Morgan Stanley | RESEARCH

IDEA

July 29, 2026 03:01 AM GMT

China Industrials | Asia Pacific

2Q26 Automation Market – Growth Accelerating

The OEM market growth accelerated notably while the project market remained muted in 2Q. Core product sales saw growth acceleration on AI and broader downstream resilience (e.g., battery, logistics, electronics, robots), and leading local players continued to gain share.

2Q26 sales by product – key FA products all saw sustained growth acceleration: In 2Q26, sales of low-voltage (LV) AC drive, servo, small PLC, mid-large PLC and industrial robots rose 7%, 25%, 15%, 14% and 17% y-y, respectively, vs. 4%, 17%, 14%, 11% and 14% y-y in 1Q26. MIR raised its 2026 estimates for overall automation market sales growth (+5% y-y vs. +2% y-y previously), and for some FA products such as servo (+21% y-y vs. +17% y-y previously), PLC (+11% y-y vs. +9% y-y previously), industrial robot (+14% y-y vs. +12% y-y previously), etc. This implies +5% y-y growth for the overall market into 2H vs. +4% y-y in 1H. *(See details in Exhibit 2)*

By downstream, recovery appears to be on broader basis: Industries such as battery, electronics, semi, and robots saw growth accelerate. Logistics, machine tool, and textile sustained decent growth momentum. Process industries (e.g., chemical, metallurgy) and elevator demand stayed relatively soft. Solar turned to slightly positive y-y growth YTD.

Local brands continued to outperform: Market shares of local brands of LV AC drives, servos, small PLC, mid-large PLC and industrial robots reached 42%, 59%, 39%, 17% and 61% in 2Q26, respectively, up 1ppt, 4ppt, 4ppt, 1ppt and 5ppt, y-y. Estun was the No.1 industrial robot maker in China in terms of shipments in 2Q26, with 9.9% market share.

Automation up-cycle reaffirmed: We expect automation to benefit from a broadening capex cycle, and project ~5% y-y growth in 2026 led by: 1) tech-driven demand - AI and physical AI applications, such as intelligent robots, PCB equipment, liquid cooling, electronics, etc.; 2) growing energy security demand; 3) replacement demand kicking in, with possible acceleration on rapid technology iteration; and 4) equipment companies' increasing export competitiveness. We prefer Hongfa (600885.SS) on strong order momentum, AIDC 800V architecture opportunity and attractive valuation, and Bochu (688188.SS) on manufacturing capex recovery, structural laser penetration, new products and end-market expansion.

MORGAN STANLEY ASIA LIMITED+

Sheng Zhong
Equity Analyst
Sheng.Zhong@morganstanley.com +852 2239-7821

Chelsea Wang
Equity Analyst
Jinlin.Wang@morganstanley.com +852 2239-1118

Andy Huang
Research Associate
Huang.Andy@morganstanley.com +852 3963-4023

Carlos Chai
Research Associate
Carlos.Chai@morganstanley.com +852 3963-3180

CHINA INDUSTRIALS
Asia Pacific
Industry View **In-Line**

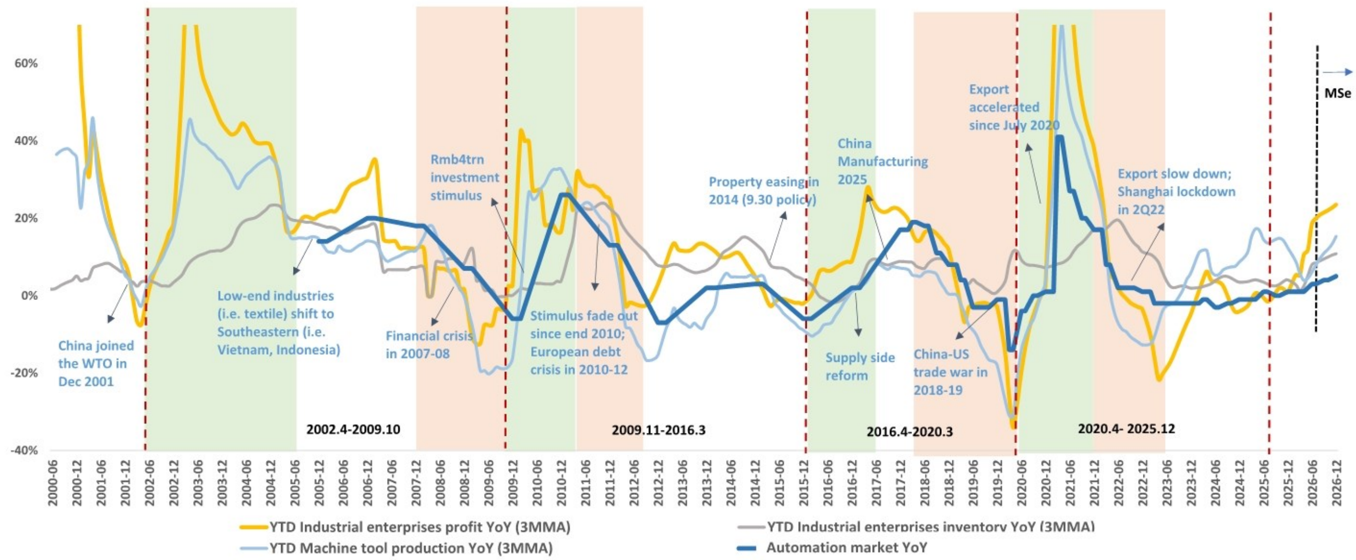
Exhibit 1 : MIR forecast – by OEM/project market

