



## Market Overview

Last Friday, Hong Kong stocks market corrected on the fall of technology companies and China property sector. China shipping sector surged on the back of port congestion worsen amid COVID Omicron. OOIL (316 HK) hit the record high. Macau gaming sector advanced, market adopt "wait and see" strategy on Macau gambling laws and regulations. The Hang Seng Index was slightly down 46pts to 24,383pts with a daily turnover of HKD119.8b. Today, eyes on a series of China economics data release: 4Q21 GDP growth (consensus of +3.6% YoY), Dec industrial production (consensus of +3.6% YoY), Dec retail sales (consensus of +3.7%); YTD FAI (consensus of +4.8%). Re-rating (Positive) on Macau gaming from clarity on Gaming Law.

## Sector News

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### Macau Gaming

The Macau authorities announced on Friday (14 Jan) some of the key aspects of a bill proposing a new regulatory system for gaming. Macau's Executive Council stated that (1) there would be a maximum of six concessions, under the government-backed bill; (2) the concession period would be a maximum of 10 years. The existing six concessions covered a 20-year lifespan; (3) raise paid-in capital requirement of licensees to MOP5b; (4) no restrictions on dividend payouts and no requirement to appoint government officials to their Boards. Positive to Macau Gaming, esp. Sands China (1928 HK).

### China Beverage

Looking ahead into 2022E, market expects the underlying premiumization trend to remain solid towards China beverage sector on: (1) premium segment growth; (2) further ASP hikes; and (3) an increasing number of but rational promotions. Market expects total volume growth to be impacted by COVID, yet, premium volume growth should continue to perform in 2022E. This is expected to be driven by all players' active push in the premium market and replacing their mainstream products with higher ASP SKUs. Upcoming catalysts are: (1) further price hikes ahead of 2Q22E; (2) steady premium segment growth into 2022E.

### China Auto

According to the China Association of Automobile Manufacturers (CAAM), China's NEV production volume for Dec 2021 rose by 120% YoY to 518k units. In turn, EV battery installations expanded by 102% YoY to 26GWh in Dec. For 2021, total battery installations reached 154GWh (+143% YoY). According to the China Automotive Battery Innovation Alliance (CABIA), battery shipments in 2021 totalled 186GWh (+182% YoY). Market expects the strong EV battery installation growth to continue in 2022E, backed by the robust NEV sales-volume outlook. Under this situation, leading battery makers as well as materials providers are expected to be benefitted. Related stock: BYD Co. (1211 HK) on its future battery business expansion and potential upcoming separate listing of its battery business.

## Company News

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### Weichai Power (2338 HK)

Its management believes that China's FCV segment development is at an early stage but will accelerate over the next 3-5 years on the back of China's demonstration city cluster programs. The company also believes that its fuel cell engine product quality is leading in China on three fronts: (1) a wide range of product offerings (15-200kw in power); (2) low temperature boost at -34 Celsius degree; (3) long life span of up to 30,000 hours; and (4) efficiency

in unit hydrogen consumption at 10-11kg/100km. Weichai's FC engine facility with 20k units capacity is in operation as per management.

### **Tsingtao (168 HK)**

Tsingtao announced its preliminary 2021 results, indicating its 2021 recurring and reported net profit of RMB2.19b (+21% YoY) and RMB3.15bn (+43% YoY), respectively. There was a one-off gain of RMB436m in 2021 from land disposal. Excluding the one-off, market estimates that Tsingtao incurred a loss of RMB1.02b in 4Q21 (vs 4Q20 loss of RMB862m). In the near term, COVID-related social restriction measures would remain a headwind for beer consumption growth in China. Based on market channel check, the company raised product prices in some areas by 9-10% in Oct 2021, raised white beer and 1903's price by 9-10% nationwide in Dec 2021, and had a 7% price hike in Classic in Jan 2022. Market expects most price hikes to contribute an ASP increase in 2022E.

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