficiaries of China's reopening staying resilient regardless:

Exhibit 2 shows that performance of domestic* and foreign reopening beneficiaries has been diverging since early December 2022. Our domestic list's collective performance has outperformed the foreign list by 22ppt since November 11 (announcement of Covid reopening) and by 14ppt since December 1, 2022.

*Domestic beneficiary performance is calculated based on a pro forma equal-weighted portfolio of 59 stocks published in [our 2023 New Year Outlook](#).

We believe these domestic plays will continue to do well: Travel restrictions could remain for longer, directing more demand to domestic beneficiaries. Also, domestic traffic mobility indices (Exhibit 7 and Exhibit 8) show that economic and social activities are steadily picking up nationwide, signaling that a strong 1Q recovery is on track, but is far from full potential. Redirected pent-up demand, earlier/faster economic recovery, and global funds' sizable underweight positions – see [China Equity Strategy: Chinese Equities in 2023 – Leading Global Performance \(3 Jan 2023\)](#) – should drive more flows into these stocks.

The latest lists of our preferred domestic beneficiaries of China's reopening are in Exhibit 9 and Exhibit 10.

MORGAN STANLEY ASIA LIMITED+

Laura Wang
EQUITY STRATEGIST
Laura.Wang@morganstanley.com +852 2848-6853

Jonathan F Garner
EQUITY STRATEGIST
Jonathan.Garner@morganstanley.com +65 6834-8172

Fran Chen, CFA
EQUITY STRATEGIST
Fran.Chen@morganstanley.com +852 2848-7135



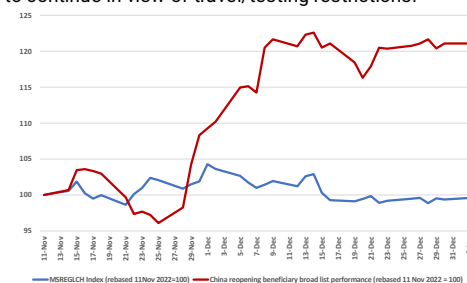
Morgan Stanley appreciates your support in the 2023 Institutional Investor All-Asia Research Team Survey. Request your ballot [here](#).

Exhibit 1: Performance of Morgan Stanley Global China Exposure Index (MSREGLCH) – collectively bottomed out in October 2022 and rallied until mid-December as travel/testing restrictions started to appear



Source: Bloomberg, Morgan Stanley Research. Data as of January 2, 2023.

Exhibit 2: Performance of Morgan Stanley's list of domestic beneficiaries of China's reopening vs. Morgan Stanley Global China Exposure Index (MSREGLCH) – clear divergence since early December, with further accentuation after mid-December. We expect this trend to continue in view of travel/testing restrictions.



Source: Datastream, Morgan Stanley Research, Data as of January 2, 2023.

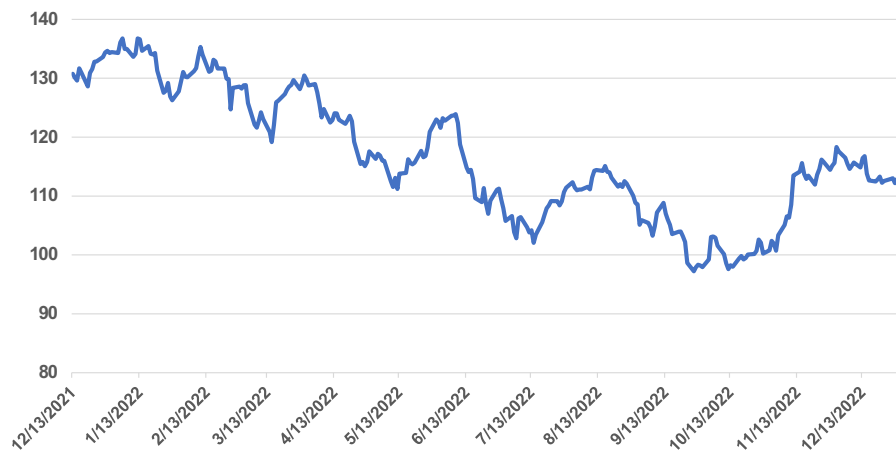
Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

+ = Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

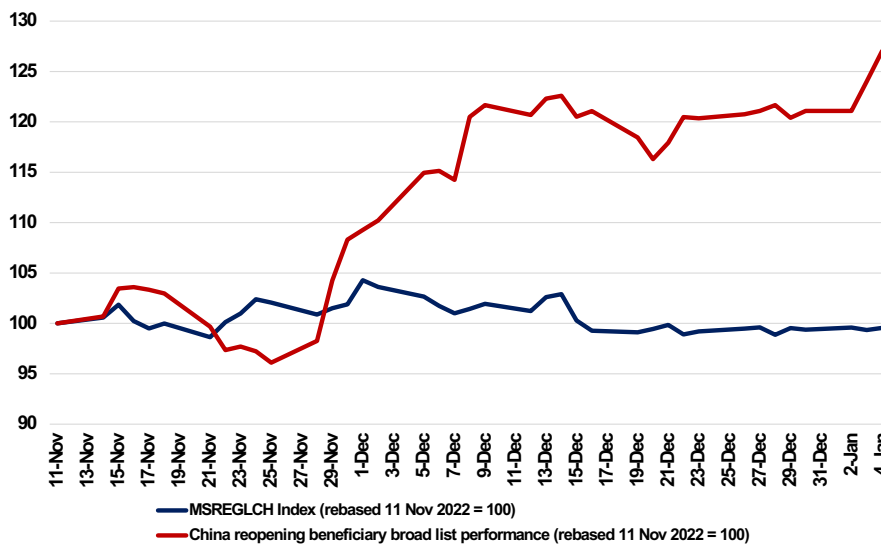
Key Exhibits

Exhibit 3: Performance of Morgan Stanley Global China Exposure Index (MSREGLCH) – collectively bottomed out in October 2022 and rallied until mid-December as travel/testing restrictions started to appear



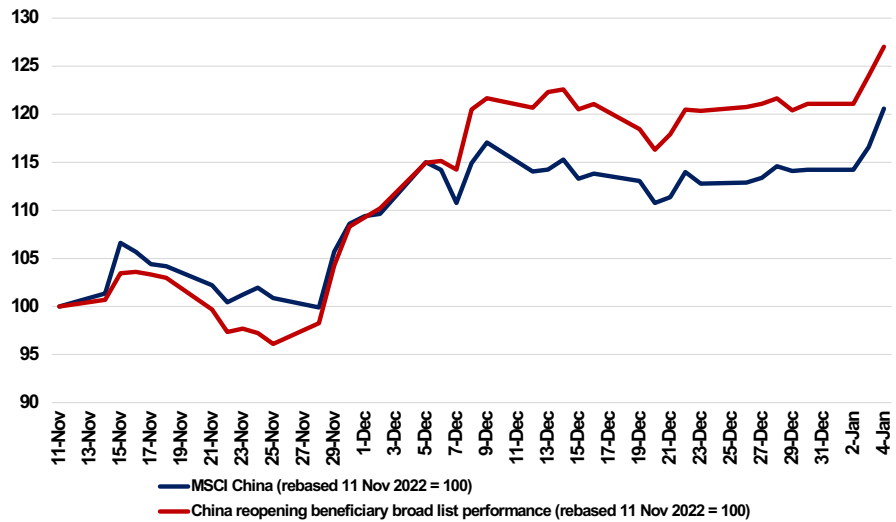
Source: Bloomberg, Morgan Stanley Research. Data as of January 2, 2023. Note: Past performance is no guarantee of future results.

Exhibit 4: Performance of Morgan Stanley's list of domestic beneficiaries of China's reopening vs. Morgan Stanley Global China Exposure Index (MSREGLCH) – clear divergence since early December, with further accentuation after mid-December. We expect this trend to continue in view of travel/testing restrictions.



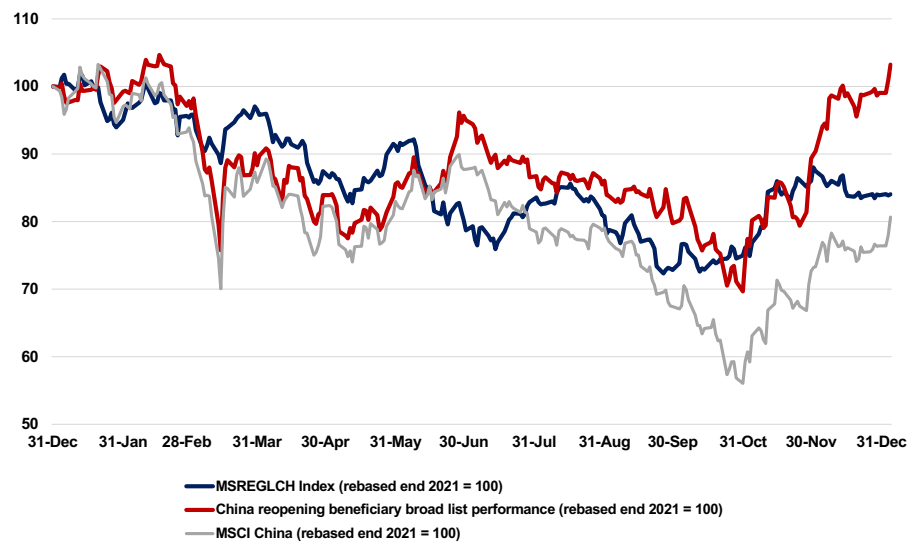
Source: Datastream, Morgan Stanley Research, Data as of January 4, 2023. Note: Past performance is no guarantee of future results.

