Hong Kong ListCo Value Creation Analytics

Fundamental analysis of 2,000+ HKEX Main Board companies, 2015–2025

Barnaby Robson · September 2026

The Report

Hong Kong, the capital allocator's market · August 2026

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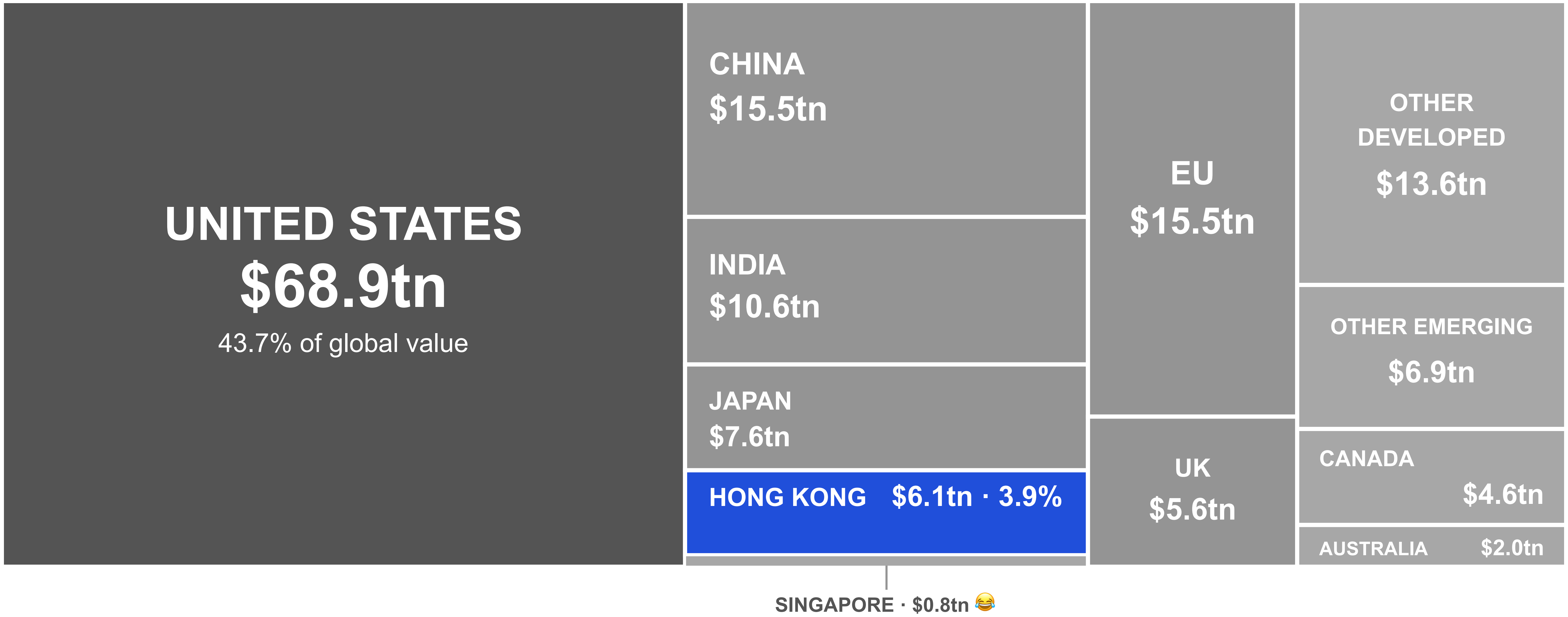
Hong Kong accounts for 3.9% of global equity value

Hong Kong, the world's 5th largest equity market.

