

May 8, 2025 08:40 AM GMT

HK Exchanges & Clearing | Asia Pacific

Assessing the impact of possible ADR delisting

WHAT'S CHANGED

HK Exchanges & Clearing (0388.HK)	From	To
Price Target	HK\$387.00	HK\$440.00

We believe HKEx is well prepared for possible ADR delisting. We also believe onshore financial firms will help provide liquidity into the HK market via the Connect program to ensure a smooth transition. We estimate that the conversion of ADR trading to HKEx could raise its revenue ~9%. Stay OW.

ADR delisting back on the table despite low possibility given lack of details and reasons: On April 9, US Treasury Secretary Scott Bessent stated in an interview that [ADR delisting is "on the table."](#) Our strategy team expects it not to be a near-term risk [given lack of clear details and legislative support](#). Unlike previous delisting discussion in 2021-2022 with legislative reference, this time it is more related to heightened US/China tension. Though the chance of forced ADR delisting is relatively low, in our view, we believe the resurfacing risks could accelerate listing applications from such companies in the Hong Kong market.

HKEx would be a major beneficiary of ADR homecoming, with ~9% revenue upside in an extreme scenario: We estimate ~HK\$40bn additional ADV in the HK market if all ADRs came back to HK with more liquidity; associated revenue could be ~HK\$2bn. We believe HKEx is well-prepared for ADR homecoming given improving structure for IPOs, a more diversified investor base, and connection to the A-share market through the Connect program. There could be a short-term liquidity issue if all ADRs came back, but we think Southbound flow could be a major support. We believe there will also be coordinated efforts among various domestic financial firms – and even social security funds and CIC – to provide needed liquidity support to the HK market to ensure relatively smooth ADR trading conversion to HK. In addition, we believe there could be new PBOC swap programs to provide additional liquidity for financial firms to support the HK market during the conversion period if needed.

We continue to see financial cycle bottom outweighing impact from US tariffs – raise earnings forecasts and price target for HKEx, remain OW: Despite lingering uncertainties from higher US tariffs, we believe financial risk cycle bottoming and a more innovation-driven growth model in China should play a more important role for IPOs and trading activities in the HK market. We mark to market and raise ADV assumptions, expecting 2026 ADV to reach HK\$190bn. We also factor in a potential ADV boost from better market sentiment in HK in our bull case, leading to a 2026e ADV assumption of HK\$250bn.

We apply higher target P/E multiples across scenarios. Our new price target of HK \$440 implies 36x 2026e P/E – toward the high end of its range since 2021.

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HK Exchanges & Clearing (0388.HK, 388 HK)

Hong Kong Financials | Hong Kong

Stock Rating	Overweight
Industry View	In-Line
Price target	HK\$440.00
Up/downside to price target (%)	20
Shr price, close (May 7, 2025)	HK\$366.20
52-Week Range	HK\$397.80-218.40
Sh out, dil, curr (mn)	1,265
Mkt cap, curr (mn)	HK\$463,136
EV, curr (mn)	HK\$463,588
Avg daily trading value (mn)	HK\$2,457

Fiscal Year Ending	12/24	12/25e	12/26e	12/27e
EPS (HK\$)**	10.29	11.31	12.10	13.77
Prior EPS (HK\$)**	-	11.04	12.03	13.76
EPS (HK\$)§	10.23	11.54	11.77	12.48
EBITDA (HK\$ mn)	16,369	18,818	20,130	22,783
ModelWare net inc (HK \$ mn)	13,050	14,331	15,337	17,454
P/E	28.6	32.4	30.3	26.6
P/BV	6.9	8.3	8.1	7.9
RNOA (%)	25.4	26.5	27.7	30.6
ROE (%)	25.2	26.3	27.4	30.4
EV/EBITDA	22.8	24.6	23.0	20.3
Div yld (%)	3.1	2.8	3.0	3.4
Leverage (EOP) (%)	0.8	0.8	0.8	0.8

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

** = Based on consensus methodology

§ = Consensus data is provided by Refinitiv Estimates

e = Morgan Stanley Research estimates

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ADV and revenue impact from ADRs' homecoming to the HK market

We believe forced ADR delisting is a low possibility this time owing to lack of legislative support – but if this actually happens, we think it would benefit HKEx the most with additional ADV. We thus perform a bottom-up quantitative analysis assessing liquidity inflows from US ADRs migrating to Hong Kong. Currently, as of May 6, 2025:

- There are 12 secondary listings in Hong Kong with aggregate market cap of HK \$1.8tn. Total ADV in Hong Kong is around HK\$8.1bn, or ~34% of total global turnover.
- There are 20 primary listings in Hong Kong with aggregate market cap of HK\$3.5tn. Total ADV in Hong Kong is around HK\$24.6bn, or ~43% of total global turnover.
- ADRs without HK listings have market cap of HK\$1.8tn and ADV of around HK\$20bn.

