

## What's Hot Today:

► **Oriental Watch (398 HK, HK\$3.44, HK\$1.7bn) expects FY26 to be soft**

Oriental Watch, a leading luxury watches retailer in the HK and Mainland market, reported a FY3/25 revenue of HK\$3.5bn, down 5.2% YoY. Core brands such as Rolex contributed 94% of revenue, down 2% YoY, dragged by a 9% YoY drop in volume but partly offset by a 7.5% YoY ASP hike. GPM maintained at about 31.5%. Net profit declined by 20% YoY to HK\$200mn. Excluding one-off impairment loss, the adjusted net profit stood at HK\$225mn, down 10% YoY, mainly due to rising rental costs.

**Mainland China market remained the key driver.** The revenue of Mainland China market, increased by 2% YoY to HK\$2.6bn, accounting for 76% of total. SSSG in Mainland market rebounded to 2.0% in FY25 from a LDD decline in 2H24. By contrast, revenue from HK market dropped by 20% YoY to HK\$757mn, representing 22% of total, where the Mgt blamed on weak consumption sentiment, the strong US dollar impact on purchasing power, and intensified competition from domestic broader product mix. As a result, HK market posted an EBITDA loss of HK\$57mn compared to a profit of HK\$36mn in FY24.

**Attractive dividend yield.** The company proposed a final dividend of 4.2 HK cents and a special dividend of 12.5 HK cents. Total dividend in FY25 amounted to 41.3 HK cents, for a payout ratio of 100.4%, being the 8th consecutive year of over 100% of payout. The yield stood at 12% based on the closing price on June 20. As of 31 March, 2025, Oriental Watch had HK\$836mn net cash in hand without debt.

**Our view:** With a weak economic backdrop, luxury consumption in Mainland China has moderated. Hence, the Mgt remains prudent on the FY26 outlook, expecting revenue to decline by a single-digit to LDD YoY, implying deteriorated contraction compared to FY25. Meanwhile, Oriental Watch's high reliance on Rolex brands may becoming a challenging factor during a weak market. It is noted that the secondary prices of Rolex have declined by over 30% from the 2022 peak, which may pressure primary market sales. The counter is trading at 6.7x FY26 P/E. (Ensley LIU)

China & HK Indices	CLOSE	1D	YTD
HSI	23,530	1.3%	17.3%
HSCEI	8,527	1.4%	17.0%
HSCCI	4,024	0.4%	6.4%
CSI300	3,846	0.1%	-2.2%
Shanghai A	3,522	-0.1%	-4.7%
Shanghai B	254	1.0%	-4.7%
Shenzhen A	2,059	-0.6%	0.6%
Shenzhen B	1,162	0.2%	-4.2%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	42,206	0.1%	-0.8%
S&P 500	5,967	-0.2%	1.5%
Nasdaq	19,447	-0.5%	0.7%
Nikkei Index	38,142	-0.7%	-4.4%
FTSE Index	8,774	-0.2%	7.4%
CAC Index	7,589	0.5%	2.8%
DA-X Index	23,350	1.3%	17.3%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,368	-0.1%	28.2%
STEEL (US\$/oz.)	1,918	-2.1%	7.4%
SILVER (US\$/oz.)	36	-1.0%	24.8%
CRUDE OIL (US\$/bbl)	73	-1.7%	5.9%
COPPER (US\$/oz.)	9,633	-0.2%	9.9%
ALUMINIUM (US\$/oz.)	2,549	0.1%	-0.1%
PLATINUM (US\$/oz.)	1,268	-2.6%	39.2%
ZINC (US\$/oz.)	2,630	-0.2%	-11.7%
WHEAT (US\$/bu)	567	-1.1%	3.2%
CORN (US\$/bu)	441	-0.6%	-0.4%
SUGAR (US\$/lb)	N/A	N/A	
SOYBEAN (US\$/bu)	1,060	-0.7%	3.7%
PVC (US\$/t.)	N/A	N/A	-6.8%
CRB	312	-0.5%	3.0%
BDI		-9.9%	69.4%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.850	0.868	146.090	0.818	7.182
HKD	0.127		0.111	18.611	10.421	0.915
EUR	1.152	9.045		168.340	1.061	8.279
JPY	0.007	5.374	0.594		0.560	0.049
CHF	1.223	9.595	1.061	178.590		8.790
RMB	0.139	1.093	0.121	20.326	0.114	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	20	14.4%