	2Q25	2Q26	y-y	1H25	1H26	y-y	2026e	y-y
Automation market	87,588	92,603	6%	177,213	184,638	4%	359,276	5%
--OEM market	32,381	37,852	17%	64,726	72,579	12%	135,158	9%
--Project market	55,207	54,751	-1%	112,487	112,059	0%	224,118	2%

Source: MIR data/estimates, Morgan Stanley Research

Key Charts

Exhibit 2: The industrial enterprise profit's gradual recovery echoes our view that automation capex will be in an up-cycle in 2026



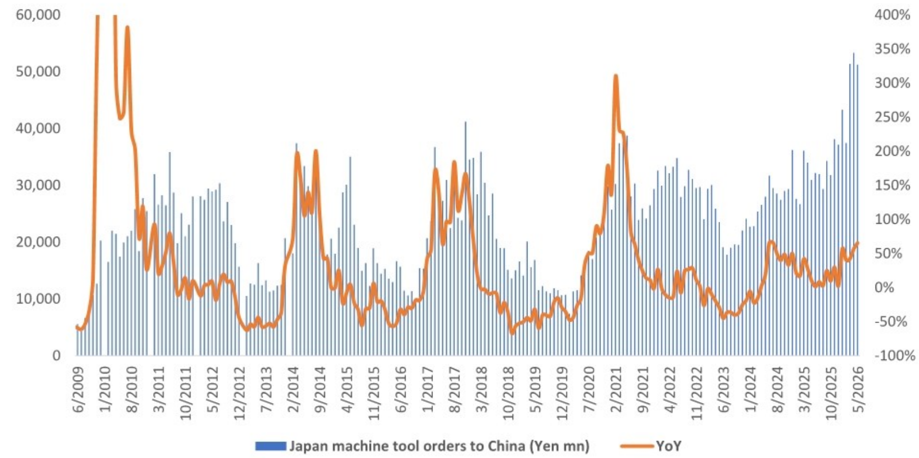
Source: NBS. MIR, Morgan Stanley Research estimates

Exhibit 3: 2Q26 automation market by downstream segment and key domestic players' shares

Rmb mn	2Q25	2Q26	y-y	1H25	1H26	y-y	Key players 2Q26 m/s	y-y	2026E	y-y
Low-voltage AC drive	7,244	7,715	7%	14,614	15,380	5%	ABB 17.2%	+1.0ppt	29,506	3%
							Siemens 12.9%	-0.2ppt		
							INVT 5.4%	-0.2ppt		
Servo	5,782	7,204	25%	11,262	13,604	21%	Siemens 10.7%	-0.6ppt	26,976	21%
							Panasonic 7.5%	-0.3ppt		
							Yaskawa 5.8%	-1.5ppt		
							Leadshine 5.4%	+1.2ppt		
							Delta 5.2%	-0.7ppt		
							Wuxi Xinjie 4.6%	+0.7ppt		
Small PLC	1,512	1,732	15%	2,955	3,383	14%	Siemens 29.6%	-1.1ppt	6,849	12%
							Wuxi Xinjie 11.7%	+0.2ppt		
Mid-large PLC	2,600	2,961	14%	5,286	5,938	12%	Siemens 51.3%	-1.2ppt	10,874	8%
							Omron 9.7%	+1.8ppt		
Industrial robots (unit)	86,090	100,806	17%	162,871	188,612	16%	Estun 9.9%	-0.3ppt	382,122	14%
							KUKA 9.8%	+0.6ppt		
							Fanuc 8.0%	-1.0ppt		
							ABB 4.1%	-1.3ppt		
							Epson 5.6%	-0.7ppt		
							Efort 6.3%	+0.9ppt		
--<20kg 6-axis	*27,025*	*31,167*	*15%*	*51,215*	*58,537*	*14%*	-	-	*113,557*	*12%*
-->20kg 6-asis	*24,725*	*27,470*	*11%*	*49,832*	*53,352*	*7%*	-	-	*113,171*	*7%*
--SCARA	*21,495*	*24,205*	*13%*	*39,615*	*46,565*	*18%*	-	-	*92,437*	*15%*
--Cobot	*11,250*	*16,320*	*45%*	*19,185*	*26,970*	*41%*	-	-	*56,168*	*40%*

