



SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會

## **SFC Regulatory Forum**

### **Panel 2: Spotlight on Corporate Behaviour**

# Market Snapshot – 2013-2015

Surge in market cap within any 6 months between Jan 2013 and Dec 2015

860 companies with market cap increased by over 100% within 6 months

139 companies with market cap increased by over 500% within 6 months

56 companies with market cap increased by over 1,000% within 6 months

- Of these 56 companies:
  - 39 were loss-making
  - 10 had P/E > 50x
- Total market cap of these 56 companies: **HK\$399bn** as at 31 Dec 2015
- HSI range: 19,426 to 28,589 (+47% from Low)

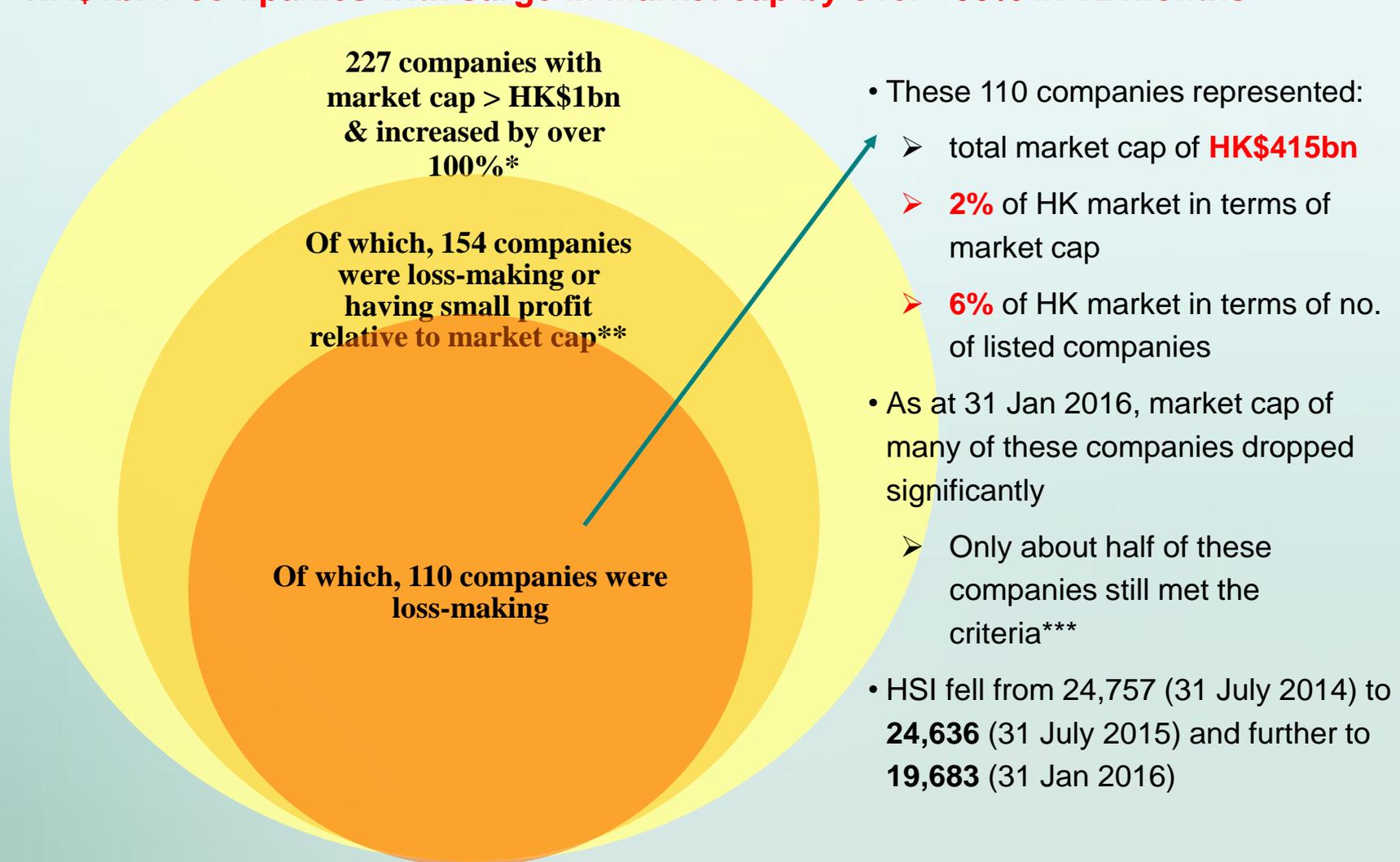
Notes: Change in market cap is based on month-end data only; the actual number of cases could be more than shown above. Profitability and P/E are based on data as at 31 December 2015.