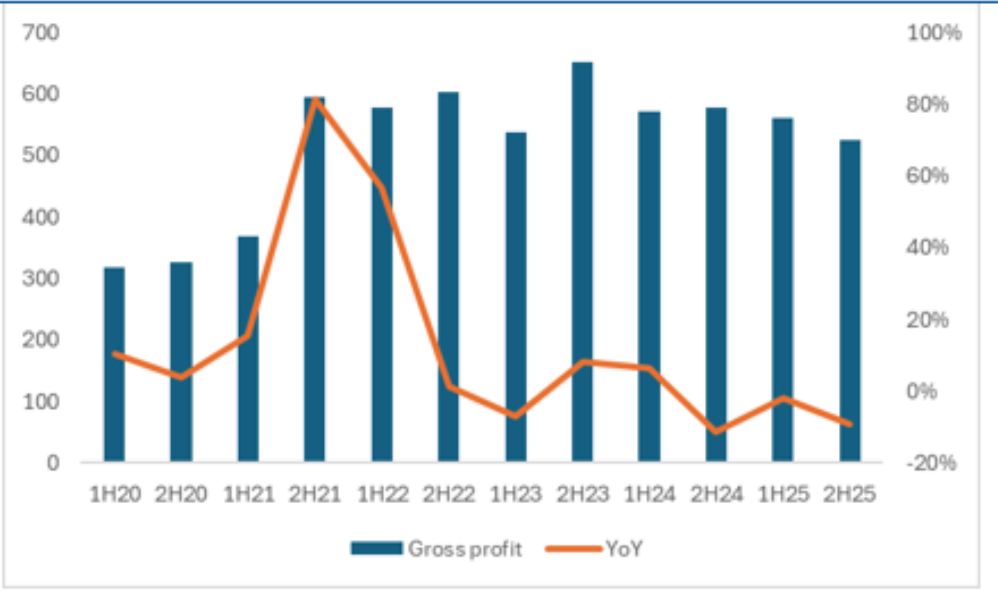
Source: Bloomberg

Fig 1: Revenue(HK\$ mn) and YoY



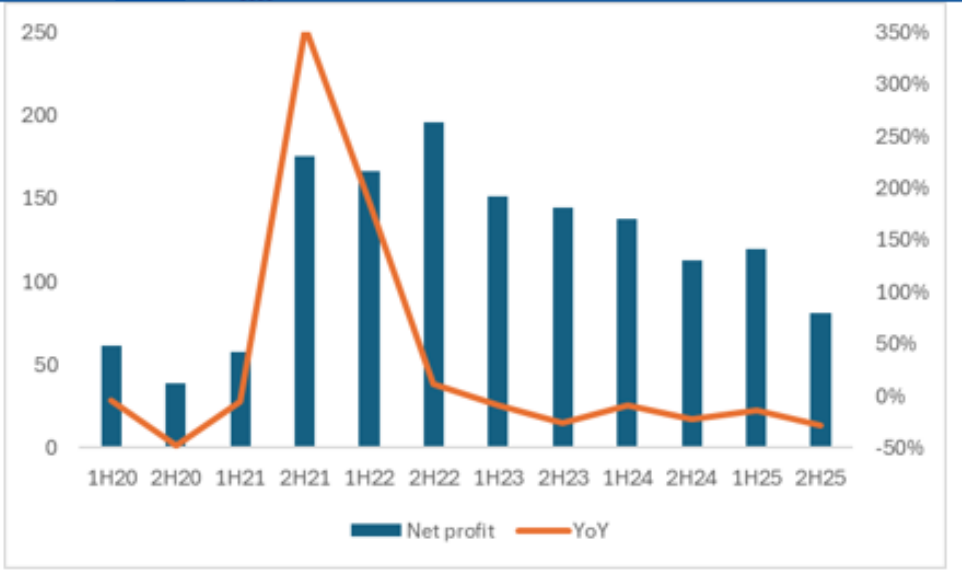
Source: Company Data, Sunwah Kingsway Research