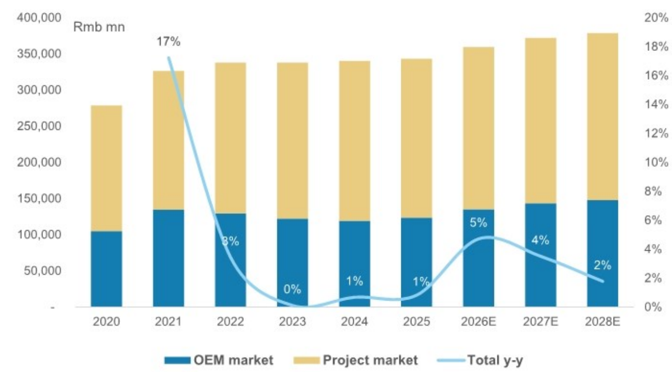
Source: MIR data, Morgan Stanley Research. E = MIR estimates.

Exhibit 4: Japan machine tool orders to China continued to build momentum



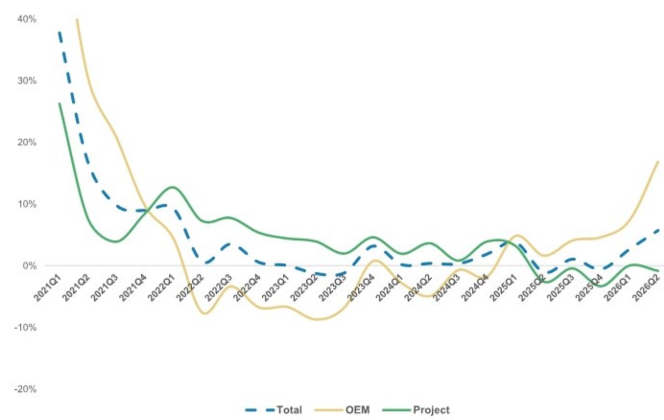
Source: JMTBA, Morgan Stanley Research

Exhibit 5: 2025 automation market fell 1% y-y; MIR sees full-year 2026 improving to +5% y-y



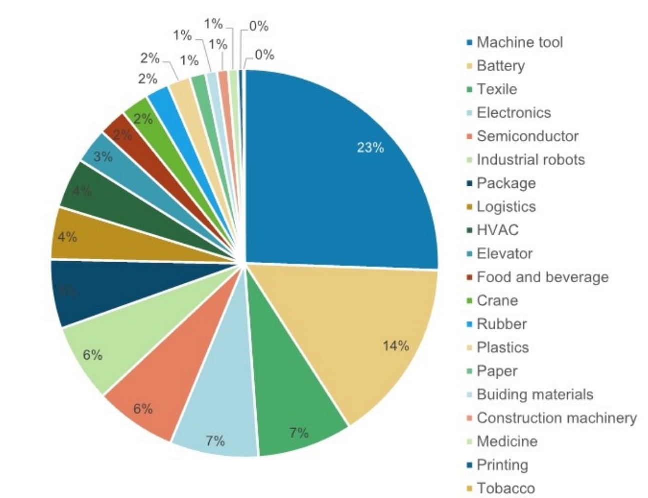
Source: MIR, Morgan Stanley Research. e = MIR estimates

Exhibit 6: China's automation market accelerated to +6% y-y in 2Q26, mainly driven by OEM market