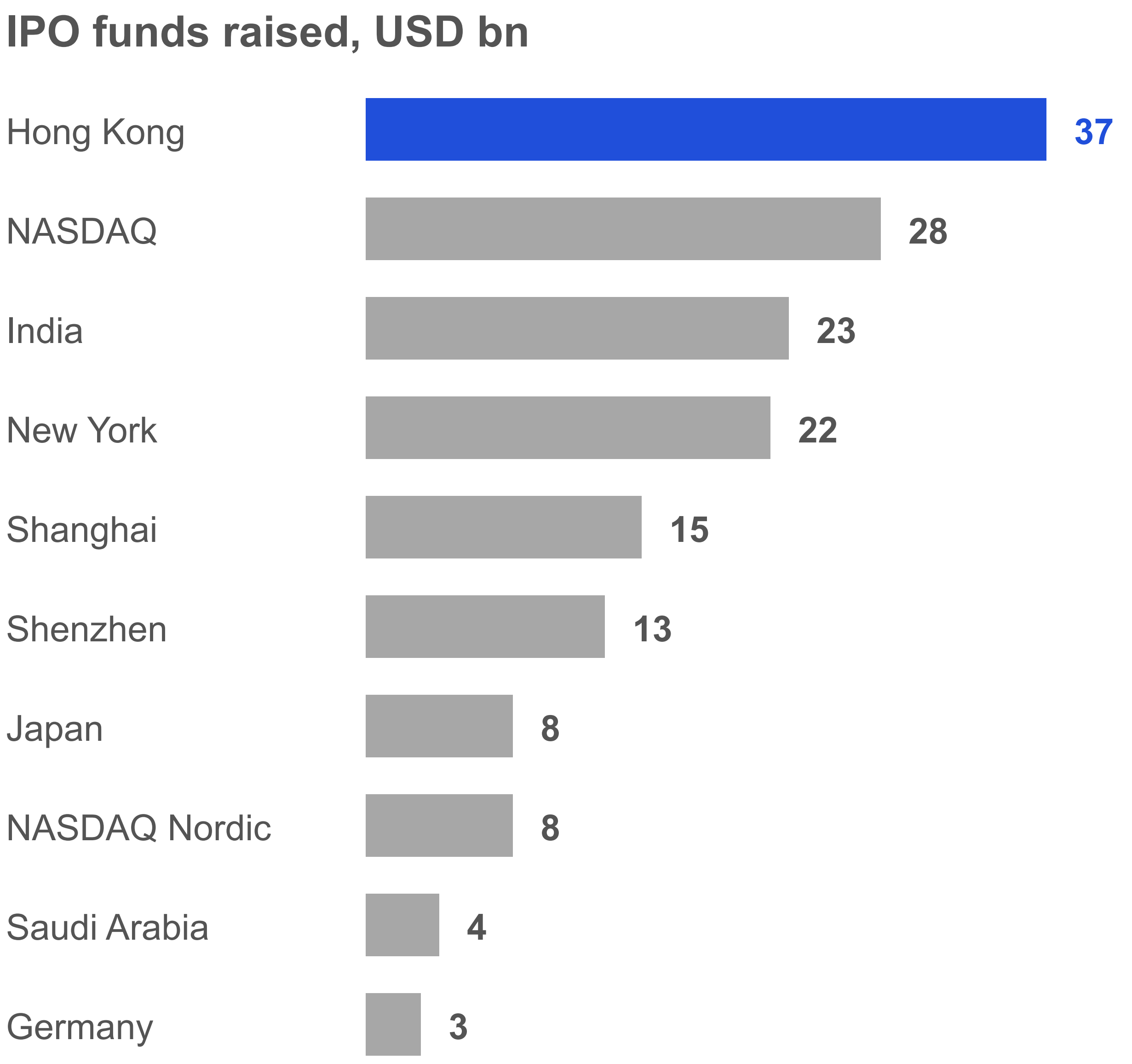
2025 global equity market capitalisation. Rectangle area = market value.

