Hong Kong Exchanges (0388.HK)

Offshore CGB futures offers revenue upside and diversification benefits to a strong equity franchise; Buy

0388.HK	12m Price Target: **HK$540.00**	Price: **HK$383.40**	Upside: **40.8%**

BUY

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With policymakers placing more emphasis on RMB internationalization, we have seen a string of policy supports to a more open capital account, including opening up the onshore government bond futures market to foreign investors and broadening access of the Southbound Bond Connect scheme to Chinese insurers. **We believe HKEX can play an important role in the next phase of development, by addressing the bottleneck from the lack of risk-management tools, especially rate hedging tools.**

In particular, we highlight that CSRC has reiterated support for the launch of offshore CGB futures. We see this as another important step in the development of the interest rate derivatives market in China, and **a potential catalyst for greater foreign investor participation.** For HKEX, we believe this offers both revenue upsides and diversification benefits. **Based on FY25 data, we estimate** that an increase in foreign investor participation to 10% (from 2%) and an increase in derivatives market penetration (from 1% to 10%) **could translate to HK$3.6bn revenue upside, or c.12% of HKEX FY25 revenue.**

The pace of development is likely to be gradual initially, given the launch of offshore CGB futures is limited to a 5-year duration. However, looking through the prism of RMB internationalization, we believe this represents only the beginning, and **we are likely to see continued policy supports, similar to the development of the stock connect program and offshore FX derivatives market.**

HKEX share price has declined 6% YTD, broadly tracking the decline in the HSI index (-5%). We believe this reflects investors' concerns over near-term profit growth and quality of the listing pipeline. With HKEX trading at 25X FY27E EPS (vs. 34X historical average), we believe the current share price represents an attractive entry point, given the strong growth momentum in listing and trading activities,

Key Data

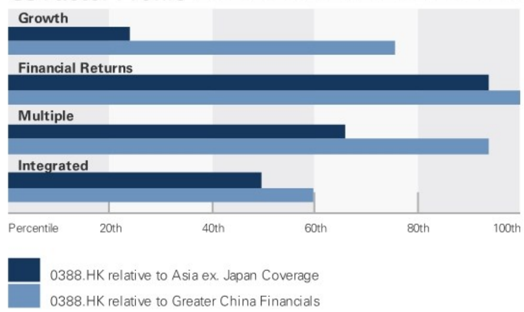
Market cap: HK$484.7bn / $61.9bn
3m ADTV: HK$1.8bn / $235.4mn
Hong Kong
Greater China Financials
M&A Rank: 3

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (HK$ mn)	29,161.0	31,667.6	32,673.8	34,665.1
EPS (HK$)	14.05	15.47	15.80	16.75
P/E (X)	27.8	24.8	24.3	22.9
P/B (X)	8.5	8.0	7.7	7.6
ROE (%)	31.7	33.0	32.3	33.3
DPS (HK$)	12.52	13.92	14.22	15.07
Dividend yield (%)	3.2	3.6	3.7	3.9

	3/26	6/26E	9/26E	12/26E
EPS (HK$)	4.10	3.80	4.04	3.53

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

BUY

Hong Kong Exchanges (0388.HK)

Rating since Aug 23, 2021

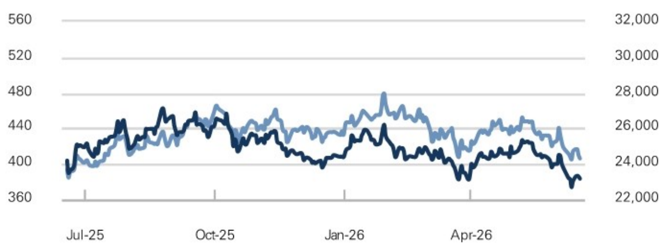
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	27.8	24.8	24.3	22.9
P/B (X)	8.9	8.0	7.7	7.6
Dividend yield (%)	3.2	3.6	3.7	3.9
ROE (%)	31.7	33.0	32.3	33.3
Clearing house funds (HK$ mn)	–	–	–	–
Margin funds (HK$ mn)	234,508.0	299,846.7	284,961.9	298,163.6
Total client assets (HK$ mn)	268,499.0	335,084.7	320,199.9	333,401.6

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	30.3	8.6	3.2	6.1
EPS growth	36.1	10.1	2.1	6.0
EBITDA margin	78.2	79.1	78.6	78.6
Op. profit margin	72.8	73.8	73.0	72.9
Pre-tax margin	72.6	73.6	72.8	72.8
Net margin	60.9	61.7	61.1	61.1

Price Performance



	3m	6m	12m
Absolute	(5.2)%	(3.8)%	(7.3)%
Rel. to the Hang Seng Index	0.9%	0.8%	(8.5)%

Source: FactSet. Price as of 17 Jun 2026 close.

Income Statement (HK$ mn)

	12/25	12/26E	12/27E	12/28E
Equity trading & clearing fees	12,281.1	14,567.3	15,356.1	16,502.8
Derivatives trading fees	5,093.9	5,587.5	5,690.4	6,053.0
Depository services	1,503.0	1,627.5	1,763.9	1,901.7
Market data	1,171.0	1,247.8	1,297.8	1,349.7
Listing fees	1,789.0	2,075.9	2,216.5	2,302.2
Investment income (operating)	5,416.0	4,462.4	4,082.1	4,107.3
Other revenue	7,323.0	6,561.6	6,349.2	6,555.8
Total revenue	29,161.0	31,667.6	32,673.8	34,665.1
Compensation & benefits exp.	(4,000.0)	(4,320.5)	(4,579.7)	(4,854.5)
Technology & comm. exp.	(955.0)	(1,029.3)	(1,091.1)	(1,167.5)
Depreciation & amortization	(1,568.0)	(1,691.7)	(1,827.0)	(1,973.1)
Occupancy expense	(149.0)	(157.0)	(161.7)	(166.5)
Other costs	–	–	–	–
Total operating expense	(6,365.0)	(6,606.7)	(6,996.1)	(7,408.9)
Inv. inc. & other (non-op.)	–	–	–	–
Income/(loss) from associates	–	–	–	–
Profit/(loss) on disposals	–	–	–	–
Total other net	(70.0)	(55.4)	(56.5)	(57.6)
Pre-tax profit	**21,158.0**	**23,313.9**	**23,794.2**	**25,225.4**
Provision for taxes	(3,321.0)	(3,677.2)	(3,735.7)	(3,960.4)
Tax rate (%)	15.7	15.8	15.7	15.7
Minorities, pref div & others	–	–	–	–
Net inc. (post-exceptionals)	**17,754.0**	**19,552.8**	**19,972.1**	**21,176.1**
GS net income	--	--	--	--
GS EPS (HK$)	--	--	--	--
DPS (HK$)	12.52	13.92	14.22	15.07
Div. payout ratio (%)	89.1	90.0	90.0	90.0
Wtd avg shares out. (basic) (mn)	1,264.0	1,264.3	1,264.3	1,264.3

Balance Sheet (HK$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	182,724.0	197,400.8	217,880.3	222,570.1
Restricted cash	–	–	–	–
Investments	–	–	–	–
Accounts receivable	67,958.0	88,592.0	88,592.0	88,592.0
Other current assets	296,539.0	323,565.9	336,501.4	339,463.7
Total current assets	**547,221.0**	**609,558.7**	**642,973.8**	**650,625.8**
Net PP&E	1,822.0	1,780.0	1,780.0	1,780.0
Intangible assets	3.0	3.0	3.0	3.0
Goodwill, net book value	19,938.0	20,145.0	20,145.0	20,145.0
Other long-term assets	11,791.0	12,747.0	12,747.0	12,747.0
Total assets	**580,775.0**	**644,233.7**	**677,648.8**	**685,300.8**
Accounts payable	50,846.0	137,783.7	142,198.5	143,340.8
Income tax payable	2,229.0	1,962.0	1,962.0	1,962.0
Short-term debt	–	–	–	–
Other current liabilities	465,800.0	439,998.5	466,284.2	471,930.6
Total current liabilities	**518,875.0**	**579,744.2**	**610,444.7**	**617,233.4**
Deferred revenue	–	–	–	–
Long-term debt	–	–	–	–
Other long-term liabilities	3,171.0	3,360.0	3,360.0	3,360.0
Total liabilities	**522,046.0**	**583,104.2**	**613,804.7**	**620,593.4**
Preferred shares	–	–	–	–
Total common equity	**58,147.0**	**60,527.5**	**63,242.1**	**64,105.5**
Minority interest	**582.0**	**602.0**	**602.0**	**602.0**
Total shareholders' equity	**58,729.0**	**61,129.5**	**63,844.1**	**64,707.5**
Total liabilities & equity	**580,775.0**	**644,233.7**	**677,648.8**	**685,300.8**

Source: Company data, Goldman Sachs Research estimates.

and the potential revenue upsides from FICC segments. We reiterate our Buy rating, and our TP of HK$540 implies 40% potential upside.