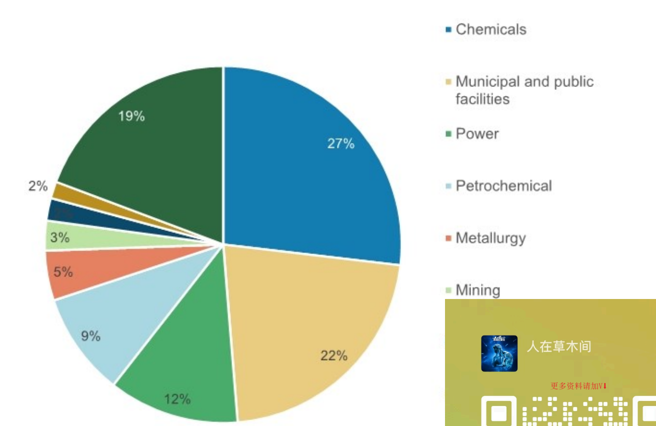
Source: MIR, Morgan Stanley Research

Exhibit 7: China's automation OEM market by downstream segment, in 2Q26



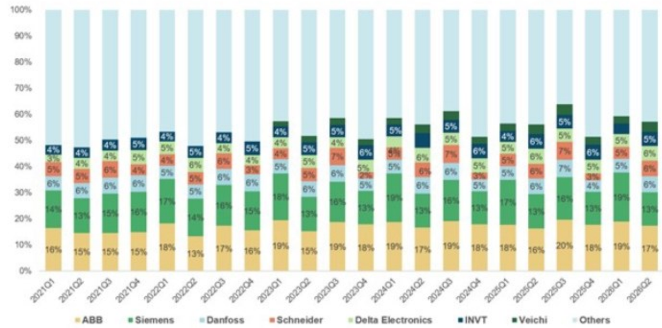
Source: MIR, Morgan Stanley Research

Exhibit 8: China's automation project market by downstream segment, in 2Q26



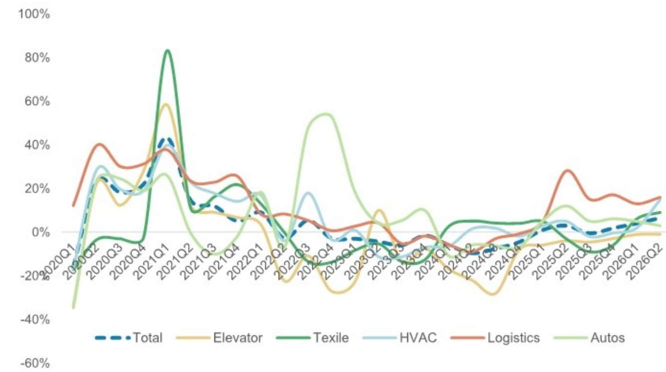
Source: MIR, Morgan Stanley Research

Exhibit 9: China's LV AC drive market: Localization rate reached 42% in 2Q26, up 1ppt y-y



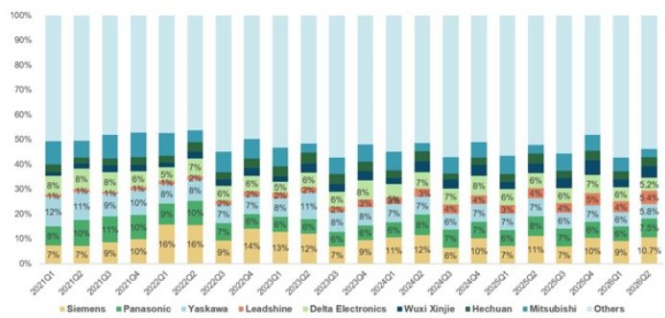
Source: MIR, Morgan Stanley Research

Exhibit 10: China's 2Q26 LV AC drive market grew 7% y-y, among which logistics and HVAC outperformed



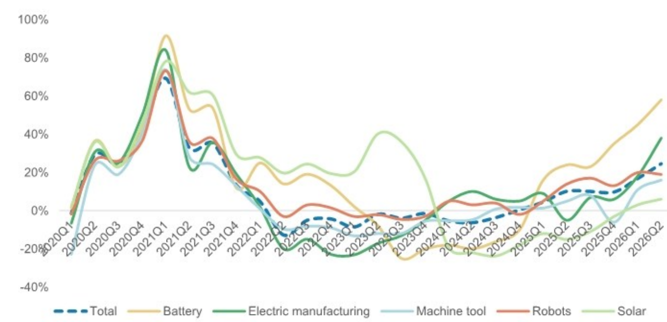
Source: MIR, Morgan Stanley Research

Exhibit 11: China's servo market: Localization rate reached 59% in 2Q26, up 4ppt y-y



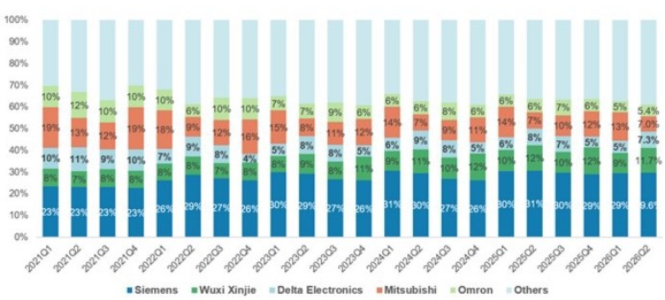
Source: MIR, Morgan Stanley Research

Exhibit 12: China's 2Q26 servo market grew 25% y-y, supported by battery, electronics and semiconductor



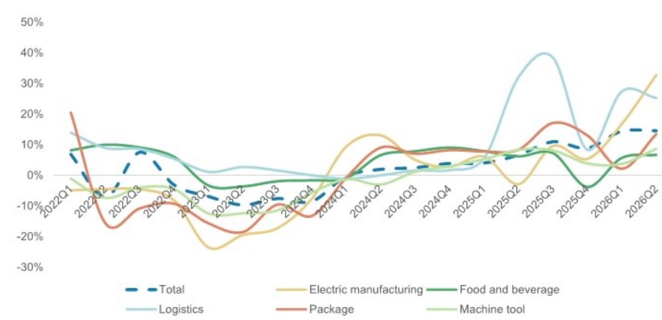
Source: MIR, Morgan Stanley Research

Exhibit 13: China's small PLC market: Localization rate reached 39% in 2Q26, up 4ppt y-y