Exhibit 5: Performance of Morgan Stanley's list of domestic beneficiaries of China's reopening vs. MSCI China – our picks collectively registered 27% absolute performance vs MSCI China returning 21% since publication on November 11, 2022



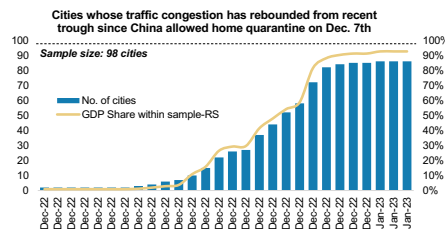
Source: Datastream, Morgan Stanley Research, Data as of January 4, 2023. Note: Past performance is no guarantee of future results.

Exhibit 6: Morgan Stanley Global China Exposure Index vs. MSCI China vs. China's reopening list



Source: Datastream, Morgan Stanley Research, Note: Past performance is no guarantee of future results. Data as of January 4, 2023.

Exhibit 7: Numbers of cities VS GDP share with in Sample-RS



Source: WIND, CEIC, Morgan Stanley Research

Exhibit 8: National mobility stabilized at lows



Source: WIND, CEIC, Morgan Stanley Research

Beneficiaries of China's Reopening

Exhibit 9: Beneficiaries of China's reopening – selective list

Ticker	Company name	GICS sector	Stock rating	Avg daily to		Mkt cap.	EPS Growth (MS estimate)		Upside to target price	ROE		ROIC	
				US\$ m	US\$ bn		2023e	2024e		2023e	2024e	2023e	2024e
BZ.O	Kanzhun Ltd	Communication Services	OW	76	10	87%	41%	26%	13.2%	17.9%	-31.6%	-28.1%	
2020.HK	ANTA Sports Products	Consumer Discretionary	OW	103	37	25%	29%	28%	31.7%	35.4%	47.9%	61.8%	
TCOM.O	Trip.com Group Ltd	Consumer Discretionary	OW	152	26	509%	73%	12%	3.8%	6.4%	4.9%	9.8%	
YUMC.N	Yum China Holdings Inc.	Consumer Discretionary	OW	34	24	65%	12%	17%	12.1%	12.8%	10.2%	10.7%	
2331.HK	Li Ning	Consumer Discretionary	OW	150	22	24%	28%	28%	24.7%	27.6%	277.4%	250.3%	
0881.HK	Zhongsheng Group Holdings	Consumer Discretionary	OW	26	13	12%	13%	10%	19.7%	19.2%	16.7%	18.2%	
MLCO.O	Melco Resorts & Entertainment Ltd	Consumer Discretionary	OW	36	6	62%	206%	13%	MM	MM	2.2%	16.4%	
6110.HK	TopSports International Holdings Ltd	Consumer Discretionary	OW	6	5	-5%	12%	19%	21.9%	24.4%	31.6%	30.1%	
1910.HK	Samsontec International	Consumer Discretionary	OW	12	4	-3%	26%	26%	29.6%	30.8%	13.1%	15.7%	
1448.HK	Fu Shou Yuan International Group Ltd	Consumer Discretionary	OW	3	2	15%	17%	41%	16.1%	16.9%	32.1%	28.9%	
000858.SZ	Wuliangye Yibin Company Ltd.	Consumer Staples	OW	548	100	16%	18%	22%	27.0%	27.5%	115.8%	124.4%	
1876.HK	Budweiser Brewing Company APAC Ltd	Consumer Staples	OW	24	42	23%	22%	16%	10.3%	11.6%	14.2%	17.9%	
0291.HK	China Resources Beer Holdings Co Ltd	Consumer Staples	OW	69	23	27%	22%	16%	19.5%	21.3%	36.4%	47.0%	
2359.HK	WuXi AppTec Co Ltd	Health Care	OW	39	35	14%	23%	107%	18.3%	16.7%	18.6%	18.8%	
2269.HK	WuXi Biologics Cayman Inc	Health Care	OW	229	31	33%	30%	91%	20.1%	21.8%	18.4%	23.0%	
300347.SZ	Hangzhou Tigermend Consulting	Health Care	OW	107	13	19%	25%	28%	12.2%	13.7%	54.3%	71.4%	
3613.HK	Beijing Tongrentang Chinese Medicine	Health Care	OW	1	1	14%	10%	23%	17.7%	17.5%	43.0%	31.2%	
0293.HK	Cathay Pacific Airways	Industrials	OW	11	7	204%	36%	27%	6.9%	9.3%	4.8%	5.7%	
2588.HK	BOC Aviation	Industrials	OW	5	6	15663%	18%	18%	13.8%	14.9%	5.0%	5.2%	
0019.HK	Swire Pacific	Real Estate	OW	11	13	67%	18%	12%	3.8%	4.4%	3.9%	4.2%	
0014.HK	Hysan Development Company Ltd.	Real Estate	OW	3	4	14%	12%	15%	3.0%	3.4%	3.0%	3.3%	