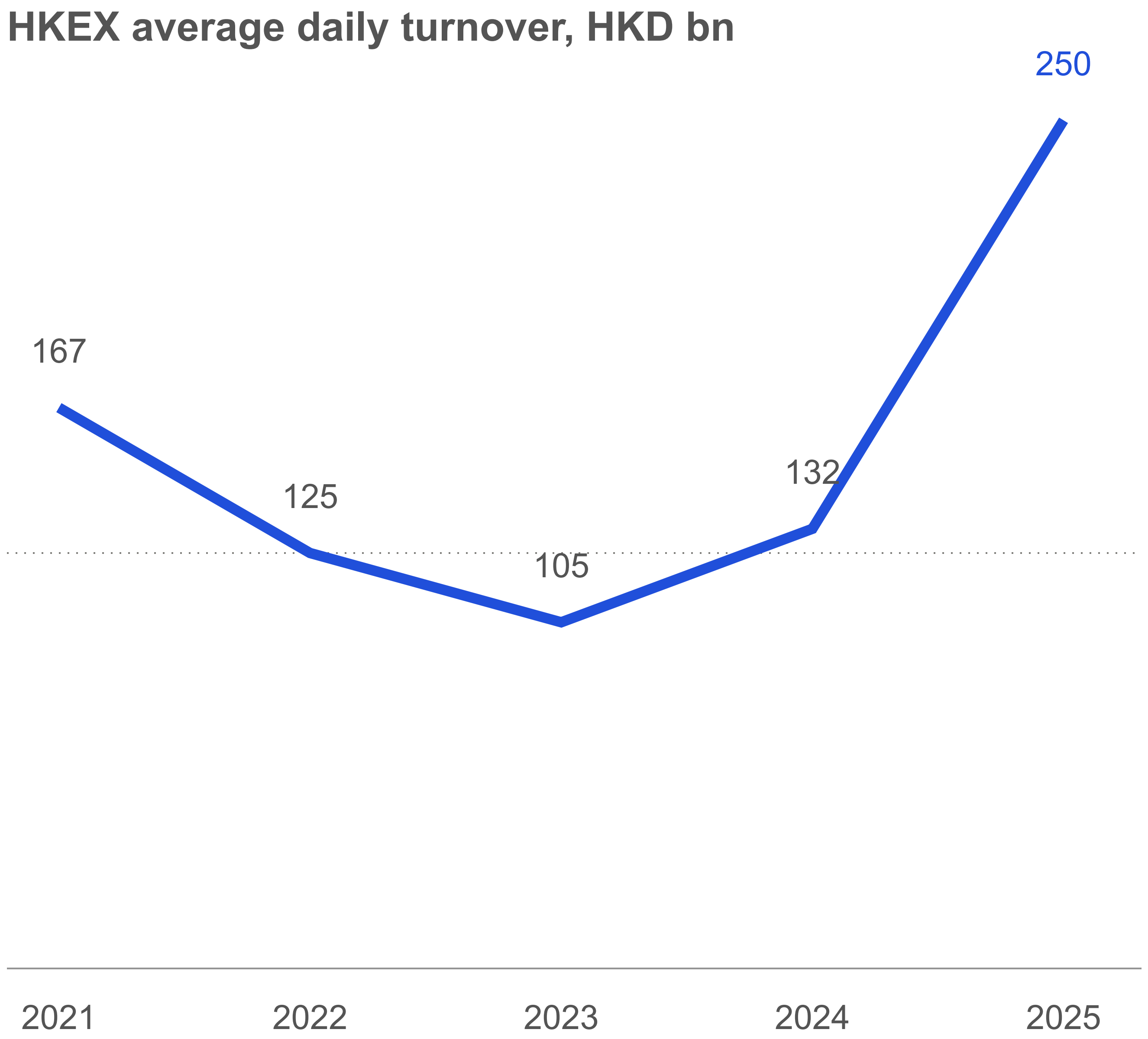


Source: World Federation of Exchanges via SIFMA, 2026 Capital Markets Fact Book. Twelve values sum to USD157.8tn.

Hong Kong led global IPO fundraising as turnover rebounded

2025 brought USD37bn of IPO proceeds and HKD250bn of average daily turnover.



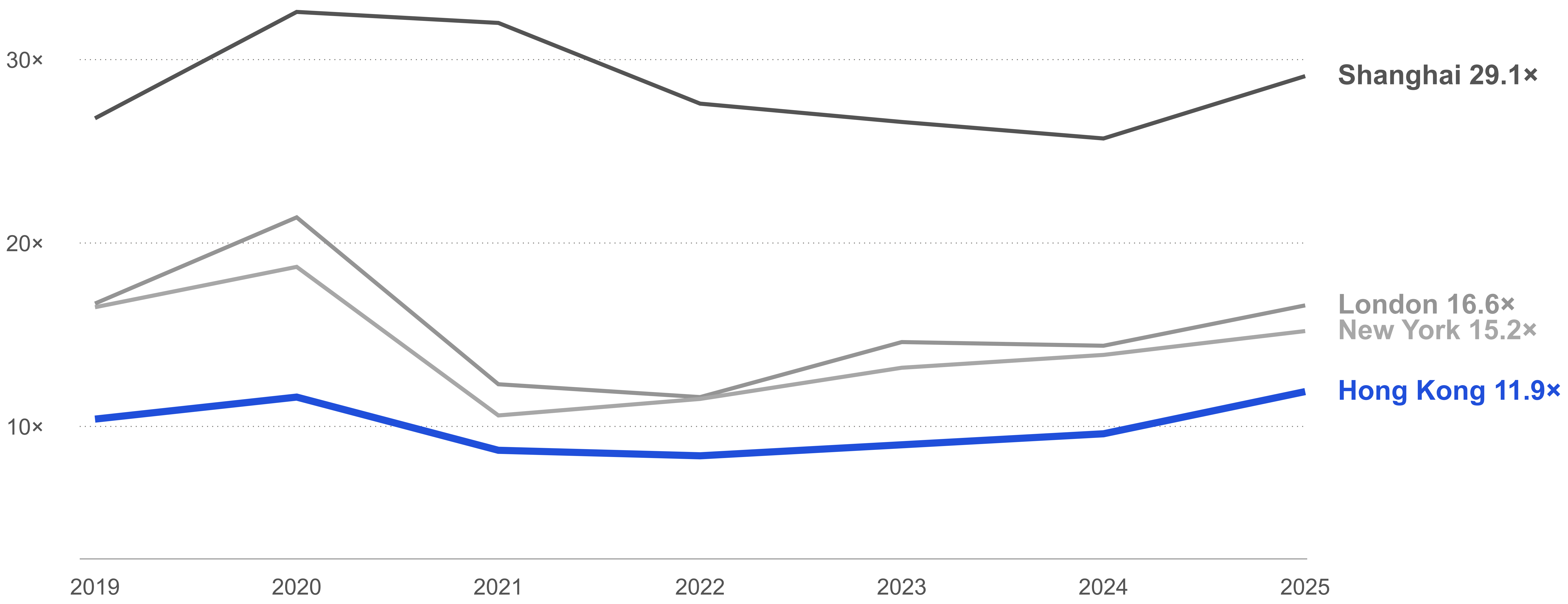


Source: HKEX Annual Market Statistics; exchange disclosures; KPMG analysis.

Hong Kong trades below New York, London and Shanghai

Its median P/E was 11.9× in 2025, against 15.2×–29.1× on the three other exchanges shown.

Median price-to-earnings ratio by stock exchange, 2019–2025



Source: Capital IQ; KPMG analysis. Exchange medians include companies with positive earnings.

Hong Kong stocks are in the dumps.

“Hong Kong stocks are in the dumps, and have been there for some time. This was not always the case. I know, I was there in 2005.....

In October 2020, Jack Ma publicly bristled at perceived suppression of innovation in China. This offended Beijing. Within 10 days, Alibaba’s planned IPO of Ant Group was cancelled, and Beijing launched a two-year regulatory crackdown on China’s entire technology sector.