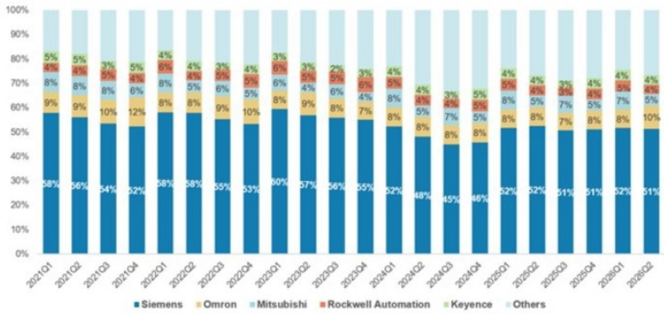
Source: MIR, Morgan Stanley Research

Exhibit 14: China's small PLC market grew 15% y-y in 2Q26, supported by logistics, electronics, battery, semiconductor



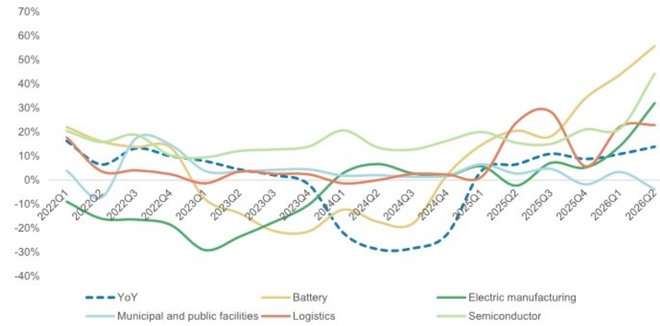
Source: MIR, Morgan Stanley Research

Exhibit 15: China's mid-large PLC market: local brands share is still relatively low at 17% in 2Q26, up 1ppt y-y



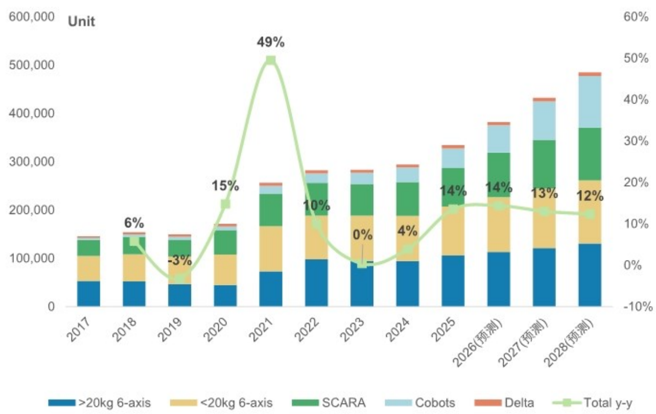
Source: MIR, Morgan Stanley Research

Exhibit 16: China's mid-large PLC market grew 14% y-y in 2Q26, supported by battery and electronics



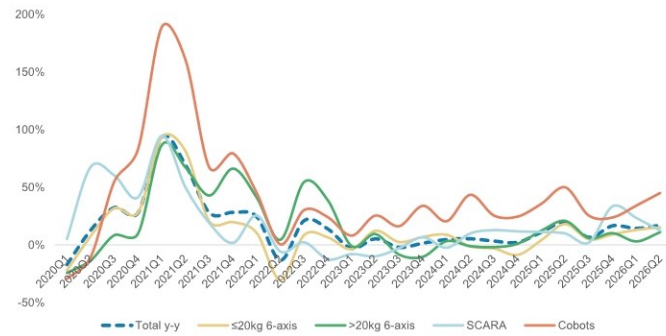
Source: MIR, Morgan Stanley Research

Exhibit 17: China's industrial robot shipments grew 14% y-y in 2025; MIR estimates 14% y-y rise in 2026



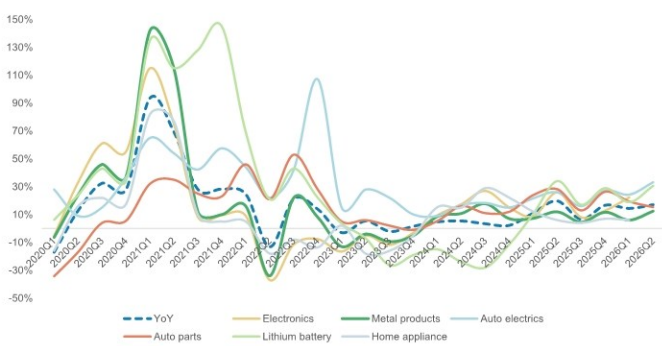
Source: MIR, Morgan Stanley Research. e=MIR estimates

Exhibit 18: In 2Q26, industrial robots shipment grew 17% y-y; cobots outperformed with 45% y-y growth