We conduct a scenario analysis of all ADRs migrating to HK owing to delisting. We assume 55%-65% discount to trading velocity, and conclude that the aggregate ADV gain to HKEx would be around HK\$40bn and the associated revenue impact would be ~HK\$2bn (around 9% of 2024+ revenue). This is based on:

1. The current turnover of dual-listed ADRs (either dual-primary or secondary) in the US, factoring in HK's market trading velocity at 55%-65% of the US level (higher velocity for large-cap stocks and those eligible for Southbound trading);
2. The current turnover of ADRs without HK listings, factoring in a 15% valuation haircut and HK's market trading velocity at 55%-65% of the US level.

Exhibit 1: Primary listings in Hong Kong

US ticker	HK ticker	Company name	US 30D ADV (HK\$ mn)	HK 30D ADV (HK\$ mn)	HK % of Global ADV	Market cap (USD mn)
BABA-US	9988-HK	Alibaba	23,322	16,210	41%	304,567
XPEV-US	9868-HK	XPeng	1,547	2,202	59%	15,346
YUMC-US	9987-HK	Yum China	1,447	384	21%	16,399
BEKE-US	2423-HK	KE Holdings	1,333	620	32%	23,822
BGNE-US	6160-HK	BeiGene	991	1,075	52%	23,912
LI-US	2015-HK	Li Auto	924	1,493	62%	22,920
BILI-US	9626-HK	Bilibili	586	624	52%	6,117
BZ-US	2076-HK	Kanzhun	569	1	0%	6,399
ZTO-US	2057-HK	ZTO Express (Cayman)	400	316	44%	11,465
ZLAB-US	9688-HK	Zai Lab	352	283	45%	3,241
MNSO-US	9896-HK	MINISO	165	314	65%	5,816
LU-US	6623-HK	Lufax	94	NA	NA	2,531
TUYA-US	2391-HK	Tuya	38	1	3%	1,252
HCM-US	13-HK	HUTCHMED (China)	12	174	94%	2,589
NOAH-US	6686-HK	Noah	10	0	0%	635
ZH-US	2390-HK	Zhihu	10	1	12%	340
BZUN-US	9991-HK	Baozun	8	0	1%	180
HDL-US	9658-HK	Super Hi International	0	11	97%	1,398
Total			32,195	24,603	43%	453,357

Source: FactSet, Morgan Stanley Research.

Note: Total numbers are for 20 companies

Exhibit 2: Secondary listings in Hong Kong

US ticker	HK ticker	Company name	US 30D ADV (HK\$ mn)	HK 30D ADV (HK\$ mn)	HK % of Global ADV	Market cap (USD mn)
JD-US	9618-HK	JD.com	4,779	3,106	39%	48,792
BIDU-US	9888-HK	Baidu	2,858	1,092	28%	25,383
TCOM-US	9961-HK	Trip.com	2,111	1,673	44%	42,208
NTES-US	9999-HK	Netease	1,466	1,183	45%	70,230
NIO-US	9866-HK	NIO	1,347	343	20%	7,630
TME-US	1698-HK	Tencent Music Entertainment	743	29	4%	10,324
QFIN-US	3660-HK	Qifu Technology	682	1	0%	6,521
HTHT-US	1179-HK	H World Group	674	122	15%	11,676
EDU-US	9901-HK	New Oriental Education & Technology Group	590	264	31%	7,908
GDS-US	9698-HK	GDS Holdings	480	258	35%	5,302
ATHM-US	2518-HK	Autohome	114	0	0%	3,376
WB-US	9898-HK	Weibo	110	17	13%	1,349
Total			15,953	8,089	34%	240,699