The peaking Hang Seng found no succor as the property market teetered into an epic descent, and COVID erupted from China and ran through China’s customers. Then came 3 years of lockdowns.....

These companies deserve a re-evaluation, a deep look into vulnerabilities, virtues, and value.”

Quote supplied by Barnaby Robson. Image: *The Big Short* (2015), supplied frame.

Economic profit is the clearest test of value creation

We tested whether Hong Kong’s discount reflected weak value creation.

RETURN EARNED | CAPITAL COST | SPREAD

ROIC − **WACC** = **SPREAD**

VALUE CREATED OR ERODED

SPREAD × **CAPITAL EMPLOYED** = **ECONOMIC PROFIT**

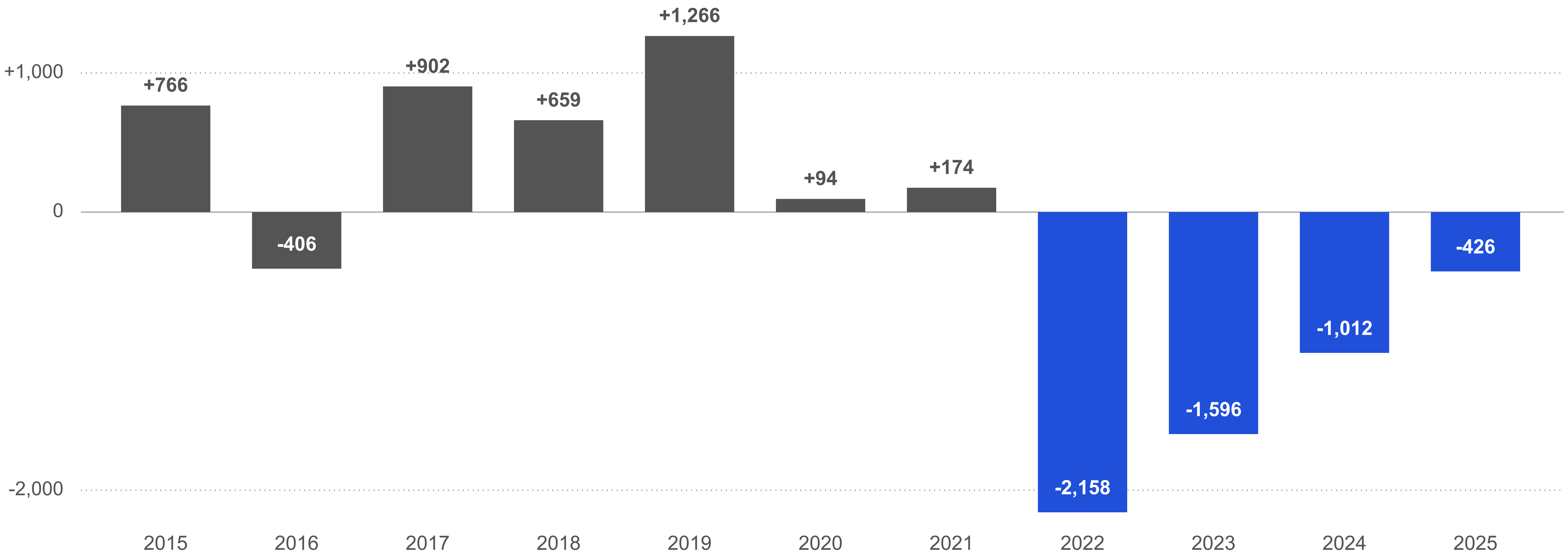
< 0 VALUE ERODED | 0 BREAK-EVEN | > 0 VALUE CREATED

ROIC and WACC apply to non-financial companies. Financial companies use ROE and cost of equity. Source: KPMG, *Hong Kong - the capital allocator's market*, August 2026.

Economic profit turned negative in 2022 and stayed there

71% of HKEX companies earned less than their capital cost in 2025.