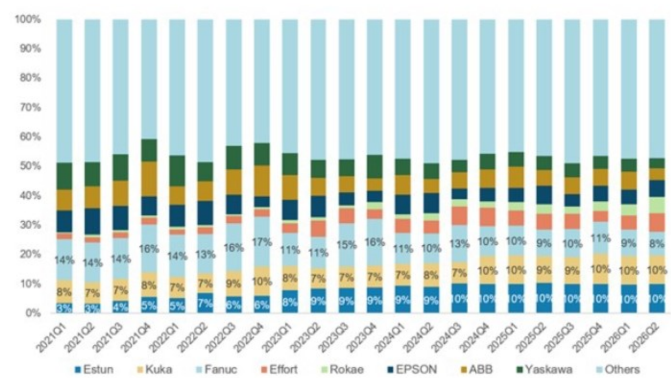
Source: MIR, Morgan Stanley Research

Exhibit 19: Growth in robot shipments in 2Q26 was mainly supported by battery, electronics, auto electronics, semiconductor



Source: MIR, Morgan Stanley Research

Exhibit 20: China's industrial robots market share dynamics - localization further exceeded 60% in 2Q26



Source: MIR, Morgan Stanley Research

Valuation Methodology and Risks

Hongfa Technology Co Ltd (600885.SS)

Base case, P/E. We apply FY2 P/E multiple of 25x to 2027e EPS. This is largely in line with the historical average + 1sd, reflecting our positive view on Hongfa's strong global business presence, diversified downstream exposure, and continued market share gains supported by rapid product iteration.

Risks to Upside

- Faster-than-expected growth in AIDC, ESS and new electrical products
- Faster-than-expected commodity price decline
- Faster-than-expected adoption of 800V products

Risks to Downside

- More intense price competition and rising raw material costs, hampering Hongfa's margin
- Sharp decline in China's property market, resulting in weak home appliance consumption
- Downturn in global EV demand

Shanghai BOCHU Electronic Technology (688188.SS)

Base case, derived from P/E methodology. Our target multiple is 30x 2027e P/E, this is largely in-line with Inovance, given Bochu's dominant position in laser cutting motion control system, but it's still below Bochu's 5-year historical average FY2 P/E of 36x due to our expectation of slower revenue growth in 2026-27.

Risks to Upside

- Better-than-expected market share gains in high-power MCS market.
- Faster-than-expected market expansion in welding MCS market.

Risks to Downside

- Narrowing demand for low- to mid-power equipment.
- Margin pressure from intensified competition in the low- to mid-power market.
- Unfavorable product mix.

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 having Corporate Identification No (CIN) U22990MH1998PTC115305, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105); Stock Broker (SEBI Stock Broker Registration No. INZ000244438), Merchant Banker (SEBI Registration No. INM000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-567-2021) having registered office at Altimus, Level 39 & 40, Pandurang Budhkar Marg, Worli, Mumbai 400018, India; Telephone no. +91-22-61181000; Compliance Officer Details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: tejarshi.hardas@morganstanley.com; Grievance officer details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: msic-compliance@morganstanley.com 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"). Morgan Stanley India Company Private Limited (MSICPL) may use AI tools in providing research services. All recommendations contained herein are made by the duly qualified research analysts.

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/eqr/disclosures/webapp/generalresearch, 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: Carlos Chai; Andy Huang; Chelsea Wang; Sheng Zhong.

.

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/conflictpolicies. A Portuguese version of the policy can be found at www.morganstanley.com.br

Important Regulatory Disclosures on Subject Companies

As of June 30, 2026, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Beijing Geekplus Technology Co., Ltd., China Railway Group, Estun Automation Co Ltd, Han's Laser, iRay Technology Company Limited, Leader Harmonious Drive Systems, Shenzhen Envicool Technology Co Ltd, Shenzhen Inovance Technology, Shenzhen SC New Energy Technology Corp, Suzhou Maxwell Technologies Co Ltd, WeiChai Power, Wuxi Autowell Technology Co Ltd, Wuxi Lead Intelligent, Zhejiang Dingli Machinery Co Ltd., Zhejiang Hangke Technology, Zhejiang Shuanghuan Driveline Co. Ltd..

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Zoomlion Heavy Industry.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Shenzhen Inovance Technology, Zoomlion Heavy Industry.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Beijing Geekplus Technology Co., Ltd., China State Construction Engineering, Sany Heavy Industry Co., Ltd., Shenzhen Inovance Technology, Wuxi Lead Intelligent, Zhejiang Hangke Technology, Zoomlion Heavy Industry.

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from China State Construction Engineering, CRRC Corp Ltd, Haitian International Holdings Limited, Sinotruk (Hong Kong) Limited.

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: Beijing Geekplus Technology Co., Ltd., China State Construction Engineering, Sany Heavy Industry Co., Ltd., Shenzhen Inovance Technology, Wuxi Lead Intelligent, Zhejiang Hangke Technology, Zoomlion Heavy Industry.

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: Beijing Geekplus Technology Co., Ltd., China State Construction Engineering, CRRC Corp Ltd, Haitian International Holdings Limited, Sinotruk (Hong Kong) Limited.

An employee, director or consultant of Morgan Stanley is a director of Beijing Geekplus Technology Co., Ltd.. This person is not a research analyst or a member of a research analyst's household.

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 June 30, 2026)

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.