Fig 2: Gross profit(HK\$ mn) and YoY



Source: Company Data, Sunwah Kingsway Research

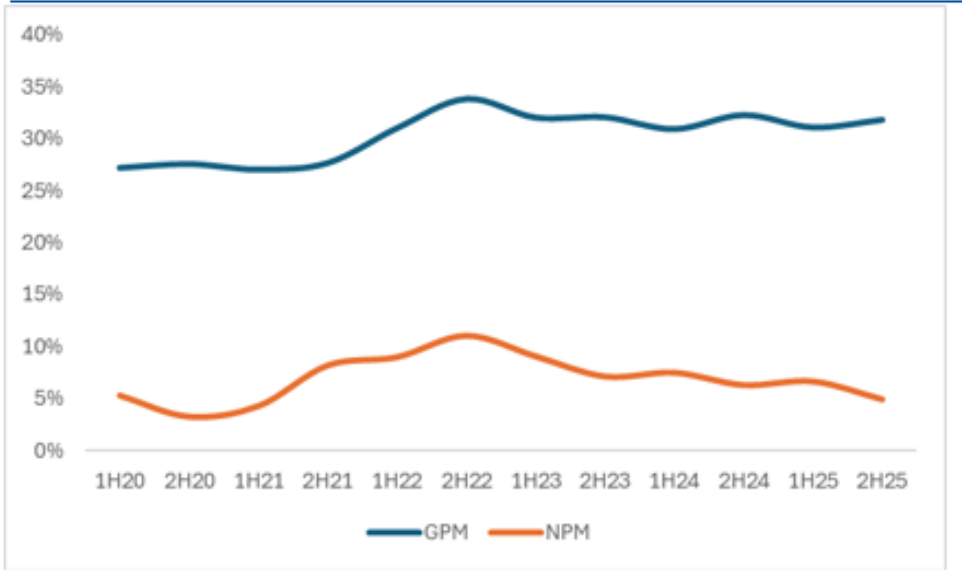
Fig 3: Net profit(HK\$ mn) and YoY



Source: Company Data, Sunwah Kingsway Research

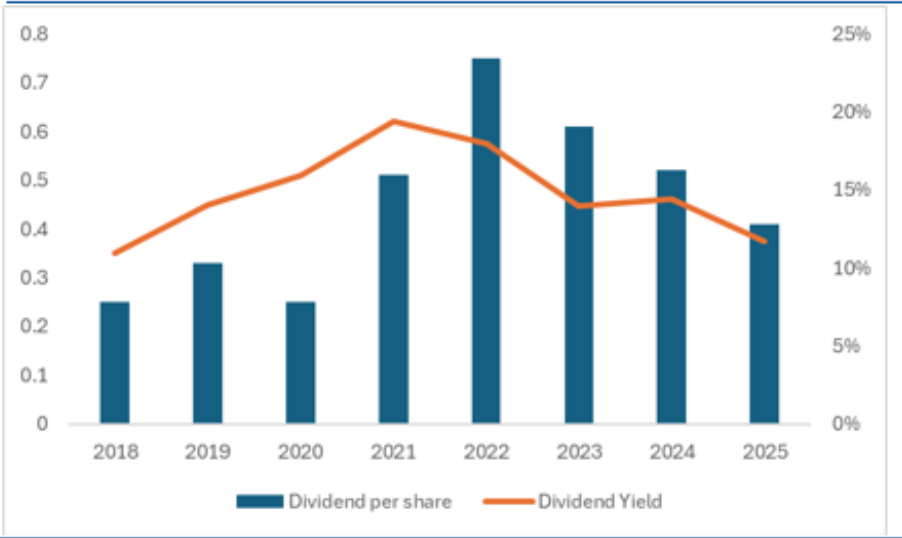


Fig 4: Margins



Source: Company Data, Sunwah Kingsway Research

Fig 5: Dividend(HKD) and yield



Source: Company Data, Sunwah Kingsway Research

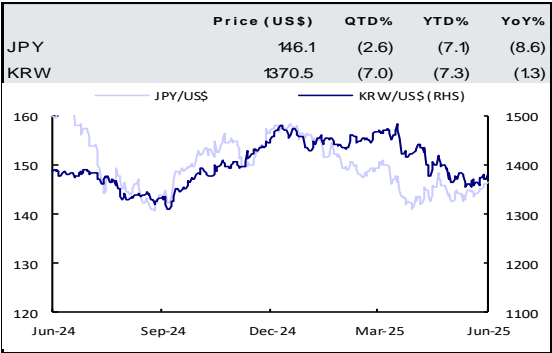
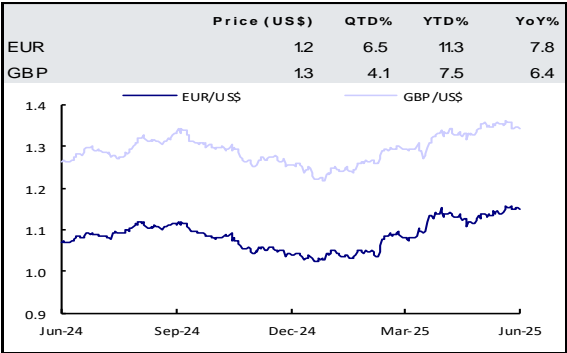
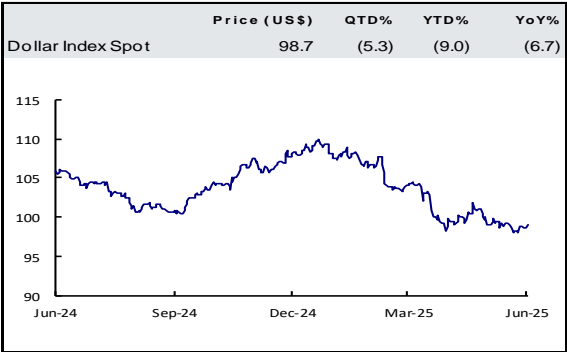
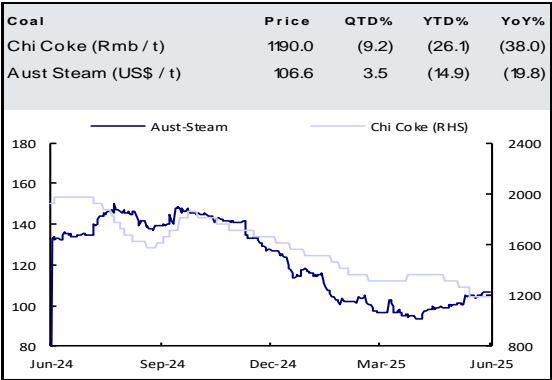
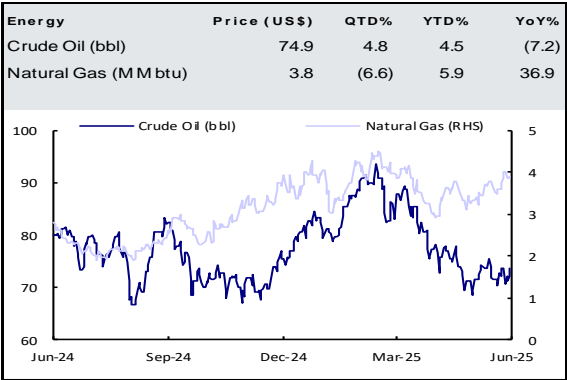
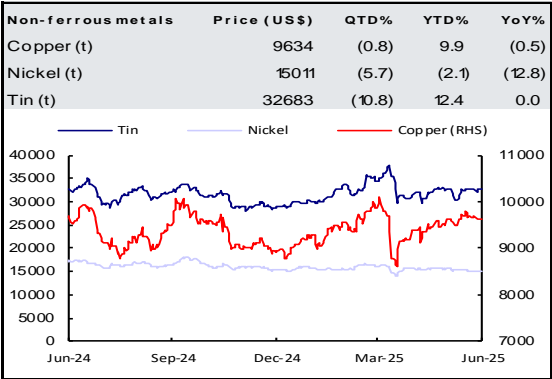
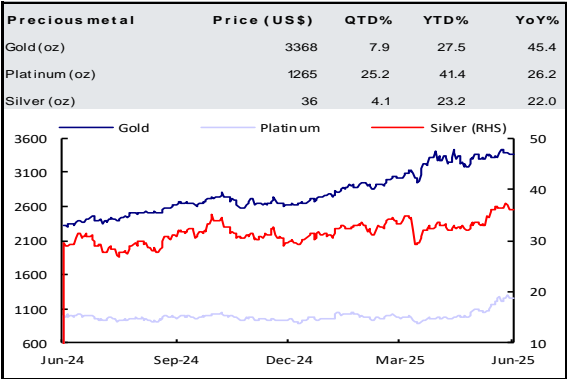


Fig 6: Dividend payout ratio



Source: Company Data, Sunwah Kingsway Research

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Existing Home Sales	MoM		23-Jun-25
Consumer Confidence	MoM		24-Jun-25
New home Sales	MoM		25-Jun-25
Initial Jobless Claims	WoW		26-Jun-25
Wholesale Inventories	MoM		26-Jun-25
Durable Goods Orders	MoM		26-Jun-25
GDP	QoQ		26-Jun-25