Offshore CGB futures a potential catalyst for greater foreign investor participation

Foreign holdings of government bonds (including CGB, LGB, and PBB) have declined to c.2% of outstanding bonds, down from 2018/2022 high of c.5%. This represents a significant underweight for funds tracking the major global bond indices, including Bloomberg Global Aggregate Index and FTSE World Government Bond Index, where index weights for China stand at 11%/12%, respectively.

We believe this is driven by a combination of 1) unfavorable rate environment compared to other matured markets in recent years, and 2) a lack of effective risk management instruments and limited market access to foreign investors, with interest rate swaps (IRS, including offshore non-deliverable IRS and IRS through Swap Connect) serving as the primary hedging tool available to offshore participants.

At end-April, the CSRC granted QFII/RQFII investors access to onshore government bond futures. Even so, we expect foreign investors to prefer offshore CGB futures, if launched, given lower operational friction. Onshore usage can be practically constrained by the need to maintain and manage onshore bond holdings for hedging, delivery, and basis management purposes. This is evident in the activities in the IRS market, where the BIS Triennial Survey in 2025 showed that onshore and offshore CNY IRS recorded similar ADT, despite a much smaller market in HK.

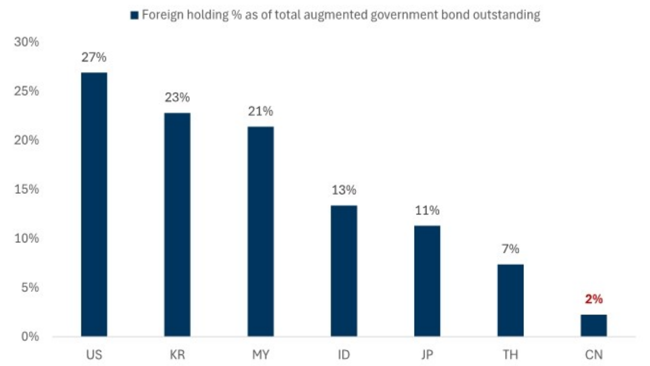
For foreign investors, CGB futures provides better risk hedging, as it more directly maps the government bond yield curve, vs. benchmark rates (i.e. FR007) for IRS, mitigating swap spread risk and enhancing hedging effectiveness. Furthermore, the exchange-traded nature of futures ensures narrower bid-ask spreads and higher capital efficiency, as the initial margin requirements are generally lower than those of OTC (over-the-counter) derivatives.

Exhibit 1: c.2% of overall government bonds are held by foreign institutions...
Foreign holding (%)

*Including central government bond (CGB), local government bond (LGB) and policy bank bond (PBB).

Source: CEIC

Exhibit 2: ...which is low vs. Asian peers
Foreign holdings as a % of total augmented government bonds outstanding (%)



Total augmented government bond includes treasury bond and government agency bonds.

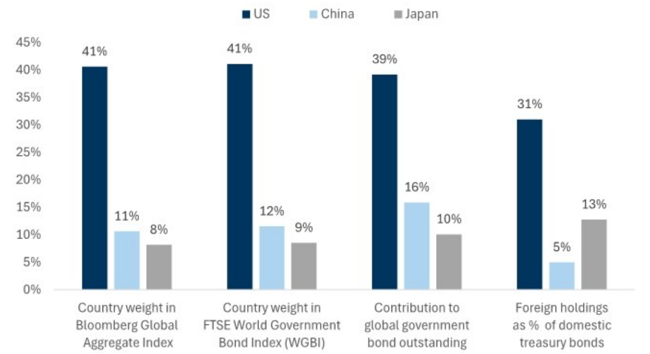
Source: US Department of The Treasury, FSS, KOFIA, Bank Negara Malaysia, Bank Indonesia, BOJ, Bank of Thailand, CEIC

Exhibit 3: The gap in total bonds outstanding is even larger vs. other matured markets
Foreign holdings as % of total bonds outstanding

As of 3Q25

Source: BIS

Exhibit 4: Foreign investor holdings are well below index weights
Index weight by country and foreign holdings %

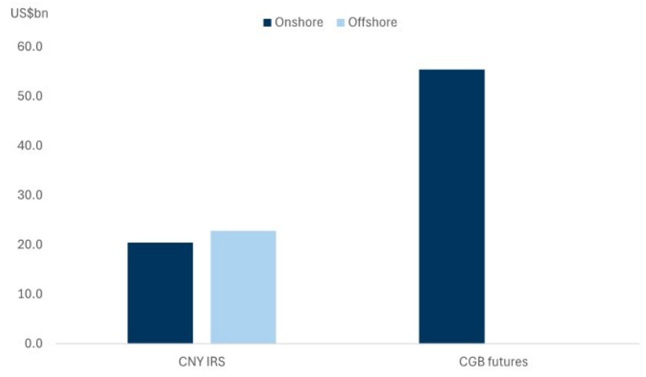


Source: Bloomberg, FTSE, BIS, Wind, ADB

Exhibit 5: The decline in foreign holdings was partly driven by unfavorable yield movements
Foreign holdings (%) vs. yield gap (%)

Source: Datastream, CEIC

Exhibit 6: We believe a lack of risk management tools has also been a key bottleneck, evident in the high turnover in offshore IRS
Derivatives ADT (US$bn)



Based on BIS data released in Apr 2025.

Source: BIS, CFFEX

Exhibit 7: Instruments and hedging tools accessible to foreign investors

Product	CIBM Direct Access	Bond Connect	QFII/RQFII
Interbank-traded Cash Bonds	√	√	√
Exchange-traded Cash Bonds	√	X	√
Bond Lending	√	X	√
Bond Forwards	√	X	√
Bond Repos	√	√	√
Forward Rate Arrangement (FRA)	√	X	√
Onshore IRS	√	X	√
Offshore IRS (NDIRS)	√	√	√
Onshore CGB futures (access granted Apr 2026)	X	X	√
Offshore CGB futures (final stage of preparation)	**√**	**√**	**√**
Onshore FX derivatives	√	√	√
Offshore FX derivatives	√	√	√

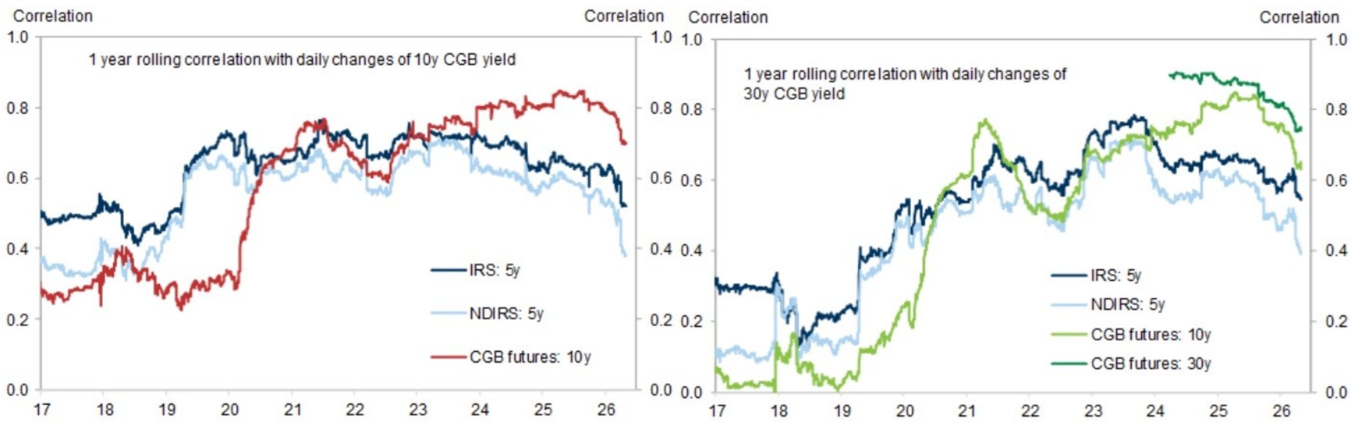
Source: PBOC, SAFE, CSRC

Exhibit 8: Government bond futures usually come with higher liquidity and capital efficiency, together with lower counterparty risk