	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

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

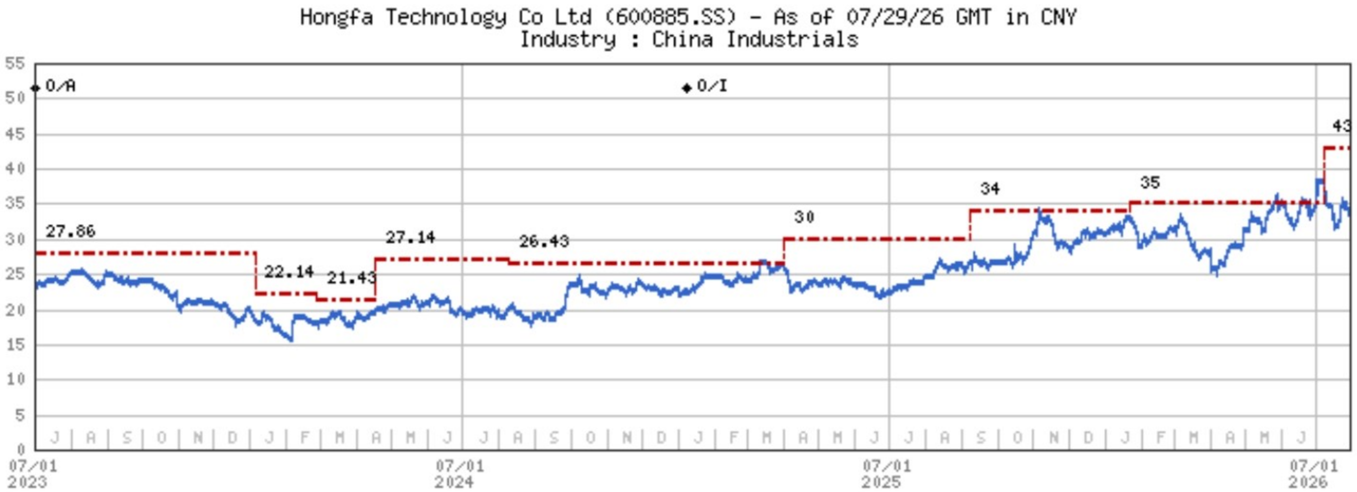
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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.

Stock Price, Price Target and Rating History (See Rating Definitions)



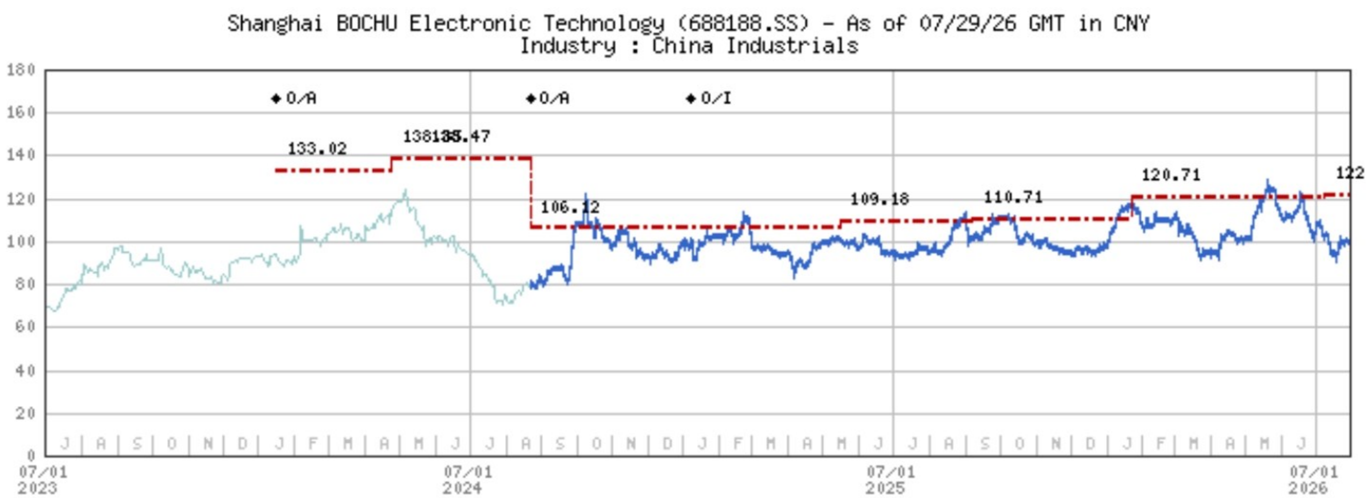
Stock Rating History: 7/1/21 : E/I; 2/4/23 : E/A; 5/23/23 : O/A; 1/8/25 : O/I

Price Target History: 4/30/21 : 30; 8/31/21 : 34.18; 6/30/22 : 26.53; 8/24/22 : 27.86; 1/5/24 : 22.14; 2/27/24 : 21.43; 4/17/24 : 27.14; 8/9/24 : 26.43; 4/1/25 : 30; 9/8/25 : 34; 1/22/26 : 35; 7/7/26 : 43

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.