Personal Income & Spending	MoM		27-Jun-25
ISM Manufacturing PMI	MoM		1-Jul-25
Trade Balance	MoM		3-Jul-25
Factory Orders	MoM		3-Jul-25
Employment Report	MoM		3-Jul-25
CPI	MoM		15-Jul-25
PPI	MoM		16-Jul-25
Industrial Production	MoM		16-Jul-25
Business Inventories	MoM		17-Jul-25
Retail Sales	MoM		17-Jul-25
Housing Starts / Building Permits	MoM		18-Jul-25
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		30-Jun-25
Foreign Exchange Reserves	QoQ		7-Jul-25
Money Supply - M2	MoM		9-Jul-25
PPI	MoM		9-Jul-25
CPI	MoM		9-Jul-25
Trade Balance	MoM		14-Jul-25
Retail Sales	MoM		15-Jul-25
Industrial Production	MoM		15-Jul-25
GDP	YoY		15-Jul-25

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Trade Balance	MoM		26-Jun-25
Money Supply - M2	MoM		30-Jun-25
Retail Sales	MoM		2-Jul-25
PMI	MoM		4-Jul-25
Foreign Currency Reserve	MoM		7-Jul-25
Unemployment Rate	MoM		17-Jul-25
CPI	MoM		21-Jul-25
GDP	QoQ		31-Jul-25
Producer Prices Index	QoQ		15-Sep-25
Industrial Production	QoQ		15-Sep-25
Composite Interest Rate	MoM		

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