Product type	Government bond futures	Interest rate swap (IRS)
Advantages	**Capital efficiency**: Futures require a relatively low initial margin (IM) compared to the notional exposure; margin requirements are typically lower than those in the swap market;	**Precision and customization**: IRS can be tailored to match specific maturity dates, payment frequencies and notional amounts;
	Higher liquidity: As exchange-traded products, futures benefit from centralized order books and higher trading volumes, typically resulting in narrower bid-ask spreads and lower counterparty risk compared to the OTC swap market;	**No rollover risk:** Swaps can be entered for the exact duration of the underlying exposure, removing the need for quarterly rolls and thus eliminating additional rollover cost;
Disadvantages	**Basis Risk:** As futures contracts track a basket of deliverable securities, the Cheapest-to-Deliver (CTD) bond may shift alongside interest rate fluctuations, potentially decoupling the hedge from the specific underlying exposure;	**Higher cost & liquidity constraints in long tenors:** Bid-ask spread in swap market is generally wider than futures market, and liquidity drops significantly for tenors beyond 5 years in domestic market, resulting in high cost and lower effectiveness in long tenor position hedging;
	Less flexibility: Future contracts have fixed expiry dates and standardized notionals, leaving less room for customization;	**Swap spread risk**: The effectiveness of IRS hedge for government bond exposure could be lower than futures, as CGB yields and IRS benchmark rates do not always move in tandem;
	Rolling costs: A longer-term hedge requires position rollovers every quarter, leading to higher transaction costs and exposure to potential roll spread volatility;	**Counterparty risk:** As OTC-traded instruments, IRS entail bilateral credit exposure

Source: Goldman Sachs Global Investment Research

Exhibit 9: Longer-dated CGB futures provide a better hedge for long-end CGBs



Source: Goldman Sachs FICC and Equities, CEIC, Goldman Sachs Global Investment Research

Potential revenue upside, as well as diversification benefits

Based on 2025 data, we estimate that an increase in foreign investor participation to 10% (from 2%) and an increase in derivatives market penetration to 10% (from c.1%, measured by open interest divided by bonds outstanding), would translate to US$460mn/HK$3.6bn revenue upside, equivalent to 12% of HKEX FY25 revenue.

We cross-check our revenue estimate by comparing the market depth of interest rate derivatives with FX derivatives, measured by interest rate derivatives turnover divided by FX turnover. Our assumptions above imply an increase in interest rate derivatives trading activities (relative to FX turnover) to 1.0X (vs. 0.2X currently), assuming an offshore market share of 20% similar to the current offshore share in the overall interest rate derivatives market in China. This compares to 0.4X for Japan and 2.3X for US market.

Additional upsides could come from a further increase in foreign investor participation, more intensified market trading patterns, and/or enhanced offshore presence in the interest rate derivatives market.

For HKEX, revenue predominantly comes from the equities market (45% in FY25), with less than 20% contribution from derivatives trading (including both HK and LME) in recent years. We believe this is a reflection of the early development stage of the FIC derivatives market in China. As a result, the development of an offshore rate derivatives market should lead to an improvement in revenue mix, vs. its regional/global peers.

Exhibit 10: Our analysis suggests a US$0.46bn revenue upside, or c.12% of FY25 revenue for HKEX

US$bn unless otherwise stated	2025 US	2025 Global ex. US	2025 Japan	2025 Korea	2025 China	2025 Scenario
On-exchange IRD turnover						
GDP	30,767	87,408	4,435	1,872	19,626	19,626
Gov bond outstanding	37,576	68,706	8,654	932	17,219	17,219
Gov bond / GDP (%)	122%	79%	195%	50%	88%	88%
Foreign ownership in gov bonds					390	1,722
Foreign ownership (%)					2.3%	10.0%
					Onshore & offshore	**Offshore**
Open interest	48,928	51,553	215	62	114	172
OI / bond outstanding (%)	130.2%	75.0%	2.5%	6.7%	0.7%	10.0%
Turnover velocity (x)	50.5x	18.0x	47.8x	100.6x	121.6x	125.0x
IRD turnover	2,472,735	930,526	10,284	6,252	13,876	21,524
IRD ADT	10,303	3,877	43	26	58	90
IRD turnover / bond o/s (%)	6803%	1434%	124%	705%	86%	1250%
Revenue upside from exchange-traded products						
Commission rate (bps)						0.20
Commission fee						0.43
Margin balance						3.0
Margin balance / OI (%)						1.8%
Spread earned (%)						1.0%
Potential interest income						0.03
Total revenue upside						**0.46**
Total revenue upside (HK$ bn)						**3.59**
As a % of FY25 revenue						**12%**

Source: IMF, IIF, Federal Reserve, BOJ, BOK, CEIC, Goldman Sachs Global Investment Research

Exhibit 11: Revenue upside sensitivity analysis (US$bn)

		Foreign ownership (%)								
		2.0%	4.0%	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%
OI / bond o/s (%)	2.0%	0.02	0.04	0.06	0.07	0.09	0.11	0.13	0.15	0.17
	4.0%	0.04	0.07	0.11	0.15	0.18	0.22	0.26	0.29	0.33
	6.0%	0.06	0.11	0.17	0.22	0.28	0.33	0.39	0.44	0.50
	8.0%	0.07	0.15	0.22	0.29	0.37	0.44	0.52	0.59	0.66
	10.0%	0.09	0.18	0.28	0.37	**0.46**	0.55	0.64	0.74	0.83
	12.0%	0.11	0.22	0.33	0.44	0.55	0.66	0.77	0.88	0.99
	14.0%	0.13	0.26	0.39	0.52	0.64	0.77	0.90	1.03	1.16
	16.0%	0.15	0.29	0.44	0.59	0.74	0.88	1.03	1.18	1.33
	18.0%	0.17	0.33	0.50	0.66	0.83	0.99	1.16	1.33	1.49

Source: Goldman Sachs Global Investment Research

Exhibit 12: We cross check by comparing the market depth of FX and IRD, and this leads to a similar upside of US$450mn

US$bn unless otherwise stated	2025 USD	2025 JPY	2025 RMB	2025 RMB
IRD & FX ADT				
GDP	30,767	4,435	19,626	19,626
FX turnover / GDP ratio (%)	47.6x	57.2x	7.0x	**7.0x**
FX derivatives ADT	6,100	1,058	576	576
OTC	5,901	1,035	540	559
Exchange-traded	199	22	36	17
Exchange-traded (%)	3%	2%	6%	**3%**
IRD ADT	14,077	441	105	576
OTC	2,436	411	59	177
Exchange-traded	11,641	30	46	399
Exchange-traded (%)	83%	7%	44%	**69%**
IRD / FX (x)	2.3x	0.4x	0.2x	**1.0x**
OTC (x)	0.4x	0.4x	0.1x	0.3x
Exchange-traded (x)	58.5x	1.3x	1.3x	23.3x
Offshore IRD share				
IRD ADT			25	153
OTC			25	74
Exchange-traded			0	80
Offshore share (%)			23%	27%
OTC (%)			42%	**42%**
Exchange-traded (%)			0%	**20%**
Revenue upside from exchange-traded products				
Commission fee				0.38
Interest income				0.07
Total revenue upside				**0.45**

BIS data is on net-net basis; Actual data based on Apr 2025 Triennial Survey.