Source: FactSet, Morgan Stanley Research

Favorable tone from policymakers of mainland China and HK should support a smooth transition if ADR delisting happens

We have seen policymakers' efforts in building a better environment for potential ADR listing in the Hong Kong market:

1. On April 13, [Hong Kong's Finance Secretary, Paul Chan](#), posted on the official website that Hong Kong has established the regulatory framework for dual-listing or secondary listing for companies listed overseas, and has instructed SFC and HKEx to be prepared for the potential return of ADRs.
2. On May 7, CRCB President Mr. Wu Qing stated in the press conference that it will support high-quality ADR homecoming to the mainland and HK markets.

In scenarios of voluntary ADR listing in HK or forced ADR delisting amid heightened US/China tension, we believe both onshore and offshore regulators are prepared to solve potential liquidity issues that might surface because of lower velocity in the HK market or reduced shareholding from US investors, etc. We believe Southbound funds could provide major liquidity support via the Connect program, especially from onshore financial firms.

We believe there will also be coordinated efforts among the various domestic financial firms – and even social security funds and CIC – to provide needed liquidity support to the HK market to ensure relatively smooth ADR trading conversion to HK. In addition, if needed, we believe there could be new PBOC swap programs to provide additional liquidity for financial firms to support the HK market during the conversion period.

Raise ADV assumptions and earnings estimates – reflecting better 1Q25 results and offset from financial risk cycle bottom

We mark to market and raise our 2025 ADV assumption to HK\$174bn following better-than-expected 1Q25 results, as we believe domestic financial cycle bottom could offset US tariff impact. We also increase ADV assumptions for 2026 and 2027, to HK\$190bn and HK\$226bn, respectively. We modestly raise our ADV assumptions for derivatives accordingly.

We update our forecasts for net investment income, factoring in:

- Larger-than-expected margin fund size in 1Q25 (+);
- Quicker interest rate decline in HK (-); and
- Gradual exit of external portfolio, which will be used to repay purchase of permanent premises (+/-).

Overall change in net investment income forecasts is marginal.

We also lower operating expense forecasts and expect EBITDA margin to gradually pick up on a yearly basis thanks to active cost control. We factor in higher effective tax rate at the group level, to 16% for the next three years – the same as in 1Q25.

Changes to EPS estimates are slight – up 2.4%, 0.6%, and 0.1% for 2025, 2026, and 2027, respectively. We now expect EPS growth of 9.8% and 7.0% yoy for 2025e and 2026e, respectively.

Exhibit 3: HKEx main assumptions

	2023	2024	2025E	2026E	2027E
Average Mkt Cap (HK\$bn)	34,040	32,500	39,001	44,461	53,353
YoY Growth	-5.9%	-4.5%	20.0%	14.0%	20.0%
ADV (HK\$bn)	105	132	174	190	226
Velocity	77.1%	101.4%	110.00%	105.00%	106.00%
ADV (YoY)	-16%	26%	32%	9%	19%
Trading Days	243	246	246	246	246

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 4: Changes to our main assumptions

		2023	2024	2025E	2026E	2027E
New	Mkt Cap Growth	-5.9%	-4.5%	20.0%	14.0%	20.0%
	Velocity	77.1%	101.4%	110.0%	105.0%	106.0%
	ADV (HK\$bn)	105	132	174	190	226
	Future ADV	605,174	686,535	829,346	962,041	1,135,209
	Option ADV	749,241	862,911	1,036,198	1,222,714	1,442,803
Old	Mkt Cap Growth	-5.9%	-4.5%	13.0%	15.0%	20.5%
	Velocity	77.1%	101.4%	107.0%	105.0%	108.0%
	ADV (HK\$bn)	105	132	160	180	220
	Future ADV	605,174	686,535	795,573	922,865	1,088,981
	Option ADV	749,241	862,911	1,003,429	1,184,046	1,397,174
New vs Old	Mkt Cap Growth	0.0%	0.0%	7.0%	-1.0%	-0.5%
	Velocity	0.0%	0.0%	3.0%	0.0%	-2.0%
	ADV (HK\$bn)	0.0%	0.0%	9.2%	5.3%	2.9%
	Future ADV	0.0%	0.0%	4.2%	4.2%	4.2%
	Option ADV	0.0%	0.0%	3.3%	3.3%	3.3%