Stock Rating History: 1/16/24 : O/A; 8/22/24 : O/A; 1/8/25 : O/I

Price Target History: 1/16/24 : 133.02; 4/24/24 : 138.85; 5/20/24 : 138.47; 8/22/24 : 106.12; 5/16/25 : 109.18; 9/7/25 : 110.71; 1/22/26 : 120.71; 7/7/26 : 122

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: 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 Customers

Important disclosures regarding any material conflict of interest that can reasonably be expected to have influenced Morgan Stanley Smith Barney LLC's choice of a third-party research provider or the subject company of a third-party research report, 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 https://www.morganstanley.com/eqr/disclosures/webapp/generalresearch.

Each Morgan Stanley research report is reviewed and approved on behalf of Morgan Stanley Smith Barney 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 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). Please use the provided link to review the Terms and Conditions and Most Important Terms and Conditions for Morgan Stanley India Company Private Limited (https://www.morganstanley.com/assets/pdfs/about-us-global-offices/india/Terms_and_conditions.pdf) and the following link to review the audit report (https://ny.matrix.ms.com/eqr/research/webapp/researchdocs/MSICPL_Morgan_Stanley_Research_Audit_Report.pdf).

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.

INDUSTRY COVERAGE: China Industrials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/28/2026)
Chelsea Wang		
China Railway Group (601390.SS)	E (05/12/2022)	Rmb4.55

China Railway Group (0390.HK)	E (08/11/2025)	HK$3.59
China State Construction Engineering (601668.SS)	U (08/11/2025)	Rmb4.64
Han's Laser (002008.SZ)	O (10/02/2025)	Rmb94.17
Hefei Meyer Optoelectronic Technology (002690.SZ)	E (09/08/2025)	Rmb15.30
iRay Technology Company Limited (688301.SS)	O (07/07/2026)	Rmb86.17
Neway Valve (Suzhou) Co., Ltd (603699.SS)	O (09/12/2025)	Rmb40.70
Shanghai BOCHU Electronic Technology (688188.SS)	O (08/22/2024)	Rmb99.03
Shenzhen Envicool Technology Co Ltd (002837.SZ)	O (08/19/2024)	Rmb55.13
Sheng Zhong		
Beijing Geekplus Technology Co., Ltd. (2590.HK)	O (08/07/2025)	HK$9.26
Centre Testing International Group (300012.SZ)	E (11/18/2024)	Rmb13.41
CRRC Corp Ltd (1766.HK)	U (01/22/2026)	HK$4.97
CRRC Corp Ltd (601766.SS)	U (01/22/2026)	Rmb6.00
DR Laser (300776.SZ)	E (12/17/2021)	Rmb109.59
Estun Automation Co Ltd (002747.SZ)	U (06/30/2022)	Rmb30.34
Haitian International Holdings Limited (1882.HK)	E (09/08/2025)	HK$20.38
Hongfa Technology Co Ltd (600885.SS)	O (05/23/2023)	Rmb33.28
Jiangsu Guomao Reducer Co Ltd (603915.SS)	U (01/08/2025)	Rmb12.35
Jiangsu Hengli Hydraulic Co.Ltd (601100.SS)	O (05/23/2023)	Rmb103.80
Jingsheng Mechanical & Electrical Co (300316.SZ)	U (01/08/2025)	Rmb38.46
Leader Harmonious Drive Systems (688017.SS)	O (01/22/2026)	Rmb293.03
Sany Heavy Industry Co., Ltd. (600031.SS)	O (01/08/2025)	Rmb19.70
Shenzhen Inovance Technology (300124.SZ)	++	Rmb58.67
Shenzhen SC New Energy Technology Corp (300724.SZ)	U (09/08/2025)	Rmb56.04
Sinotruk (Hong Kong) Limited (3808.HK)	E (05/19/2025)	HK$40.08
Suzhou Maxwell Technologies Co Ltd (300751.SZ)	U (09/15/2023)	Rmb168.26
Times Electric (3898.HK)	E (01/22/2026)	HK$32.66
WeiChai Power (2338.HK)	O (03/30/2026)	HK$30.92
WeiChai Power (000338.SZ)	O (03/30/2026)	Rmb26.19
Wuxi Autowell Technology Co Ltd (688516.SS)	U (09/08/2025)	Rmb37.20
Wuxi Lead Intelligent (300450.SZ)	O (09/08/2025)	Rmb33.03
Zhejiang Dingli Machinery Co Ltd. (603338.SS)	O (11/05/2025)	Rmb58.21
Zhejiang Hangke Technology (688006.SS)	O (09/08/2025)	Rmb20.49
Zhejiang Shuanghuan Driveline Co. Ltd. (002472.SZ)	O (08/25/2023)	Rmb35.63
Zoomlion Heavy Industry (1157.HK)	O (09/08/2025)	HK$7.50
Zoomlion Heavy Industry (000157.SZ)	O (09/08/2025)	Rmb7.54

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.