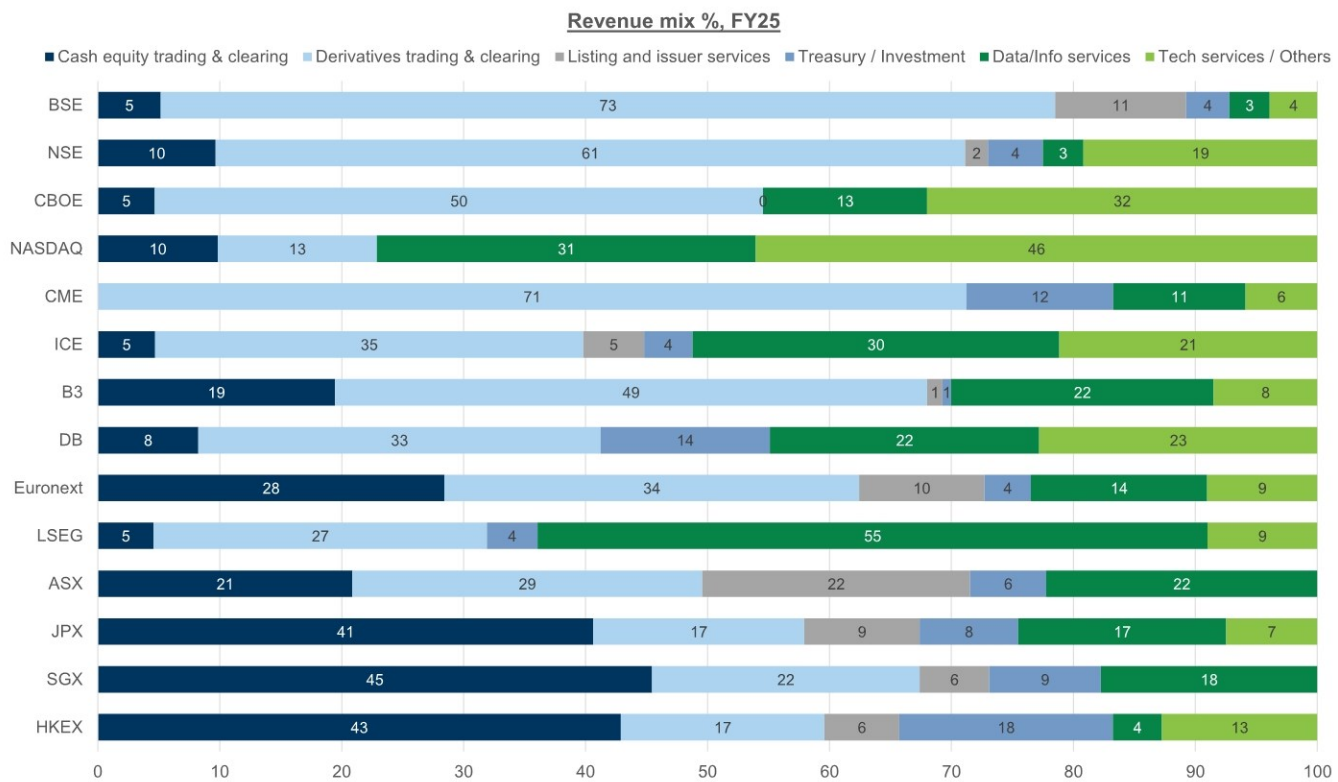
Source: BIS, IMF, Goldman Sachs Global Investment Research

Exhibit 13: Revenue upside sensitivity analysis (US$bn)

		Offshore share in exchange-traded products (%)								
		10.0%	12.5%	15.0%	17.5%	20.0%	22.5%	25.0%	27.5%	30.0%
IRD / FX turnover	0.40x	0.09	0.11	0.13	0.16	0.18	0.20	0.22	0.25	0.27
	0.55x	0.12	0.15	0.19	0.22	0.25	0.28	0.31	0.34	0.37
	0.70x	0.16	0.20	0.24	0.28	0.31	0.35	0.39	0.43	0.47
	0.85x	0.19	0.24	0.29	0.33	0.38	0.43	0.48	0.53	0.57
	1.00x	0.22	0.28	0.34	0.39	**0.45**	0.51	0.56	0.62	0.67
	1.15x	0.26	0.32	0.39	0.45	0.52	0.58	0.65	0.71	0.78
	1.30x	0.29	0.37	0.44	0.51	0.58	0.66	0.73	0.80	0.88
	1.45x	0.33	0.41	0.49	0.57	0.65	0.73	0.82	0.90	0.98
	1.60x	0.36	0.45	0.54	0.63	0.72	0.81	0.90	0.99	1.08

Source: Goldman Sachs Global Investment Research

Exhibit 14: HKEX's revenue is heavily reliant on cash equity



Source: Various exchanges, HKEX

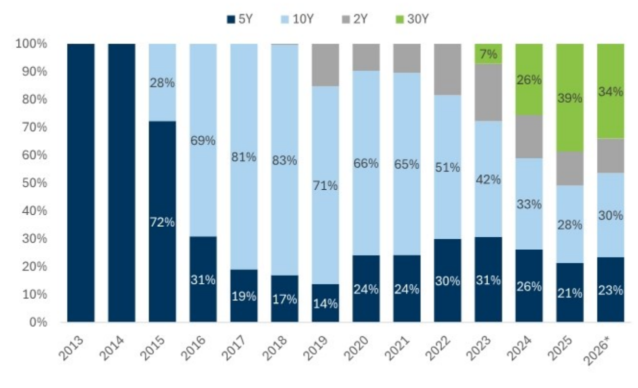
More policy supports likely down the line

According to speech made by Wu Qing (Chairman of the CSRC) at the Lujiazui Forum 2026, the initial launch of offshore CGB futures will be of 5-year duration. **We expect modest reaction from foreign investors, as we believe the key is to have long-duration products.** This was evident in the development of the onshore CGB futures market, which has seen a shift in trading and liquidity towards long-duration instruments, since the introduction of 10Y/30Y products in 2015/2023. This is a reflection of 1) 10Y government bond yield as an anchor rate for financial instrument pricing, and 2) 30Y futures as a favored instrument to gain convexity and leverage. In comparison, trading activities of shorter tenor (i.e. 2Y and 5Y) competes with the liquid front-end of the IRS market, which links directly to funding rate expectations.

Structurally, we believe investors should view the development through the prism of RMB internationalization, which our GS economics team think is likely to proceed through gradual onshore opening and deeper offshore RMB markets, which could include a liquid offshore RMB bond yield curve, a larger dim sum bond market, and a potential HK commodity ecosystem with more RMB-denominated products.

We draw similarities with the development of the stock connect program and the offshore FX derivatives market, which involved multiple policy supports following the initial launch. From this perspective, we believe **the launch of offshore CGB futures is only the beginning of the process**. Over time, we expect market access to be broadened as the onshore regulator becomes more comfortable with offshore pricing. For HKEX, we believe the process offers significant potential to increase its FICC segment revenue and profit contribution.

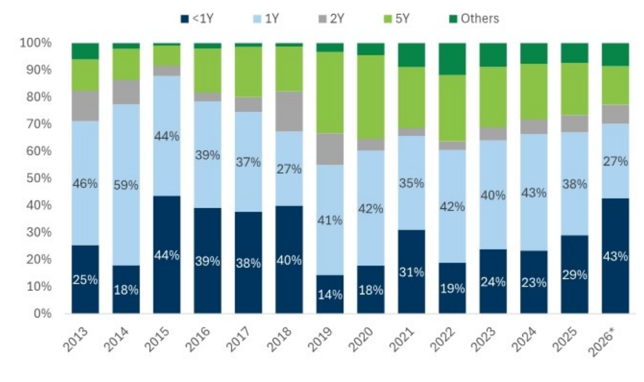
Exhibit 15: 30Y/10Y CGB futures account for 39%/28% of total trading volume in 2025...
Onshore CGB futures trading volume by tenor (%)



*As of Apr 2026.