OW = Overweight. Source: ModelWare, FactSet, Morgan Stanley Research. Data as of January 3, 2023. Note: We have selected based on a combination of the sector analyst survey and top-down screening (Overweighted and with equal to and more than 10% upside).

Exhibit 10: Beneficiaries of China's reopening (sorted by sector, then market cap)

Ticker	Company name	GICS sector	Stock rating	Avg daily to		Mkt cap.	EPS Growth (MS estimate)		Upside to target price	ROE		ROIC	
				US\$ m	US\$ bn		2023e	2024e		2023e	2024e	2023e	2024e
002027.SZ	Focus Media Information Technology	Communication Services	EW	116	14,260	38%	29%	(5%)	24.3%	26.7%	-261.7%	-412.2%	
BZ.O	Kanzhun Ltd	Communication Services	OW	76	9,808	87%	41%	26%	13.2%	17.9%	-31.6%	-28.1%	
002739.SZ	Wanda Film Holding Co Ltd	Communication Services	EW	46	4,531	180%	52%	6%	10.9%	14.8%	12.1%	16.2%	
300251.SZ	Beijing Enlight Media	Communication Services	EW	25	3,922	240%	19%	(18%)	8.0%	8.9%	7.9%	9.1%	
600977.SS	China Film Co. Ltd.	Communication Services	EW	22	3,562	112%	34%	(10%)	5.0%	7.5%	14.1%	19.3%	
1060.HK	Alibaba Pictures Group Ltd.	Communication Services	EW	7	2,051	25%	82%	(15%)	2.0%	3.6%	3.3%	6.6%	
300027.SZ	Huayi Brothers Media Corporation	Communication Services	UW	18	1,120	176%	80%	(60%)	4.4%	7.3%	58.9%	96.5%	
0215.HK	HTHKH	Communication Services	EW	1	759	1791%	100%	22%	1.3%	2.7%	3.9%	6.0%	
0315.HK	SmarTone	Communication Services	EW	0	684	0%	2%	4%	8.5%	8.5%	15.8%	16.7%	
1970.HK	IMAX China	Communication Services	EW	0	353	143%	28%	(13%)	13.3%	15.6%	22.7%	29.1%	
3690.HK	Meituan	Consumer Discretionary	OW	734	135,916	1213%	103%	2%	12.4%	23.1%	26.4%	122.7%	
601888.SS	China Tourism Group Duty Free	Consumer Discretionary	OW	342	63,555	71%	22%	0%	26.6%	26.5%	65.9%	67.2%	
2020.HK	ANTA Sports Products	Consumer Discretionary	OW	103	37,217	25%	29%	28%	31.7%	35.4%	47.9%	61.8%	
0027.HK	Galaxy Entertainment	Consumer Discretionary	EW	65	29,944	517%	111%	(2%)	9.5%	18.6%	10.7%	21.2%	
1928.HK	Sands China Ltd.	Consumer Discretionary	OW	56	27,877	82%	77%	2%	MM	MM	2.5%	34.2%	
TCOM.O	Trip.com Group Ltd	Consumer Discretionary	OW	152	25,875	509%	73%	12%	3.8%	6.4%	4.9%	9.8%	
YUMC.N	Yum China Holdings Inc.	Consumer Discretionary	OW	34	23,907	65%	12%	17%	12.1%	12.8%	10.2%	10.7%	
2331.HK	Li Ning	Consumer Discretionary	OW	150	22,272	24%	28%	28%	24.7%	27.6%	277.4%	250.3%	