Aggregate economic profit, HKD bn, 2015–2025

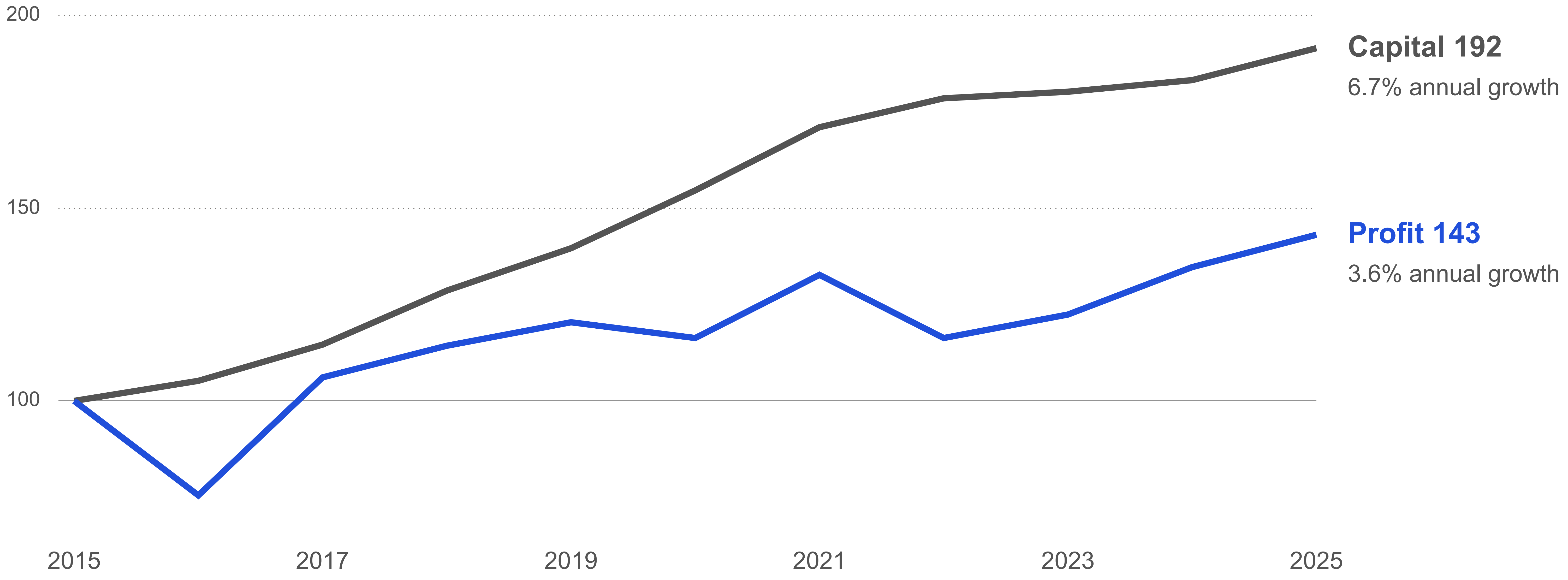


Financial companies use return on equity and cost of equity. Source: Capital IQ; KPMG analysis.

Capital grew more than twice as fast as profit

From 2015 to 2025, invested capital and equity grew 92%; profit grew 43%.

Capital and profit, indexed to 100 at 2015



Capital uses invested capital for non-financial companies and equity for financial companies. Source: Capital IQ; KPMG analysis.

New capital earned 3.0 points below its cost

Across 2015–2025, the market earned 4.9% on new capital against a 7.9% cost.

Incremental return minus estimated capital cost

4.9%	–	7.9%
RETURN ON NEW CAPITAL		COST OF CAPITAL

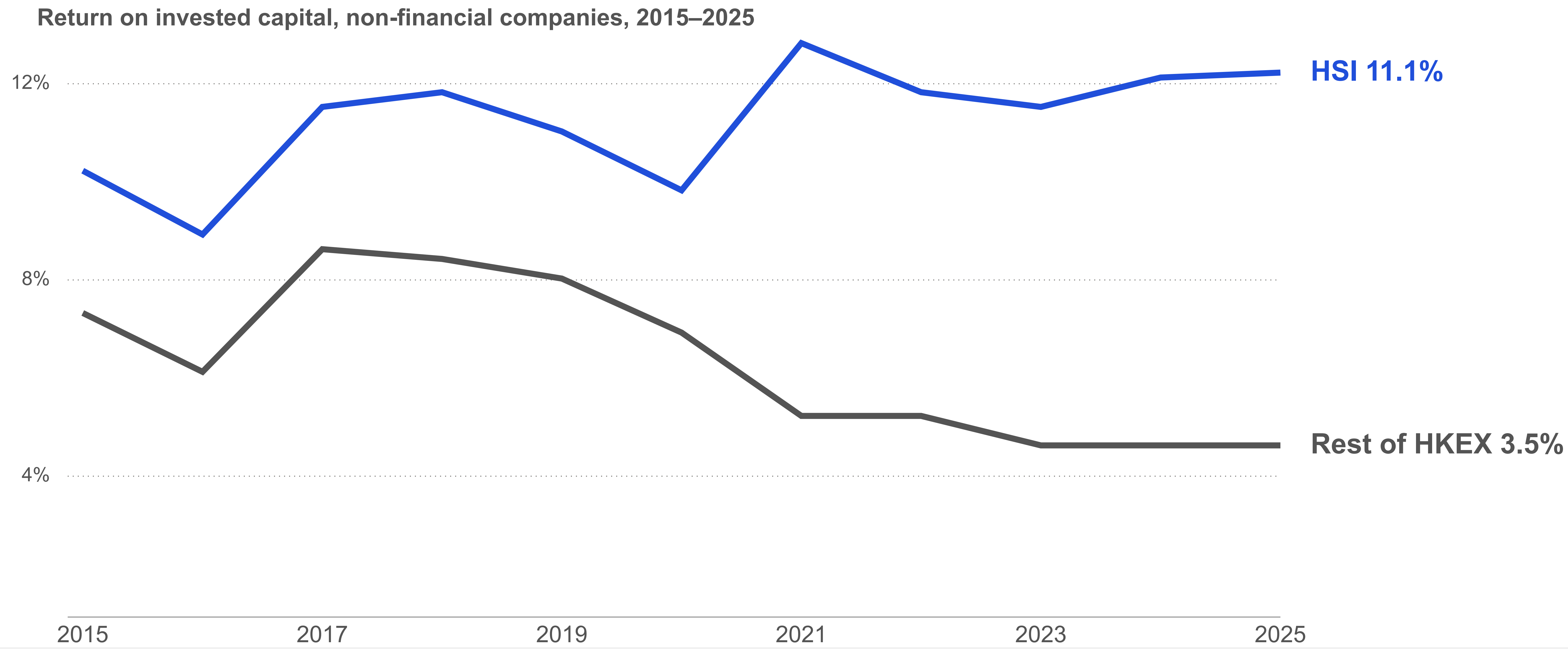
= −3.0 percentage points

EVERY ADDITIONAL DOLLAR REDUCED ECONOMIC PROFIT

Incremental return approximates the change in profit divided by the change in capital, using 2015 and 2025 endpoints. Source: Capital IQ; KPMG analysis.