Source: CFFEX

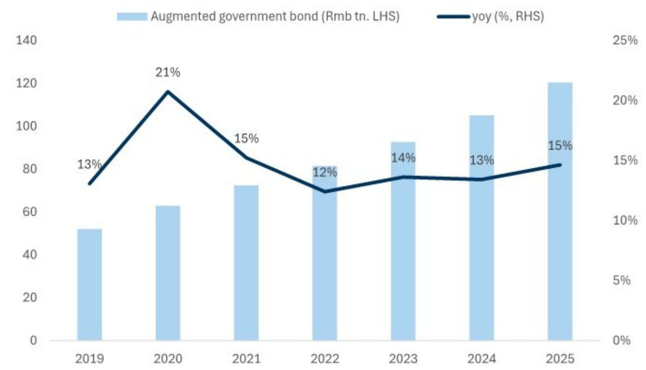
Exhibit 16: ...partly explained by heavier trading activities on short-tenor IRS
Onshore CNY IRS (FR007) turnover by tenor, 2025



*As of Apr 2026.

Source: National Interbank Funding Center

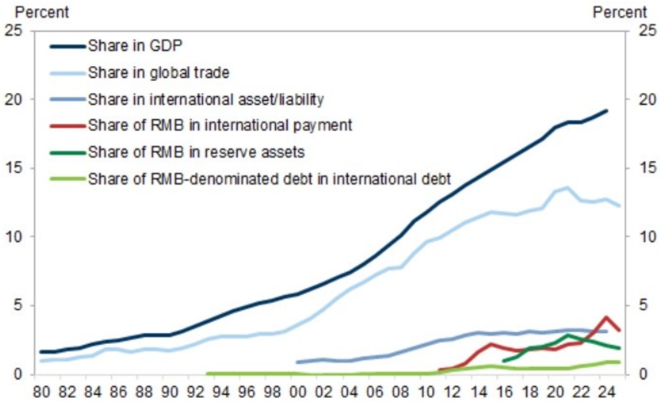
Exhibit 17: China's augmented government bonds outstanding have grown by double digits in recent years
Augmented government bonds outstanding (Rmb tn)



Total augmented government bonds include CGB, LGB and PBB.

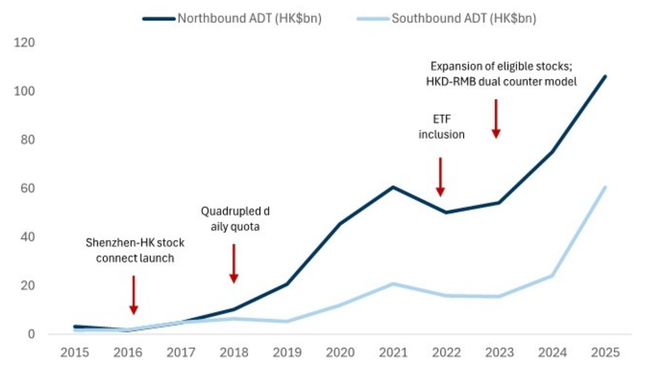
Source: CEIC

Exhibit 18: RMB international use has improved, but still trails China's global GDP and trade shares



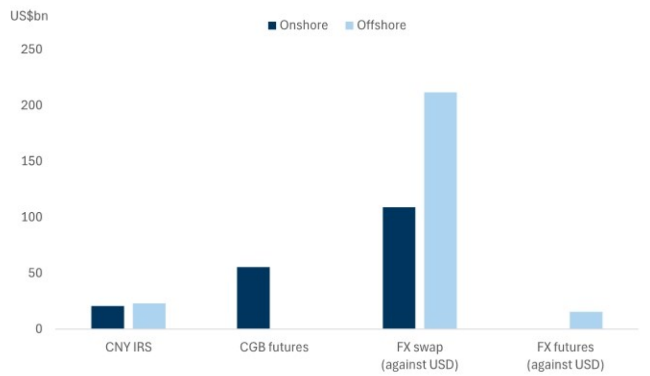
Source: BIS, Lane & Milesi-Ferretti (2018), Haver Analytics, Wind, Goldman Sachs Global Investment Research

Exhibit 19: The growth of the stock connect program has been accompanied by continued policy supports
Northbound and Southbound ADT (HK$bn)



Source: Company data

Exhibit 20: Over time, we see potential for offshore CGB futures to outgrow the domestic market
Average daily turnover of RMB FX & interest rate derivatives market (US$bn)



Based on BIS data released in Apr 2025.

Source: BIS, CFFEX

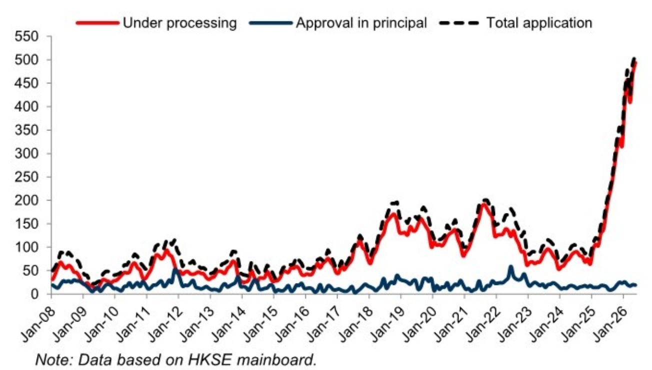
Attractive risk/reward as strong equities story intact

YTD, we highlight that the core equities story remains intact, evident in strong trading and listing activities.

- The number of companies in the listing pipeline has increased to 494 as of May 2026, vs. 316 at the end of Dec 2025. The overall structure of the pipeline is more skewed towards tech-related companies, accounting for 37% of total disclosed companies.
- In the first 5 months of the year, 61 companies have listed on HKEX, raising HK$167bn in total, representing c.60% of FY25 funds raised. Share price performance of newly listed companies has been strong (+68% on average, as of Jun 10).
- Market turnover has increased further to HK$292bn in the first 5 months of 2026, +39% yoy and is 17% above the FY25 average level. Into June, cash equity ADT has now climbed to HK$311bn (+6% mom).
- We have updated our earnings growth tracker for the Top 150 traded companies, a cohort that accounts for 67% of total market capitalization and turnover. Trading activity has become heavily concentrated in technology-related firms, representing 40% of the sample's total turnover, compared to their 24% share of sample market cap.

On valuation, we believe the current valuation is not demanding, as HKEX is trading at 25X FY27E P/E, below mid-cycle P/E of 34X.

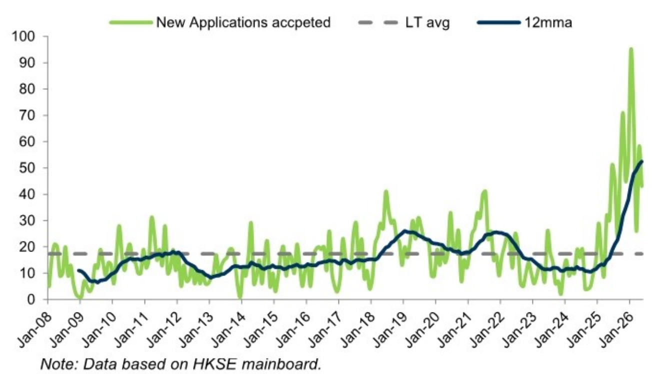
Exhibit 21: The number of companies in the listing pipeline has increased to 494 in May 2026



As of May 2026.

Source: Company data

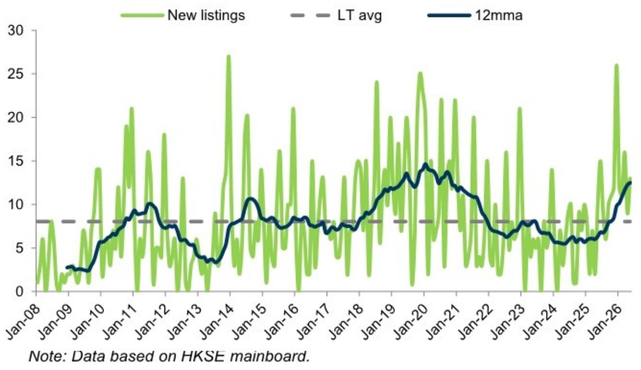
Exhibit 22: New applicants supply sustaining with 12mma average of 52



As of May 2026.