1929.HK	Chow Tai Fook Jewellery Group Ltd	Consumer Discretionary	EW	13	21,077	14%	24%	3%	22.7%	26.2%	14.7%	15.7%	
HTHT.O	H World Group Ltd	Consumer Discretionary	OW	59	13,360	219%	207%	(2%)	13.8%	39.1%	16.0%	43.3%	
0881.HK	Zhongsheng Group Holdings	Consumer Discretionary	OW	26	13,055	12%	13%	10%	19.7%	19.2%	16.7%	18.2%	
600754.SS	Jin Jiang International Hotels	Consumer Discretionary	OW	48	8,963	4059%	106%	7%	7.9%	15.7%	7.7%	14.6%	
1128.HK	Wynn Macau, Limited	Consumer Discretionary	OW	10	6,149	53%	165%	(13%)	MM	MM	-2.3%	22.6%	
MLCO.O	Melco Resorts & Entertainment Ltd	Consumer Discretionary	OW	36	5,676	62%	206%	13%	MM	MM	2.2%	16.4%	
300144.SZ	Songcheng Performance Development Co Ltd	Consumer Discretionary	EW	66	5,501	817%	70%	(24%)	8.9%	14.1%	10.1%	17.2%	
0780.HK	Tongcheng Travel Holdings	Consumer Discretionary	OW	11	5,243	175%	26%	(12%)	7.3%	9.3%	12.3%	17.3%	
6110.HK	TopSports International Holdings Ltd	Consumer Discretionary	OW	6	5,050	(5%)	12%	19%	21.9%	24.4%	31.6%	30.1%	
9922.HK	Jiumaojia International Holdings Ltd	Consumer Discretionary	OW	30	3,955	114%	55%	(9%)	21.1%	27.1%	131.5%	790.3%	
600258.SS	BTG Hotels Group Co Ltd	Consumer Discretionary	UW	42	3,936	275%	105%	(26%)	5.0%	9.7%	12.1%	24.0%	
9992.HK	Pop Mart International Group	Consumer Discretionary	OW	32	3,887	22%	53%	(12%)	11.3%	15.9%	51.8%	73.9%	
1910.HK	Samsontec International	Consumer Discretionary	OW	12	3,820	31%	26%	26%	29.6%	30.8%	13.1%	15.7%	
1268.HK	China Meidong Auto Holdings Ltd	Consumer Discretionary	OW	9	2,736	26%	14%	(11%)	27.4%	28.3%	29.4%	30.6%	
1448.HK	Fu Shou Yuan International Group Ltd	Consumer Discretionary	OW	3	1,940	15%	17%	41%	16.1%	16.9%	32.1%	28.9%	
600138.SS	China CYTS Tours Holding Co Ltd	Consumer Discretionary	EW	48	1,620	239%	51%	(22%)	6.1%	8.7%	5.2%	7.3%	
3659.HK	China Yongda Automobiles Services	Consumer Discretionary	OW	4	1,452	17%	20%	1%	13.8%	15.2%	12.3%	13.6%	
1896.HK	Maoyan Entertainment	Consumer Discretionary	OW	2	1,352	44%	24%	2%	8.0%	9.3%	10.8%	13.5%	
002292.SZ	Alpha Group	Consumer Discretionary	UW	31	1,036	209%	155%	(46%)	3.3%	8.0%	5.1%	11.4%	
000858.SZ	Wuliangye Yibin Company Ltd.	Consumer Staples	OW	548	100,287	16%	18%	22%	27.0%	27.5%	115.8%	124.4%	
1876.HK	Budweiser Brewing Company APAC Ltd	Consumer Staples	OW	24	42,237	23%	22%	16%	10.3%	11.6%	14.2%	17.9%	