The HSI held an 11% return as the long tail fell to 3.5%

Scale helps, although 26 of 93 Hang Seng Index constituents still destroyed value in 2025.

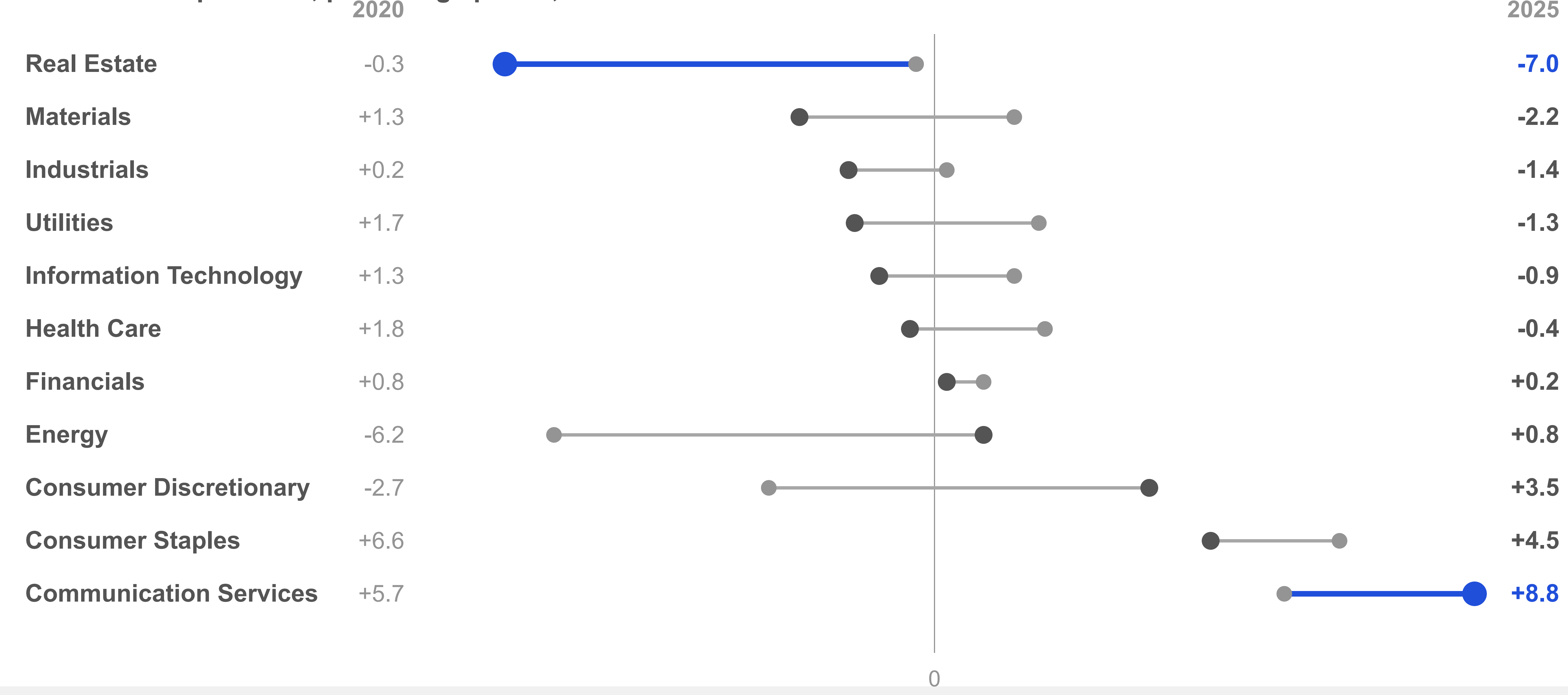


Aggregate ROIC of non-financial companies; HSI constituents versus the rest of HKEX. Source: Capital IQ; KPMG analysis.

Six of eleven sectors destroyed value in 2025

Real Estate fell to −7.0 points while Communication Services reached +8.8 points.