Source: Company data

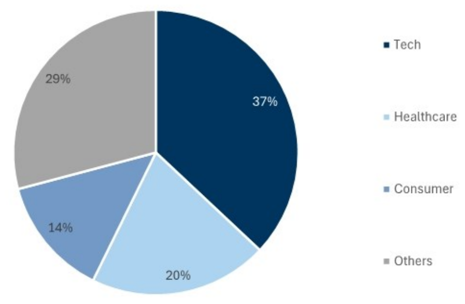
Exhibit 23: Pace of new listings is stable at teens level in the recent 3 months



As of May 2026.

Source: Company data

Exhibit 24: Tech-related companies account for 37% of the disclosed listing pipeline

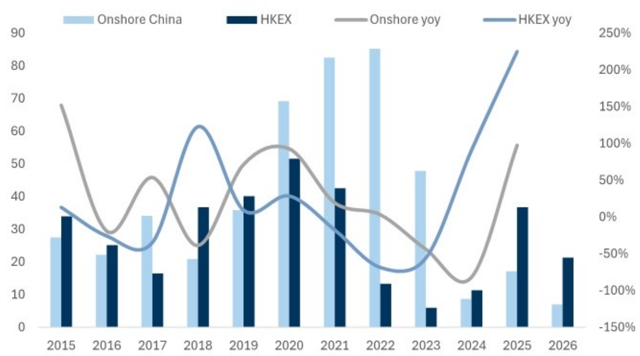


As of Jun 2026.

Source: Wind

Exhibit 25: 5M26 funds raised through IPO represents c.60% of FY25 level

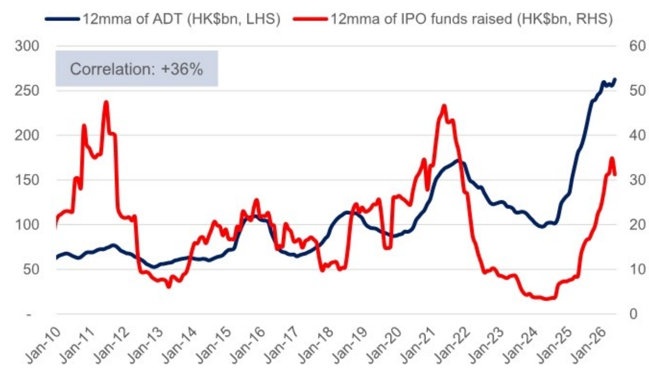
Funds raised through IPO (US$bn)



2026 data is as of May end.

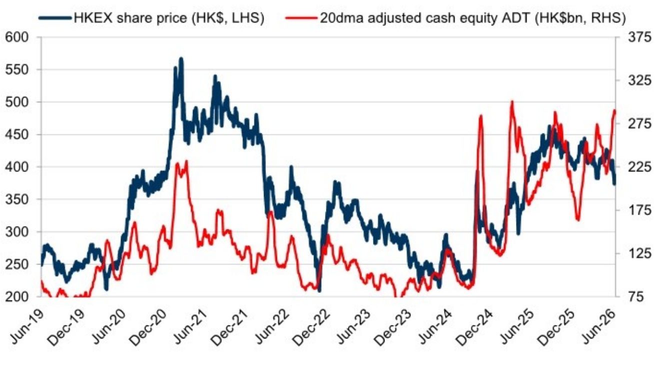
Source: WFE

Exhibit 26: Funds raised through IPO is positively correlated with HK market ADT



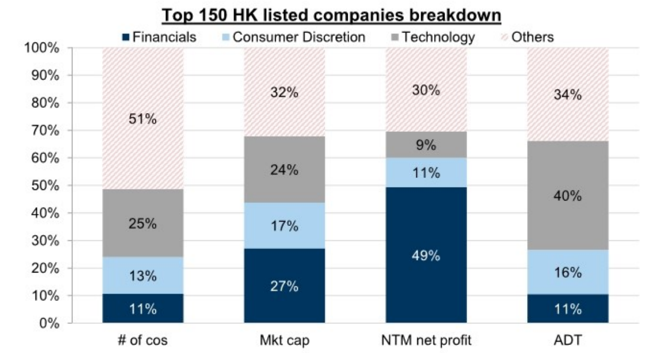
Source: Company data

Exhibit 27: Share price has not yet reflected the pick up in ADT in recent weeks



Source: Bloomberg

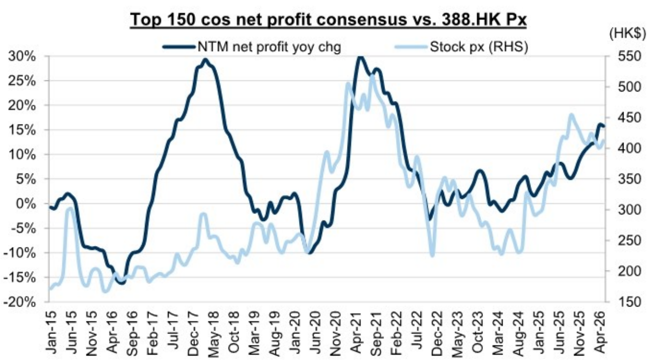
Exhibit 28: Market turnover has been more concentrated in tech-related names



As of May 2026

Source: Datastream, Data compiled by Goldman Sachs Global Investment Research

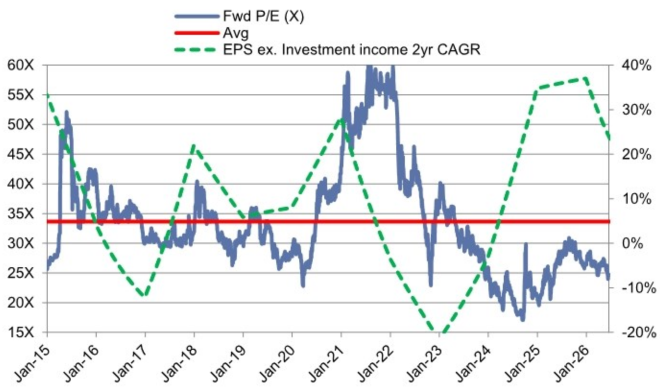
Exhibit 29: HKEX share price has a positive correlation with HK listed companies' earnings growth outlook



As of May 2026

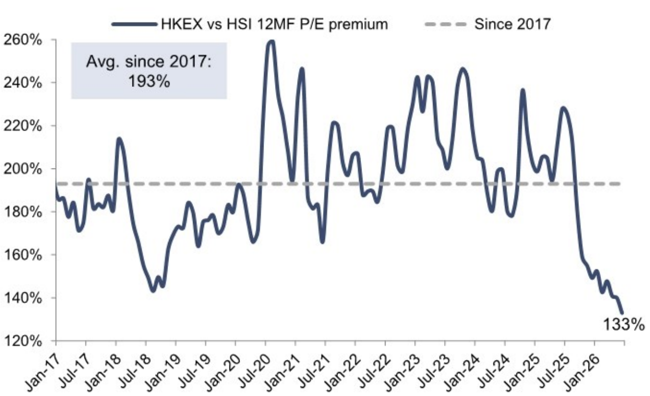
Source: Datastream, Data compiled by Goldman Sachs Global Investment Research

Exhibit 30: We believe the current valuation is not demanding as HKEX is trading below mid-cycle P/E



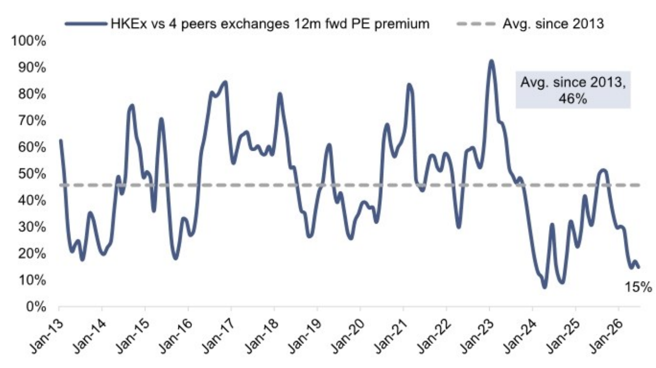
Source: Datastream, Company data, Goldman Sachs Global Investment Research

Exhibit 31: HKEX's P/E premium to the HSI is ~133% (vs. past 10yr avg at ~193%)



Source: Datastream, Bloomberg

Exhibit 32: HKEX's P/E premium to transactional peers exchanges is close to the historical low-end



Peers include CME, Euronext, SGX, JPX.