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 5: Change in estimates

HKD mn	2025E			2026E			2027E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenues:									
Trading fees & tariff	8,379	8,764	4.6%	9,563	9,869	3.2%	11,401	11,686	2.5%
Listing fees	1,588	1,613	1.6%	1,754	1,759	0.3%	1,939	1,941	0.1%
Clearing & settlement fees	5,676	5,722	0.8%	6,423	6,355	-1.0%	7,706	7,575	-1.7%
Net Investment income	4,788	4,830	0.9%	4,391	4,400	0.2%	3,986	3,998	0.3%
Other revenues	4,290	4,328	0.9%	4,536	4,577	0.9%	4,812	4,854	0.9%
Total revenues	24,720	25,258	2.2%	26,667	26,960	1.1%	29,844	30,054	0.7%
Total expenses	6,600	6,539	-0.9%	6,967	6,939	-0.4%	7,447	7,390	-0.8%
EBITDA	18,120	18,720	3.3%	19,700	20,021	1.6%	22,396	22,664	1.2%
Depreciation & Interest Expense	1,620	1,620	0.0%	1,725	1,725	0.0%	1,837	1,837	0.0%
Operating profits	16,500	17,100	3.6%	17,975	18,296	1.8%	20,559	20,827	1.3%
Profit before tax	16,599	17,198	3.6%	18,084	18,405	1.8%	20,678	20,946	1.3%
Tax	2,490	2,752	10.5%	2,713	2,945	8.6%	3,102	3,351	8.0%
Profit for the period	14,109	14,447	2.4%	15,371	15,460	0.6%	17,576	17,595	0.1%
MW Profits	13,996	14,331	2.4%	15,249	15,337	0.6%	17,436	17,454	0.1%
EPS (HK\$)	11.04	11.31	2.4%	12.03	12.10	0.6%	13.76	13.77	0.1%
DPS (HK\$)	9.90	10.14	2.4%	10.79	10.85	0.6%	12.34	12.35	0.1%

Source: Morgan Stanley Research estimates

Raising price target 14%, to HK\$440

We continue to derive our price target by using P/E multiples for valuation and applying weightings of 10% to our bear case, 65% to our base case, and 25% to our bull case (all unchanged). Our price target increases to HK\$440 from HK\$387, implying a P/E of 36x based on our 2026 EPS estimate. Our new price target implies ~20% upside, and we remain OW on HKEx.

Our base case scenario value increases to HK\$411 from HK\$361: We increase our 2026e ADV assumption to HK\$190bn, factoring in more offset from financial risk cycle bottom despite trade tension. Our base case target multiple is raised from 30x to 34x, a level it reached

Exhibit 6: HKEx valuation scenarios – new vs. old

Scenario Values - New		
Bear	Base	Bull
328	411	560
10%	65%	25%
440		

Scenario Values - Old		
Bear	Base	Bull
290	361	494
10%	65%	25%
387		

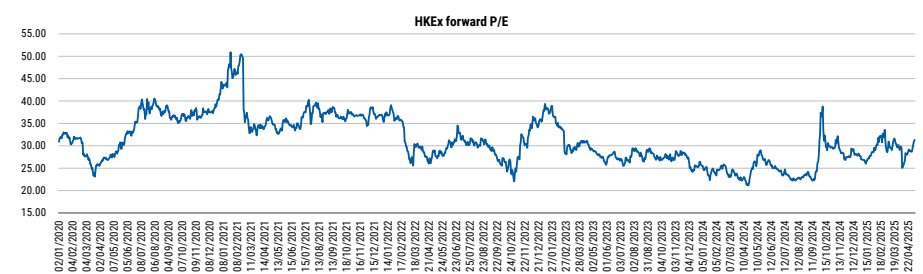
Source: Morgan Stanley Research estimates

in 2021 when market sentiment was high amid reduced risks from major financial cycles bottoming in China. We apply this to our 2026e EPS of HK\$12.10.

Our bull case scenario value increases to HK\$560 from HK\$494: We expect higher ADV of HK\$240bn in 2026E, assuming higher velocity at 120% and a market cap increase of 20% in 2026e with more IPOs in service and consumer sectors with higher valuation. We raise our bull case target multiple from 35x to 38x, a level the stock achieved in 2020 when IPO momentum was fairly strong, and apply it to our bull case EPS of HK\$14.74.