0291.HK	China Resources Beer Holdings Co Ltd	Consumer Staples	OW	69	22,827	27%	22%	16%	19.5%	21.3%	36.4%	47.0%	
6808.HK	Sun Art Retail Group Limited	Consumer Staples	EW	3	3,347	114%	510%	(42%)	0.4%	2.6%	-0.2%	2.8%	
1458.HK	Zhou Hei Ya International Holdings	Consumer Staples	EW	7	1,829	166%	24%	(20%)	9.5%	11.0%	6.6%	8.4%	
2359.HK	WuXi AppTec Co Ltd	Health Care	OW	39	34,622	14%	23%	107%	18.3%	16.7%	18.6%	18.8%	
2269.HK	WuXi Biologics Cayman Inc	Health Care	OW	229	31,263	33%	30%	91%	20.1%	21.8%	18.4%	23.0%	
300347.SZ	Hangzhou Tigermend Consulting	Health Care	OW	107	12,890	19%	25%	28%	12.2%	13.7%	54.3%	71.4%	
1951.HK	Jirixin Fertility Group Ltd	Health Care	OW	20	2,369	52%	30%	(1%)	6.4%	8.0%	6.2%	8.0%	
300347.SZ	Hangzhou Tigermend Consulting	Health Care	OW	1	1,241	14%	10%	23%	17.7%	17.5%	43.0%	31.2%	
0066.HK	MTR Corp.	Industrials	EW	16	30,996	20%	17%	(7%)	7.5%	8.7%	6.4%	7.3%	
0753.HK	Air China Limited	Industrials	UW	12	19,283	114%	65%	(31%)	12.9%	19.3%	4.1%	6.5%	
1055.HK	China Southern Airlines	Industrials	UW	7	16,701	117%	52%	(22%)	6.4%	9.3%	1.3%	2.7%	
600009.SS	Shanghai International Airport	Industrials	UW	124	15,715	68%	393%	(31%)	-3.0%	9.1%	-7.0%	14.1%	
0670.HK	China Eastern Airlines	Industrials	UW	4	12,898	107%	182%	(25%)	6.7%	17.7%	2.7%	4.9%	
601021.SS	Spring Airlines	Industrials	UW	32	8,246	190%	59%	7%	16.6%	22.6%	8.1%	11.6%	
0293.HK	Cathay Pacific Airways	Industrials	OW	11	6,940	204%	36%	27%	6.8%	9.3%	4.8%	5.2%	
2588.HK	BOC Aviation	Industrials	OW	5	5,950	15663%	18%	18%	13.8%	14.9%	5.0%	5.2%	
600004.SS	Guangzhou Baiyun Int'l Airport	Industrials	EW	44	4,996	107%	1687%	(16%)	0.3%	4.7%	-0.4%	5.3%	
600066.SS	Zhengzhou Yutong Bus Co	Industrials	EW	32	2,423	26%	NA	85%	15.8%	NA	41%	NA	
0357.HK	Hainan Meilan International Airport	Industrials	OW	4	1,482	986%	65%	3%	7.5%	11.8%	14.4%	21.1%	
0696.HK	TravelSky Technology	Information Technology	EW	6	6,467	66%	52%	(2%)	5.1%	7.5%	9.5%	15.3%	
002153.SZ	Shiji Info Tech	Information Technology	UW	17	4,684	106%	1009%	(35%)	0.2%	2.0%	-1.4%	2.2%	
1997.HK	Wheat REIC	Real Estate	UW	15	18,058	1%	12%	(33%)	3.3%	3.7%	3.4%	3.7%	
0019.HK	Swire Pacific	Real Estate	OW	11	12,851	67%	18%	12%	3.8%	4.4%	3.9%	4.2%	
0101.HK	Hang Lung Properties Ltd.	Real Estate	OW	10	9,080	27%	7%	5%	3.9%	4.1%	3.5%	3.7%	
0014.HK	Hysan Development Company Ltd.	Real Estate	OW	3	3,542	14%	12%	15%	3.0%	3.4%	3.0%	3.3%	