Source: Datastream, Bloomberg

Exhibit 33: HKEX financials summary

HKEx Summary sheet
Price HK$540.0

Summary sheet HK$mn, unless otherwise mentioned	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Key earnings drivers											
Cash equity ADT (incl. DW/CBBC, HK$bn)											
Total (excl SB)	82	118	148	110	90	109	191	209	215	229	243
Total (incl SB)	**87**	**129**	**167**	**125**	**105**	**132**	**250**	**279**	**295**	**316**	**338**
SB (gross buy+sell)	10.1	22.2	38.0	29.4	29.6	45.6	116.6	139.3	159.7	175.7	189.7
NB (gross buy+sell)	43.6	96.1	134.8	113.6	124.1	170.6	245.5	336.7	362.7	400.0	446.9
Derivatives DDAV (000 contracts)											
HKEx F&O	1,069	1,138	1,185	1,303	1,364	1,560	1,670	1,729	1,864	2,019	2,170
LME	618	573	559	507	562	665	717	831	834	864	896
Blended investment yield	1.62%	1.16%	0.63%	0.60%	2.08%	2.32%	2.39%	1.47%	1.15%	1.16%	1.16%
Summary P&L (HK$mn)											
Total revenue	**16,311**	**19,190**	**20,950**	**18,456**	**20,516**	**22,374**	**29,161**	**31,668**	**32,674**	**34,665**	**36,737**
Trading fees and trading tariff	5,592	6,959	7,931	6,837	6,081	7,189	10,333	11,805	12,366	13,224	14,108
Cash	*1,878*	*3,278*	*4,369*	*3,246*	*2,622*	*3,278*	*5,948*	*7,035*	*7,477*	*8,002*	*8,553*
Cash equity Connect	*283*	*611*	*910*	*760*	*747*	*890*	*1,634*	*2,107*	*2,336*	*2,573*	*2,830*
Equity and Financial Derivatives	*2,678*	*2,592*	*2,490*	*2,614*	*2,393*	*2,499*	*2,823*	*2,898*	*3,032*	*3,297*	*3,560*
Commodities	*1,036*	*1,089*	*1,072*	*977*	*1,066*	*1,412*	*1,562*	*1,872*	*1,857*	*1,925*	*1,995*
Stock Exchange listing fees	1,633	1,899	2,185	1,915	1,523	1,484	1,789	2,076	2,216	2,302	2,304
Clearing and settlement fees	3,160	4,355	5,214	4,335	3,885	4,717	7,042	8,350	8,681	9,331	10,039
Cash	*2,652*	*3,848*	*4,726*	*3,891*	*3,398*	*4,085*	*6,333*	*7,532*	*7,879*	*8,500*	*9,178*
Cash equity Connect	*332*	*721*	*1,003*	*828*	*876*	*1,254*	*2,163*	*2,869*	*3,154*	*3,476*	*3,840*
Commodities	*508*	*507*	*488*	*444*	*487*	*632*	*709*	*818*	*802*	*831*	*862*
Depository, custody and nominee	1,052	1,264	1,543	1,260	1,276	1,146	1,503	1,627	1,764	1,902	2,014
Market data fees	919	953	1,034	1,081	1,098	1,086	1,171	1,248	1,298	1,350	1,404
Other revenue	1,209	1,405	1,564	1,506	1,582	1,724	1,907	2,099	2,267	2,448	2,644
Investment income and other income	2,746	2,355	1,479	1,522	5,071	5,028	5,416	4,462	4,082	4,107	4,224
Operating expenses	**4,048**	**4,549**	**4,681**	**5,271**	**5,688**	**6,093**	**6,365**	**6,607**	**6,996**	**7,409**	**7,844**
EBITDA	**12,263**	**14,641**	**16,269**	**13,185**	**14,828**	**16,281**	**22,796**	**25,061**	**25,678**	**27,256**	**28,894**
Pretax profit	10,951	13,332	14,841	11,659	13,332	14,853	21,158	23,314	23,794	25,225	26,704
Attributable profit	**9,391**	**11,505**	**12,535**	**10,078**	**11,862**	**13,050**	**17,754**	**19,553**	**19,972**	**21,176**	**22,420**
Profit ex invmt income	**6,645**	**9,150**	**11,056**	**8,556**	**6,791**	**8,022**	**12,338**	**15,090**	**15,890**	**17,069**	**18,195**
Basic EPS (HK$)	**7.49**	**9.10**	**9.91**	**7.96**	**9.37**	**10.32**	**14.05**	**15.47**	**15.80**	**16.75**	**17.73**
DPS (HK$)	6.71	8.15	8.87	7.14	8.41	9.26	12.52	13.92	14.22	15.07	15.96
Key metrics											
Cost income (incl. depreciation)	31%	30%	29%	36%	35%	33%	27%	26%	27%	27%	27%
EBITDA margin	75%	76%	78%	71%	72%	73%	78%	79%	79%	79%	79%
Operating margin	69%	70%	71%	64%	65%	67%	73%	74%	73%	73%	73%
NPAT margin	58%	60%	60%	55%	58%	58%	61%	62%	61%	61%	61%
ROE	22%	25%	25%	20%	23%	25%	32%	32%	32%	33%	33%
Valuation											
P/E	51X	42X	39X	48X	41X	37X	27X	25X	24X	23X	22X
PEG							0.8X	2.5X	11.3X	3.8X	3.7X
P/E (excl. investment income)							39X	32X	31X	28X	27X
PEG (excl. investment income)							0.5X	1.1X	4.6X	3.1X	3.3X
P/B	15.3X	14.0X	13.8X	13.7X	13.2X	12.9X	12.0X	11.4X	11.1X	10.6X	9.9X
Dividend yield, %	1.2	1.5	1.6	1.3	1.6	1.7	2.3	2.6	2.6	2.8	3.0