Return minus capital cost, percentage points, 2020 to 2025

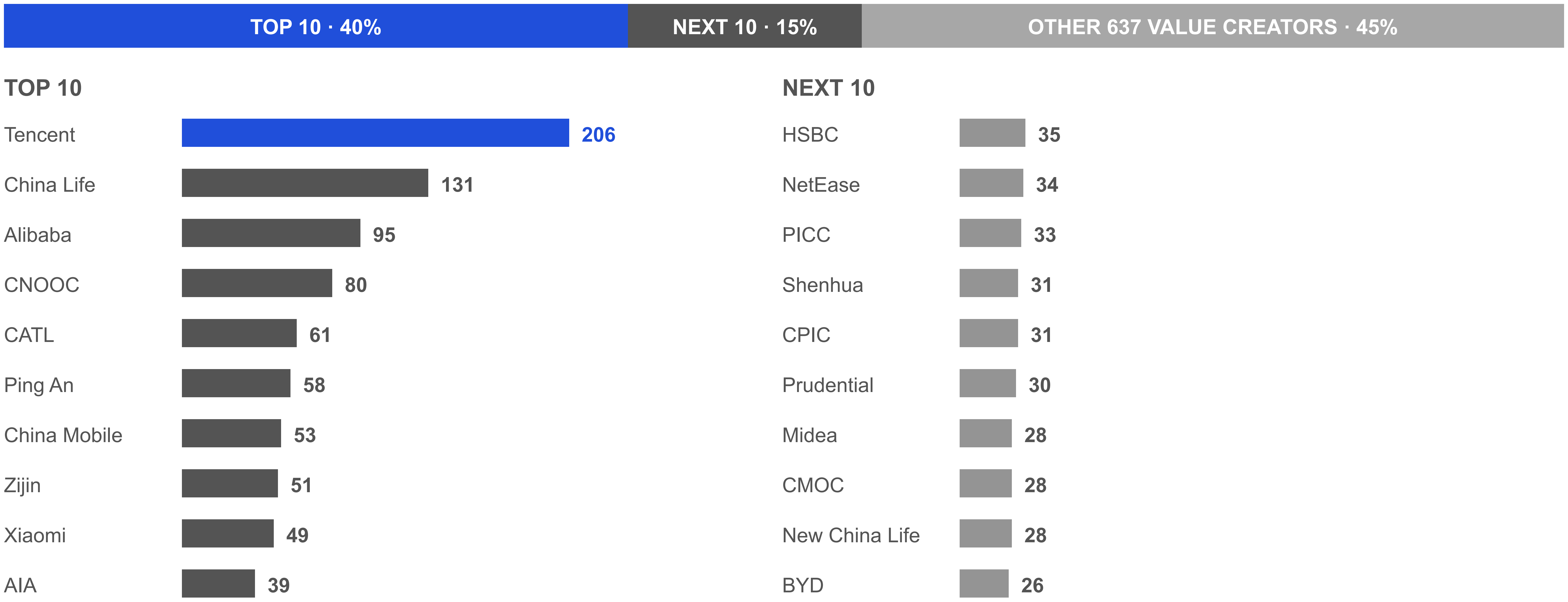


Financials use ROE minus cost of equity; other sectors use ROIC minus WACC. Source: Capital IQ; KPMG analysis.

Twenty companies generated 55% of the value created by 657 firms

The top ten contributed 40%; the next ten added 15%.

Positive economic profit, 2025, HKD bn



Source: Capital IQ; KPMG analysis. The remaining 637 value creators contributed HKD923bn.

ROIC reveals the operating model behind the return

For non-financials: ROIC = NOPAT margin × invested-capital turnover.

Two operating levers determine the return on capital

ROIC

NOPAT margin

profit after tax ÷ revenue

Invested-capital turnover

revenue ÷ invested capital

Profitability

earn more from each sale

Capital efficiency

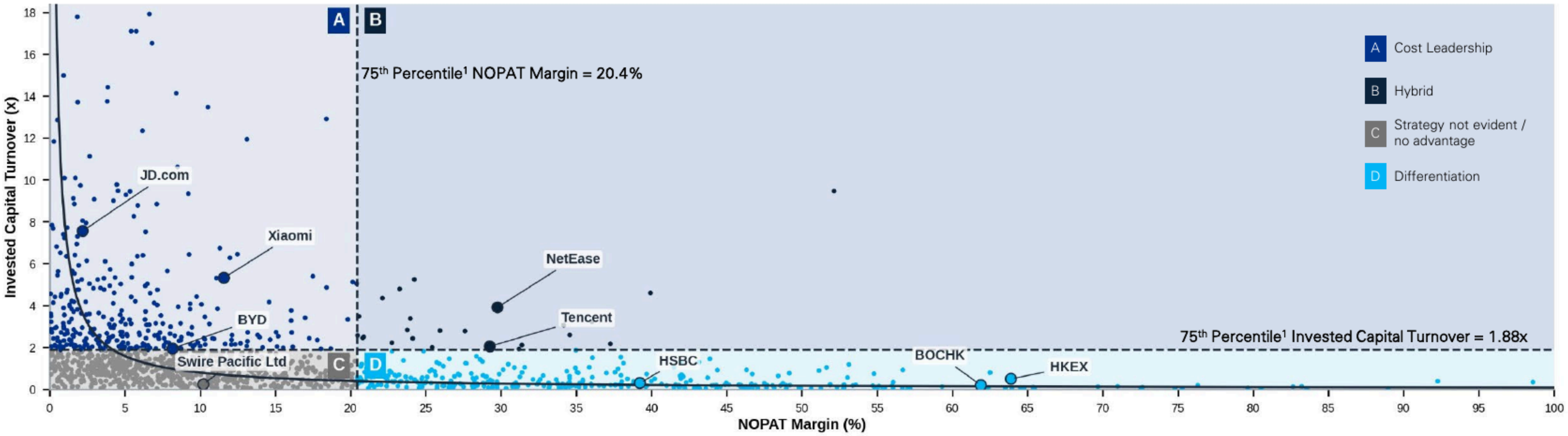
generate more sales from each dollar invested

Financial companies use the ROE analogue. Source: Capital IQ; KPMG analysis.