OW = Overweight. EW = Equal-weight. UW = Underweight. Source: ModelWare, FactSet, Morgan Stanley Research. Data as of January 3, 2023.

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared or are disseminated by Morgan Stanley Asia Limited (which accepts the responsibility for its contents) and/or Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research), and/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International plc, Seoul Branch, and/or Morgan Stanley Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents), and/or Morgan Stanley India Company Private Limited, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105); Stock Broker (BSE Registration No. INB011054237 and NSE Registration No. INB/INF231054231), Merchant Banker (SEBI Registration No. INM000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-372-2014) which accepts the responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research, and their affiliates (collectively, "Morgan Stanley").

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Fran Chen, CFA; Jonathan F Garner; Laura Wang.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictolicies. A Portuguese version of the policy can be found at www.morganstanley.com.br

Important Regulatory Disclosures on Subject Companies

As of December 30, 2022, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: China Resources Beer Holdings Co Ltd, China Tourism Group Duty Free, IMAX China, Li Ning, Meituan, Samsonite International, Trip.com Group Ltd, WuXi Biologics Cayman Inc.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of China MeiDong Auto Holdings Ltd. Within the last 12 months, Morgan Stanley has received compensation for investment banking services from China MeiDong Auto Holdings Ltd, H World Group Ltd, IMAX China, Kanzhun Ltd, Pop Mart International Group, WuXi Biologics Cayman Inc.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Air China Limited, ANTA Sports Products, BOC Aviation, Budweiser Brewing Company APAC Ltd, Cathay Pacific Airways, China Eastern Airlines, China MeiDong Auto Holdings Ltd, China Southern Airlines, Galaxy Entertainment, H World Group Ltd, Hainan Meilan International Airport, Hang Lung Properties Ltd., HTHKH, Huayi Brothers Media Corporation, IMAX China, Jin Jiang International Hotels, Jinxin Fertility Group Ltd, Kanzhun Ltd, Meituan, Melco Resorts & Entertainment Ltd, MTR Corp., Pop Mart International Group, Samsonite International, SmarTone, Sun Art Retail Group Limited, Swire Pacific, Tongcheng Travel Holdings, Topsports International Holdings Ltd, TravelSky Technology, Trip.com Group Ltd, WuXi AppTec Co Ltd, WuXi Biologics Cayman Inc, Zhongsheng Group Holdings, Zhou Hei Ya International Holdings.

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from ANTA Sports Products, BOC Aviation, Chow Tai Fook Jewellery Group Ltd, H World Group Ltd, IMAX China, Meituan, Melco Resorts & Entertainment Ltd, Pop Mart International Group, Samsonite International, SmarTone, Swire Pacific, Tongcheng Travel Holdings, Topsports International Holdings Ltd, Trip.com Group Ltd, Wharf REIC, WuXi AppTec Co Ltd, WuXi Biologics Cayman Inc, Wynn Macau, Limited, Yum China Holdings Inc., Zhongsheng Group Holdings.

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Air China Limited, ANTA Sports Products, BOC Aviation, Budweiser Brewing Company APAC Ltd, Cathay Pacific Airways, China Eastern Airlines, China MeiDong Auto Holdings Ltd, China Southern Airlines, Galaxy Entertainment, H World Group Ltd, Hainan Meilan International Airport, Hang Lung Properties Ltd., HTHKH, Huayi Brothers Media Corporation, IMAX China, Jin Jiang International Hotels, Jinxin Fertility Group Ltd, Kanzhun Ltd, Meituan, Melco Resorts & Entertainment Ltd, MTR Corp., Pop Mart International Group, Samsonite International, SmarTone, Sun Art Retail Group Limited, Swire Pacific, Tongcheng Travel Holdings, Topsports International Holdings Ltd, TravelSky Technology, Trip.com Group Ltd, WuXi AppTec Co Ltd, WuXi Biologics Cayman Inc, Zhongsheng Group Holdings.

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Alibaba Pictures Group Ltd, ANTA Sports Products, BOC Aviation, Cathay Pacific Airways, Chow Tai Fook Jewellery Group Ltd, H World Group Ltd, Hysan Development Company Ltd., IMAX China, Jinxin Fertility Group Ltd, Meituan, Melco Resorts & Entertainment Ltd, Pop Mart International Group, Samsonite International, SmarTone, Swire Pacific, Tongcheng Travel Holdings, Topsports International Holdings Ltd, Trip.com Group Ltd, Wharf REIC, WuXi AppTec Co Ltd, WuXi Biologics Cayman Inc, Wynn Macau, Limited, Yum China Holdings Inc., Zhongsheng Group Holdings.

Morgan Stanley & Co. LLC makes a market in the securities of H World Group Ltd, Kanzhun Ltd, Melco Resorts & Entertainment Ltd, Trip.com Group Ltd. The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues. Equity Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Morgan Stanley trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of the debt research report.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of December 31, 2022)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm. For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1352	37%	278	42%	21%	593	38%
Equal-weight/Hold	1659	45%	309	46%	19%	735	47%
Not-Rated/Hold	3	0%	0	0%	0%	0	0%
Underweight/Sell	651	18%	82	12%	13%	224	14%
TOTAL	3,665		669			1552	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Important Disclosures for Morgan Stanley Smith Barney LLC & E*TRADE Securities LLC Customers

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC or Morgan Stanley or any of their affiliates, are available on the Morgan Stanley Wealth Management disclosure website at www.morganstanley.com/online/researchdisclosures. For Morgan Stanley specific disclosures, you may refer to www.morganstanley.com/researchdisclosures.

Each Morgan Stanley research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC and E*TRADE Securities LLC. This review and approval is conducted by the same person who reviews the research report on behalf of Morgan Stanley. This could create a conflict of interest.

Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of BOC Aviation, Meituan, Sands China Ltd., Swire Pacific, Wynn Macau, Limited, Zhou Hei Ya International Holdings.