Growth (yoy)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	CAGR 14-24	CAGR 24-29E
Key earnings drivers															
Cash equity ADT (incl. DW/CBBC, HK$bn)															
Total (excl SB)	29%	22%	-19%	44%	25%	-26%	-18%	21%	76%	9%	3%	6%	6%	5%	17%
Total (incl SB)	**32%**	**22%**	**-19%**	**49%**	**29%**	**-25%**	**-16%**	**26%**	**90%**	**12%**	**6%**	**7%**	**7%**	**7%**	**21%**
SB (gross buy+sell)	170%	25%	-12%	120%	71%	-23%	1%	54%	156%	19%	15%	10%	8%	84%	33%
NB (gross buy+sell)	191%	97%	109%	120%	40%	-16%	9%	38%	44%	37%	8%	10%	12%	70%	21%
Derivatives DDAV (000 contracts)															
HKEx F&O	14%	38%	-11%	6%	4%	10%	5%	14%	7%	4%	8%	8%	7%	10%	7%
LME	1%	-2%	1%	-7%	-2%	-9%	11%	18%	8%	16%	0%	4%	4%	0%	6%
Blended investment yield														**4%**	**-13%**
Summary P&L (HK$mn)															
Total revenue	**19%**	**20%**	**3%**	**18%**	**9%**	**-12%**	**11%**	**9%**	**30%**	**9%**	**3%**	**6%**	**6%**	**9%**	**10%**
Trading fees and trading tariff	10%	31%	-12%	24%	14%	-14%	-11%	18%	44%	14%	5%	7%	7%	7%	14%
Cash	*24%*	*21%*	*-12%*	*75%*	*33%*	*-26%*	*-19%*	*25%*	*81%*	*18%*	*6%*	*7%*	*7%*	*7%*	*21%*
Cash equity Connect	*176%*	*61%*	*52%*	*116%*	*49%*	*-16%*	*-2%*	*19%*	*84%*	*29%*	*11%*	*10%*	*10%*	*69%*	*26%*
Equity and Financial Derivatives	*11%*	*59%*	*-14%*	*-3%*	*-4%*	*5%*	*-8%*	*4%*	*13%*	*3%*	*5%*	*9%*	*8%*	*7%*	*7%*
Commodities	*-9%*	*-4%*	*-3%*	*5%*	*-2%*	*-9%*	*9%*	*32%*	*11%*	*20%*	*-1%*	*4%*	*4%*	*4%*	*7%*
Stock Exchange listing fees	22%	29%	-5%	16%	15%	-12%	-20%	-3%	21%	16%	7%	4%	0%	3%	9%
Clearing and settlement fees	14%	22%	-4%	38%	20%	-17%	-10%	21%	49%	19%	4%	7%	8%	9%	16%
Cash	*21%*	*29%*	*-4%*	*45%*	*23%*	*-18%*	*-13%*	*20%*	*55%*	*19%*	*5%*	*8%*	*8%*	*8%*	*18%*
Cash equity Connect	*181%*	*66%*	*62%*	*117%*	*39%*	*-17%*	*6%*	*43%*	*73%*	*33%*	*10%*	*10%*	*10%*	*73%*	*25%*
Commodities	*-7%*	*-5%*	*-2%*	*0%*	*-4%*	*-9%*	*10%*	*30%*	*12%*	*15%*	*-2%*	*4%*	*4%*	*13%*	*6%*
Depository, custody and nominee	4%	10%	7%	20%	22%	-18%	1%	-10%	31%	8%	8%	8%	6%	5%	12%
Market data fees	5%	5%	2%	4%	8%	5%	2%	-1%	8%	7%	4%	4%	4%	4%	5%
Other revenue	12%	9%	17%	16%	11%	-4%	5%	9%	11%	10%	8%	8%	8%	8%	9%
Investment income and other income	124%	1%	70%	-14%	-37%	3%	233%	-1%	8%	-18%	-9%	1%	3%	21%	-3%
Operating expenses	**3%**	**15%**	**-2%**	**12%**	**3%**	**13%**	**8%**	**7%**	**4%**	**4%**	**6%**	**6%**	**6%**	**7%**	**5%**
EBITDA	25%	22%	4%	19%	11%	-19%	12%	10%	40%	10%	2%	6%	6%	**9%**	**12%**
Pretax profit	27%	26%	1%	22%	11%	-21%	14%	11%	42%	10%	2%	6%	6%	9%	12%
Attributable profit	**28%**	**26%**	**1%**	**23%**	**9%**	**-20%**	**18%**	**10%**	**36%**	**10%**	**2%**	**6%**	**6%**	**10%**	**11%**
Profit ex invmt income	**15%**	**33%**	**-14%**	**38%**	**21%**	**-23%**	**-21%**	**18%**	**54%**	**22%**	**5%**	**7%**	**7%**	**6%**	**18%**
Basic EPS (HK$)	**27%**	**24%**	**0%**	**22%**	**9%**	**-20%**	**18%**	**10%**	**36%**	**10%**	**2%**	**6%**	**6%**	**9%**	**11%**
DPS (HK$)	28%	24%	0%	22%	9%	-20%	18%	10%	35%	11%	2%	6%	6%	9%	11%

Source: Datastream, Company data, Goldman Sachs Global Investment Research

Price Target, Risks and Methodology - Hong Kong Exchanges

We are Buy rated on HKEX. Our 12-m target price of HK$540 is based on a 3-stage DDM method, implying 34X 2027E P/E. Downside risks include: 1) Higher competition with onshore capital markets for business; 2) Lower velocity in the cash market; 3) Fee pressure from reduced fees onshore in China; and 4) a sustained deflationary environment in China.

Disclosure Appendix

Reg AC

We, Thomas Wang and Simone Chen, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

M&A Rank

Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

The rating(s) for Hong Kong Exchanges is/are relative to the other companies in its/their coverage universe: AIA Group, China Life Insurance Co. (A), China Life Insurance Co. (H), China Pacific Insurance (A), China Pacific Insurance (H), China Taiping Insurance Holdings, FWD Group Holdings, Hong Kong Exchanges, New China Life Insurance (A), New China Life Insurance (H), PICC Group (A), PICC Group (H), PICC Property and Casualty Co., Ping An Insurance Group (A), Ping An Insurance Group (H), Prudential Plc, Prudential Plc (H), Singapore Exchange

Company-specific regulatory disclosures

The following disclosures relate to relationships between The Goldman Sachs Group, Inc. (with its affiliates, "Goldman Sachs") and companies covered by Goldman Sachs Global Investment Research and referred to in this research.

Goldman Sachs expects to receive or intends to seek compensation for investment banking services in the next 3 months: Hong Kong Exchanges (HK$383.40)

Goldman Sachs has received compensation for non-investment banking services during the past 12 months: Hong Kong Exchanges (HK$383.40)

Goldman Sachs had an investment banking services client relationship during the past 12 months with: Hong Kong Exchanges (HK$383.40)

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Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	60%	45%

As of April 1, 2026, Goldman Sachs Global Investment Research had investment ratings on 3,074 equity securities. Goldman Sachs assigns stocks as

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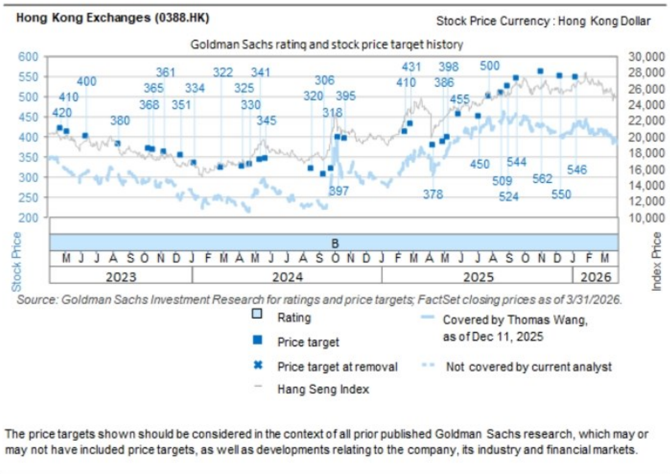
Price target and rating history chart(s)



Target price history table(s)
Hong Kong Exchanges (0388.HK)

Date of report	Target price (HK$)	Closing price (HK$)
29-Apr-26	540.00	419.80
15-Apr-26	528.00	414.00
12-Jan-26	546.00	426.20
11-Dec-25	550.00	400.80
05-Nov-25	562.00	423.60
18-Sep-25	544.00	444.00
01-Sep-25	524.00	454.00
20-Aug-25	509.00	441.20
28-Jul-25	500.00	449.40
08-Jul-25	450.00	417.40
30-May-25	455.00	395.80
09-May-25	398.00	372.40
30-Apr-25	386.00	340.80
10-Apr-25	378.00	306.80
27-Feb-25	431.00	365.00
17-Feb-25	410.00	340.80
23-Oct-24	395.00	314.80
10-Oct-24	397.00	334.20
27-Sep-24	318.00	308.60
13-Sep-24	306.00	224.00
21-Aug-24	320.00	228.60
24-May-24	345.00	274.00
14-May-24	341.00	284.40
24-Apr-24	330.00	239.00
10-Apr-24	325.00	234.60
29-Feb-24	322.00	242.80
08-Jan-24	334.00	247.80
13-Dec-23	351.00	247.20
13-Nov-23	361.00	285.60
20-Oct-23	365.00	285.20
11-Oct-23	368.00	292.00
16-Aug-23	380.00	299.60

Price targets shown in table(s) are unadjusted for corporate actions.

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