

MARKET OVERVIEW

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Hong Kong stocks was up slightly after fourth consecutive days of decline. Tencent (700 HK) took the lead with 3% rally. Southbound trading recorded HKD1.72b net capital inflow, of which, Meituan-W (3690 HK) recorded HKD3.6b southbound capital net inflow for two consecutive days. The Hang Seng Index was up 49pts to 17,042pts with an increase in turnover of HKD139.1b. Today, eyes on China Nov Caixin Manufacturing PMI (consensus forecast of 49.8).

SECTOR / COMPANY NEWS

L'Occitane (973 HK, TP: HKD26.68, Buys: 90.9%, Not Rated)

L'Occitane 1HFY24 revenue grew 19% YoY to EUR1.07b and net profit declined 45% YoY to EUR34m. The growth was mainly driven by the stellar performance of Sol de Janeiro and the steady growth of L'OCCITANE en Provence with the recovering trend in China. Its total number of retail locations increased from 2,774 as at 31 March 2023 to 3,292 as at 30 Sept 2023. Its management maintained FY24 full-year sales growth of 17% YoY and expected operating profit margin remain at 12%.

China Macro - Manufacturing PMIs Eased

According to the National of Bureau Statistics, China's manufacturing activity shrank for a second straight month in Nov. China's NBS Nov purchasing managers' index (PMI) came in at 49.4 in Nov (vs. consensus of 49.7 and Oct's 49.5). Meanwhile, the official non-manufacturing managers' index slipped to 50.2 in Nov (vs. Oct's 50.6), which was the weakest reading since Dec 2022. Survey results show that more than 60% of manufacturing companies reported insufficient market demand, where insufficient market demand is the primary difficulty affecting the economic recovery and development of the manufacturing industry. The PMI readings will raise market expectations towards policy support.

Xiaomi-W (1810 HK, TP: HKD18.55, Buys: 78.9%, Not Rated)

According to aastocks, it stated an analyst report that Xiaomi's Redmi K70 series demonstrated strong product line-up and highly competitive pricing. The series utilized a larger number of domestic suppliers, and new products revealed the key product upgrade directions of the company into 2024. In the report, the analyst believes the launch and pricing of its EV product will be the upcoming catalyst. On the other hand, Xiaomi introduced the 14-inch Redmi Book 14 2024 laptop and the 16-inch Redmi Book 16 2024 laptop. Both new products are equipped with 13th generation Intel Core processors. Laptops are manufactured in thin bodies and are equipped with high-resolution screens. Sales in China have already started. It will go on sale today (1 Dec).

UPCOMING CALENDAR

- 1 Dec: China Nov Caixin Manufacturing PMI
- 5 Dec: China Nov Caixin Services PMI, China Nov Caixin Composite PMI

Luk Fook (590 HK)
TP: HKD26.65, Buys:
81.8%, Not Rated

IDEAS OF THE DAY

Luk Fook reported 1HFY24 results with revenue and net profit of HKD7.5b (+34.3% YoY) and HKD0.9b (+43.3% YoY), respectively. The increase in the mix of retailing revenue has resulted in an overall gross margin increase of 1.7ppts to 27.8%, with the gross profit amount rose by 42.9%. As at 30 Sept, LF had a global network of 3,289 shops (2022: 2,966 shops). During the analyst briefing, its management remains positive on (1) FY24 sales on track to reach pre-Covid levels; (2) better FY24 earnings outlook to exceed record high driven by higher retail sales mix and favourable gold price; (3) stable gross profit margin in 2HFY24; (4) target to stick to 45% dividend payout ratio. Valuation-wise, LF is trading at 7.5x forward PER with 6.1% dividend yield (vs. its closest peer Chow Tai Fook (1929 HK) 13x and 5.5%).

Price for Hang Seng Index (HK)



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	17,043	-4.85%	-13.84%	16,834	22,701
Dow Jones	35,951	1.9%	8.5%	31,430	35,971
S&P500	4,568	0.2%	19.0%	3,764	4,607
Nasdaq	14,226	-0.28%	35.9%	10,207	14,447
Nikkei 225	33,487	0.1%	28.3%	25,662	33,853
KLCI	1,453	-0.22%	-2.86%	1,375	1,500
SH Comp	3,030	-1.05%	-1.93%	2,924	3,419
Kospi	2,535	0.8%	13.4%	2,181	2,668
TWSE	17,434	0.8%	23.3%	13,982	17,464
STI	3,073	-1.25%	-5.48%	3,042	3,408
JKSE	7,081	1.1%	3.4%	6,543	7,110
SET	1,380	-1.88%	-17.29%	1,366	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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