Morgan Stanley Research policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions. Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>. Morgan Stanley Research is provided to our clients through our proprietary research portal on Matrix and also distributed electronically by Morgan Stanley to clients. Certain, but not all, Morgan Stanley Research products are also made available to clients through third-party vendors or redistributed to clients through alternate electronic means as a convenience. For access to all available Morgan Stanley Research, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Any access and/or use of Morgan Stanley Research is subject to Morgan Stanley's Terms of Use (<http://www.morganstanley.com/terms.html>). By accessing and/or using Morgan Stanley Research, you are indicating that you have read and agree to be bound by our Terms of Use (<http://www.morganstanley.com/terms.html>). In addition you consent to Morgan Stanley processing your personal data and using cookies in accordance with our Privacy Policy and our Global Cookies Policy (http://www.morganstanley.com/privacy_pledge.html), including for the purposes of setting your preferences and to collect readership data so that we can deliver better and more personalized service and products to you. To find out more information about how Morgan Stanley processes personal data, how we use cookies and how to reject cookies see our Privacy Policy and our Global Cookies Policy (http://www.morganstanley.com/privacy_pledge.html).

If you do not agree to our Terms of Use and/or if you do not wish to provide your consent to Morgan Stanley processing your personal data or using cookies please do not access our research.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

The "Important Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

Morgan Stanley may make investment decisions that are inconsistent with the recommendations or views in this report.

To our readers based in Taiwan or trading in Taiwan securities/instruments: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Any non-customer reader within the scope of Article 7-1 of the Taiwan Stock Exchange Recommendation Regulations accessing and/or receiving Morgan Stanley Research is not permitted to provide Morgan Stanley Research to any third party (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities regarding Morgan Stanley Research which may create or give the appearance of creating a conflict of interest. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

Certain information in Morgan Stanley Research was sourced by employees of the Shanghai Representative Office of Morgan Stanley Asia Limited for the use of Morgan Stanley Asia Limited.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. Neither this report nor any part of it is intended as, or shall constitute, provision of any consultancy or advisory service of securities investment as defined under PRC law. Such information is provided for your reference only.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A. located at Av. Brigadeiro Faria Lima, 3600, 6th floor, São Paulo - SP, Brazil; and is regulated by the Comissão de Valores Mobiliários; in Mexico by Morgan Stanley México, Casa de Bolsa, S.A. de C.V. which is regulated by Comisión Nacional Bancaria y de Valores. Paseo de los Tamarindos 90, Torre 1, Col. Bosques de las Lomas Floor 29, 05120 Mexico City; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents) and by Morgan Stanley Bank Asia Limited; in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and by Morgan Stanley Bank Asia Limited, Singapore Branch (Registration number T14FC0118J); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited; in Germany and the European Economic

Area where required by Morgan Stanley Europe S.E., authorised and regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin) under the reference number 149169; in the US by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. RMB Morgan Stanley Proprietary Limited is a member of the JSE Limited and A2X (Pty) Ltd. RMB Morgan Stanley Proprietary Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited. The information in Morgan Stanley Research is being disseminated by Morgan Stanley Saudi Arabia, regulated by the Capital Market Authority in the Kingdom of Saudi Arabia, and is directed at Sophisticated investors only.

Morgan Stanley Hong Kong Securities Limited is the liquidity provider/market maker for securities of ANTA Sports Products, Budweiser Brewing Company APAC Ltd, Cathay Pacific Airways, China Resources Beer Holdings Co Ltd, China Southern Airlines, Galaxy Entertainment, Jinxin Fertility Group Ltd, Jiumaojiu International Holdings Ltd, Li Ning, Meituan, MTR Corp., Sands China Ltd., Sun Art Retail Group Limited, Trip.com Group Ltd, WuXi Biologics Cayman Inc listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client. A distribution of the different MS Research ratings or recommendations, in percentage terms for Investments in each sector covered, is available upon request from your sales representative.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided exclusively to persons based on their risk and income preferences by the authorized firms. Comments and recommendations stated here are general in nature. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Indicators and trackers referenced in Morgan Stanley Research may not be used as, or treated as, a benchmark under Regulation EU 2016/1011, or any other similar framework.

The issuers and/or fixed income products recommended or discussed in certain fixed income research reports may not be continuously followed. Accordingly, investors should regard those fixed income research reports as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or individual fixed income products.

Morgan Stanley may hold, from time to time, material financial and commercial interests regarding the company subject to the Research report.

© 2023 Morgan Stanley