Our bear case scenario value increases to HK\$328 from HK\$290: Here we assume that rising US tariffs could result in more broad impact globally and capital market recovery could take longer amid slower recognition of China's new growth model and geopolitical uncertainties. Both market cap and velocity growth would be lower than in our base case, leading to ADV of HK\$155bn in 2026. On EPS of HK\$10.93 in 2026e, we apply target P/E of 30x (up from 28x), a higher level as in 2022-2024 when lingering uncertainties persisted.

Exhibit 7: HKEx forward P/E



Source: FactSet, Morgan Stanley Research

Risk Reward – HK Exchanges & Clearing (0388.HK)

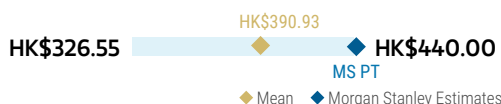
Rising ADV aided by innovation as risks bottom despite global uncertainties

PRICE TARGET HK\$440.00

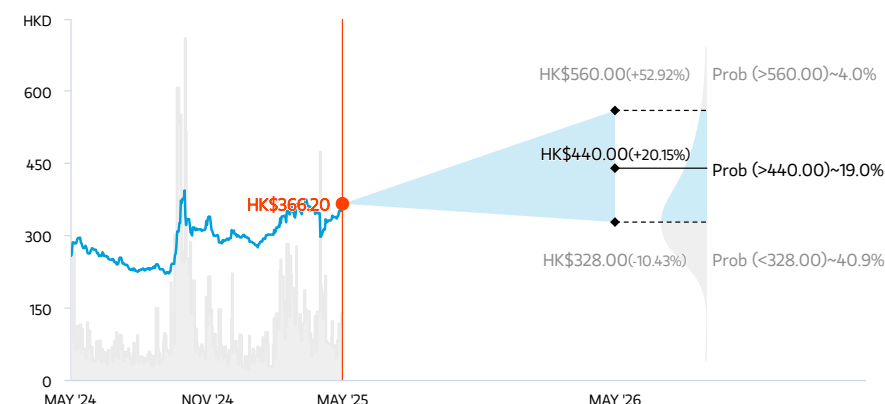
HK\$440: Probability-weighted 25% bull, 65% base, 10% bear. Skew reflects our view of higher ADV and more funds flow after financial risks bottom.
 Base: 34x 2026e P/E - a level in 2021 when market sentiment remained high
 Bull: 38x 2026e P/E - a level achieved in 2020 when IPO momentum was quite strong
 Bear: 30x 2026e P/E - a level higher than 2022-2024 when lingering uncertainties persisted

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



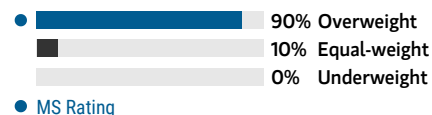
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 7 May 2025. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

OVERWEIGHT THESIS

- Financial risk and credit cycle bottom and China's transition to a development model more driven by innovation should help support market sentiment and trading volume in the Hong Kong market.
- Structural pressures are likely fading with policy shift to prioritize industrial upgrade largely completed.
- Rising IPO volume from more innovation will be a key driver of market cap and trading volume increase.
- New revenue initiatives could lead to higher earnings contribution in a more favorable market environment.
- Global uncertainties from tariff disruption could add some pressure to HK capital market.
- We now apply higher target P/E multiples across scenarios.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: *Positive*
 Pricing Power: *Negative*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

HK\$560.00

~38x bull case 2026e EPS

We expect velocity to be 120% for both 2025e and 2026e, and market cap to increase 26% and 20%, respectively. This leads to ADV assumptions of HK\$200bn for 2025e and HK\$240bn for 2026e. We see 2026e EPS at HK\$14.74 in our bull case. We apply a 38x multiple to our 2026e bull case EPS.

BASE CASE

HK\$411.00

~34x base case 2026e EPS

We expect velocity for 2025e and 2026e to be 110% and 105%, and market cap to increase 20% and 14%, respectively. This leads to ADV assumptions of HK\$174bn for 2025e and HK\$190bn for 2026e. Our base case target multiple is 34x, which we apply to our 2026e EPS of HK\$12.10.