52% of profitable companies show no evident strategic advantage

52% sit below both strategy thresholds for margin and capital turnover.

2025 NOPAT margin versus invested-capital turnover



52%: no evident advantage

Thin margins and slow capital turnover.

Two routes to stronger returns

Raise margin, turn capital faster, or improve both.

Source: Capital IQ; KPMG analysis. Profit-making HKEX Main Board companies, 2025. Thresholds are the 75th percentiles: 20.4% margin and 1.88× turnover.

The return spread determines the capital-allocation choice

Invest, restructure, divest or reallocate.

Capital-allocation decision matrix

Source: KPMG, Hong Kong - the capital allocator's market, August 2026.

Large Hong Kong groups are making capital allocation explicit

Jardines, HSBC and Swire now publish return targets and explicit capital-reallocation actions.

JARDINE MATHESON · INVESTOR DAY 2026

Clear targets. Sharper focus. Enhanced returns.

9%+

annual five-year TSR target

US$4bn capital recycling
US$500m share buyback

HSBC

STRATEGIC REPORT 2025

Exit low-return activities. Reallocate to competitive strengths.

11

exits announced in 2025

$1.5bn

incremental investment capacity

Completed and announced exits are expected to generate US$0.7bn in annualised savings.

SWIRE PACIFIC · 2025 RESULTS

Disciplined capital allocation

HK$2.0bn

property divestments in 2025

Core-market investment
Share buy-backs
Progressive dividends

Sources: Jardine Matheson Investor Day, 16 June 2026; HSBC Strategic Report 2025; Swire Pacific 2025 annual results presentation.

THE #1 MANAGEMENT PRIORITY

Earn more than the capital costs.

A company is worth the capital it employs only when it earns more than that capital costs, for long enough to matter.

Invest the next dollar where it can return more than it costs. When it cannot, hand the capital back.

Hong Kong's next decade will sort companies by how seriously they take that sentence.

Source: KPMG, *Hong Kong, the capital allocator's market*, August 2026.

Turn the value-creation lens into four management decisions

Find erosion, repair returns, reallocate capital and embed discipline.

Find erosion
Which segments earn below cost?

Repair returns
Where can margin or turnover improve?

Reallocate
Where should the next dollar go?

Embed
Implement measures and incentives linked to ROIC

Appendix: five questions for a board

Start with where the next dollar goes and what it will earn.

01

Where should the next dollar go?

Invest the next dollar where it can return more than it costs. When it cannot, hand the capital back.

02

What will the next dollar earn?

Judge each new decision on the profit it adds and the capital it requires. The historical average can hide current economics.

03

How long can the return last?

A durable modest return can be worth more than a high return that fades quickly.

04

What is the valuation signalling?

A persistent discount signals doubt about future returns. Improve the economics and show the evidence.

05

Which investment is hidden in expenses?

Software, data, brands and capabilities still consume capital. Test whether the spending earns its cost.

Boardroom implications derived from the study's economic-profit framework.

Shameless Plugs

Recent KPMG papers our team has authored on strategy, value creation and transformation. Newest first.

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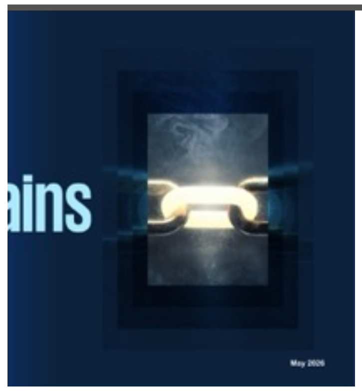

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Trade shocks, intermediary hubs and resilience.

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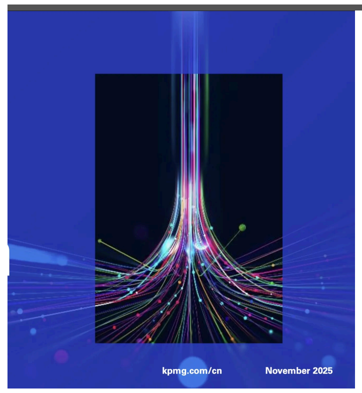
A playbook for separation and value delivery.



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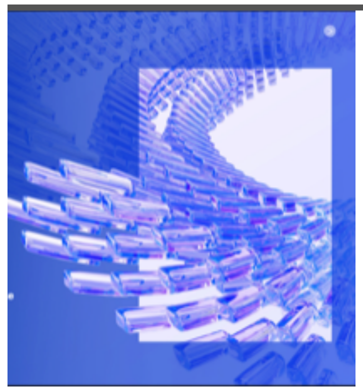
Decoding Value

The metrics and drivers of corporate value creation.



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A five-capability blueprint for value-creation alpha.

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Thank you

Barnaby Robson & Jordan Sanders

September 2026

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