BEAR CASE

HK\$328.00

~30x bear case 2026e EPS

We expect velocity 2025e and 2026e to be 100% and 99%, respectively, and market cap to increase 12% in 2025e and increase 6% in 2026e. This leads to ADV assumptions of HK\$148n for 2025e and HK\$155bn for 2026e. We apply a 30x multiple to our 2026e bear case EPS estimate of HK\$10.93.

Risk Reward – HK Exchanges & Clearing (0388.HK)

KEY EARNINGS INPUTS

Drivers	2024	2025e	2026e	2027e
ADV (HK\$, bn)	132	174	190	226
EFD Trading (HK\$, mn)	2,354	2,794	3,321	4,012
Investment Income (HK\$, mn)	4,927	4,830	4,400	3,998
EBITDA Margin (%)	72.8	74.1	74.3	75.4
ROE (%)	24.58	25.99	27.06	29.91

INVESTMENT DRIVERS

- Market turnover and velocity
- IPO listings
- Contribution from DWs and CBBCs
- Recurring listing fees
- Potential revenue pool from MSCI A-share/other index products
- Revenue contribution from the FICC market

GLOBAL REVENUE EXPOSURE



- 0-10% Mainland China
- 0-10% UK
- 80-90% APAC, ex Japan, Mainland China and India

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

**3/5
MOST** **3 Month
Horizon**

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Sharp pickup in market fundraising activity
- Accelerated IPO pipeline conversion
- Liquidity improvement in China and globally
- Policies to boost the capital market

RISKS TO DOWNSIDE

- Regulations affecting ADV and velocity
- IPOs not proceeding as expected for various reasons
- Stronger-than-expected policy tightening
- Lower revenue contribution from MSCI index future and option products
- Geopolitical uncertainties

OWNERSHIP POSITIONING

Inst. Owners, % Active 63.5%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (HK\$, mn) 21,655 26,960 29,582
25,753

EBITDA (HK\$, mn) 16,177 20,130 22,241
19,145

Net income (HK\$, mn) 12,192 15,337 18,152
14,919

EPS (HK\$) 9.66 12.10 14.32
11.77

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Exhibit 8: HKEx Financial Summary

Hong Kong Exchanges & Clearing: Financial Summary

Earnings Model					Balance Sheets				
HK\$ mn; Years Ending Dec 31	2024	2025E	2026E	2027E	HK\$ mn; Years Ending Dec 31	2024	2025E	2026E	2027E
Revenues:					ASSETS:				
Trading fees and trading tariff	7,189	8,764	9,869	11,686	Cash	134,365	139,726	148,514	157,781
Listing fees	1,484	1,613	1,759	1,941	Accounts receivable & prepayments	54,497	56,132	56,132	56,132
Clearing & settlement fees	4,717	5,722	6,355	7,575	Financial Assets	169,619	178,100	187,005	196,355
Depository, custody & nominee fees	1,146	1,238	1,300	1,365	Fixed Assets	1,504	1,504	1,504	1,504
Information fees	1,086	1,143	1,200	1,260	Goodwill and other intangible assets	19,605	19,997	18,997	18,047
Net Investment income	4,927	4,830	4,400	3,998	Interest in a joint venture	415	423	432	440
Other revenues	1,825	1,948	2,077	2,230	Other Assets	1,624	1,624	1,624	1,624
Total Revenues	22,374	25,258	26,960	30,054	Total Assets	381,629	397,507	414,208	431,884
Expenses:					LIABILITIES				
Staff costs	3,886	4,100	4,407	4,716	Margin Funds	188,857	198,300	208,215	218,626
IT	882	951	1,025	1,097	Accounts payable & other liab	37,584	37,584	37,584	37,584
Premises	138	146	154	161	Participants contributions	27,124	28,480	29,904	31,399
Marketing	126	131	136	143	Deferred tax liabilities	1,151	1,151	1,151	1,151
Legal & LME	199	205	211	217	Total Debt	452	452	452	452
Other expenses	862	1,006	1,006	1,056	Other Liab	72,054	75,657	79,440	83,412
Total expenses	6,093	6,539	6,939	7,390	Total Liabilities	327,222	341,624	356,746	372,624
EBITDA					EQUITIES				
Depreciation and Amortization	1,402	1,500	1,605	1,718	Share capital	31,955	31,955	31,955	31,955
Interest Expense	114	120	120	120	Retained earnings	21,890	23,366	24,945	26,743
					Other Equities	562	562	562	562
					Total Equities	54,407	55,883	57,462	59,260
Operating profits	14,765	17,100	18,296	20,827	Total Liab & Equities	381,629	397,507	414,208	431,884
Total Exceptional	88	99	108	119					
Profit before tax	14,853	17,198	18,405	20,946	ADT (HK\$bn)	132	174	190	226
Tax	1,698	2,752	2,945	3,351	SB - SH+SZ (HK\$bn) - MS Cal	46	71	77	92
Effective Tax Rate	11%	16%	16%	16%	NB - SH+SZ (HK\$bn) - MS Cal	155	162	176	210
Profit for the year	13,155	14,447	15,460	17,595	ADT (YoY, %)	26%	32%	9%	19%
Profit/(Loss) attributable to non-controlling interest	105	115	123	140	SB (YoY, %)	54%	55%	9%	19%
Modelware Profits	13,050	14,331	15,337	17,454	NB (YoY, %)	35%	4%	9%	19%
Key Data					Valuations				
Years Ending Dec 31	2024	2025E	2026E	2027E	Years Ending Dec 31	2024	2025E	2026E	2027E
Per Share (HK\$)					P/E (X)	24.3	22.1	20.7	18.2
EPS	10.29	11.31	12.10	13.77	P/Book (X)	5.8	5.7	5.5	5.4
Book Value Per Share	42.92	44.09	45.34	46.76	Dividend Yield	3.7%	4.1%	4.3%	4.9%
Dividend Per Share	9.23	10.14	10.85	12.35					
Profitability					E = Morgan Stanley Research Estimates				
ROE	24.6%	26.0%	27.1%	29.9%	Source: Company data, Morgan Stanley Research				
ROA	3.6%	3.7%	3.8%	4.2%					
Gross Margins	66.0%	67.7%	67.9%	69.3%					
Net Profit Margins	58.8%	57.2%	57.3%	58.5%					
Efficiency									
Core Cost/Income	33.5%	31.8%	31.7%	30.3%					

Source: Company data, Morgan Stanley Research (E) estimates

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options_Probabilities_Exhibit_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR_Themes_Exhibit_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG_Exhibit_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG_Sustainable_Solutions_External_Link.pdf](#)
5. View explanation of HERS methodology - [ESG_HERS_External_Link.pdf](#)

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(as of April 30, 2025)

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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	1501	40%	377	46%	25%	691	40%
Equal-weight/Hold	1667	44%	375	45%	22%	796	46%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	603	16%	76	9%	13%	229	13%
Total	3,774		828			1717	

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.

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

HK Exchanges & Clearing (0388.HK) - As of 05/08/25 GMT in HKD
Industry : Hong Kong Financials



Stock Rating History: 5/1/20 : O/C; 2/27/21 : E/C; 10/17/22 : E/I; 11/21/22 : U/I; 12/16/24 : E/I; 2/24/25 : O/I

Price Target History: 3/25/20 : 270; 5/25/20 : 310; 5/28/20 : 325; 6/23/20 : 345; 7/13/20 : 430; 2/3/21 : 600; 2/25/21 : 580; 2/27/21 : 485; 6/9/21 : 480; 7/19/21 : 515; 11/12/21 : 505; 3/7/22 : 430; 5/20/22 : 340; 8/25/22 : 300; 10/13/22 : 252; 11/21/22 : 220; 3/13/23 : 253; 8/4/23 : 251; 12/5/23 : 240; 2/19/24 : 225; 3/8/24 : 221; 5/2/24 : 223; 10/28/24 : 240; 12/16/24 : 310; 2/24/25 : 450; 4/16/25 : 387

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)
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COMPANY (TICKER)	RATING (AS OF)	PRICE* (05/08/2025)
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Hang Seng Bank (0011.HK)	U (01/04/2025)	HK\$108.80
HSBC Holdings (0005.HK)	O (10/17/2022)	HK\$86.35
Standard Chartered (2888.HK)	O (10/17/2022)	HK\$108.80
Richard Xu, CFA		
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