Source: Bloomberg



# Market Snapshot – July 2015

**HK\$1bn+ companies with surge in market cap by over 100% in 12 months**



\* Market cap as at 31 July 2015; market cap increase for the 12 months ended 31 July 2015

\*\* Companies with small profits relative to their market cap comprise companies with P/E > 50x as at 31 July 2015

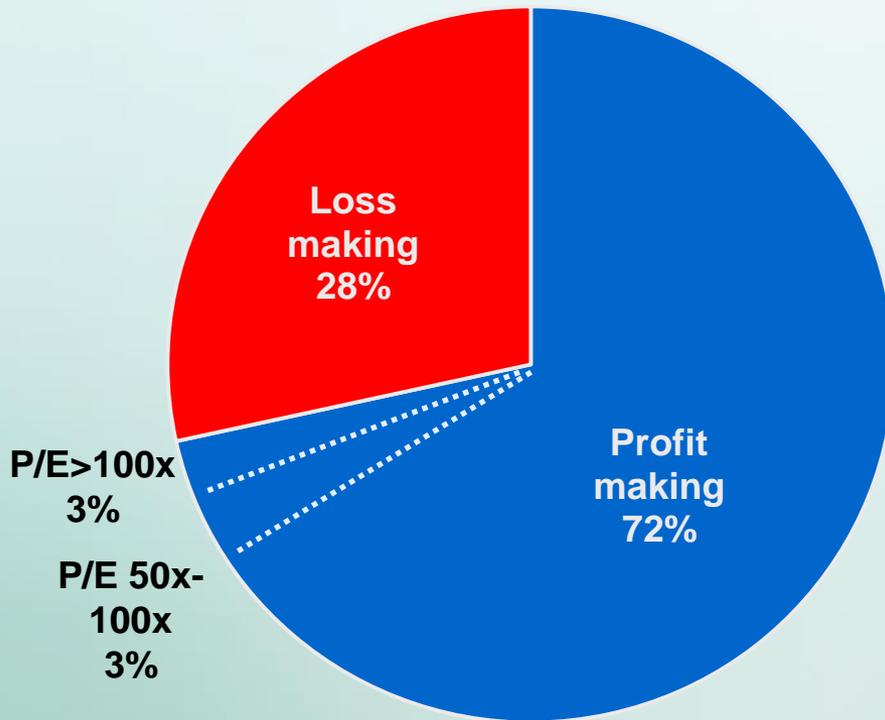
\*\*\* Of the 227/154/110 companies, 124/87/59 companies still met the criteria: (i) market cap > HK\$1bn as at 31 Jan 2016; and (ii) market cap increased by over 100% from 31 July 2014 to 31 Jan 2016

Source: Bloomberg

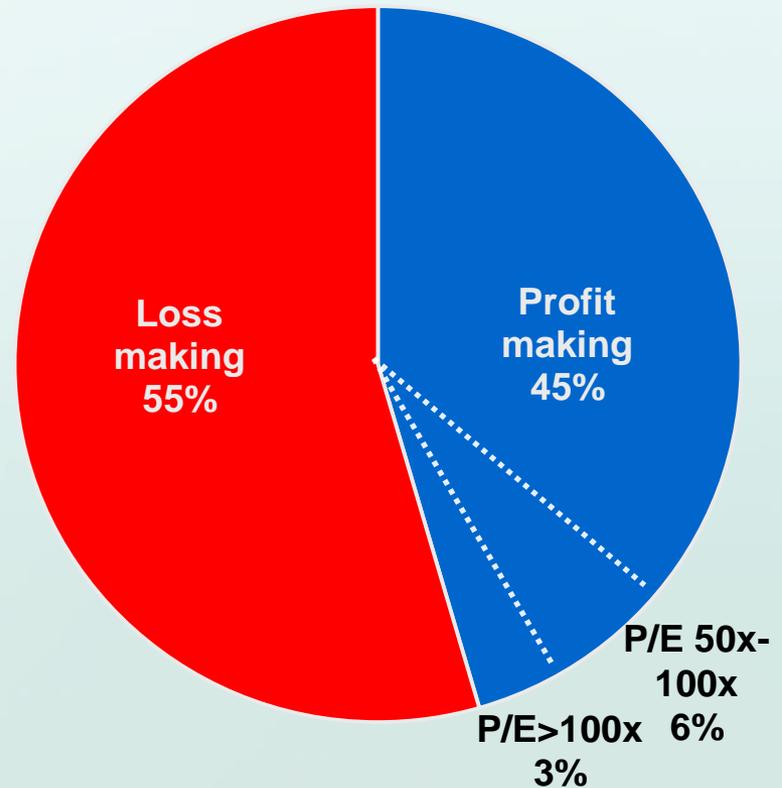


# Profitability of Companies in Our Market

## Main Board



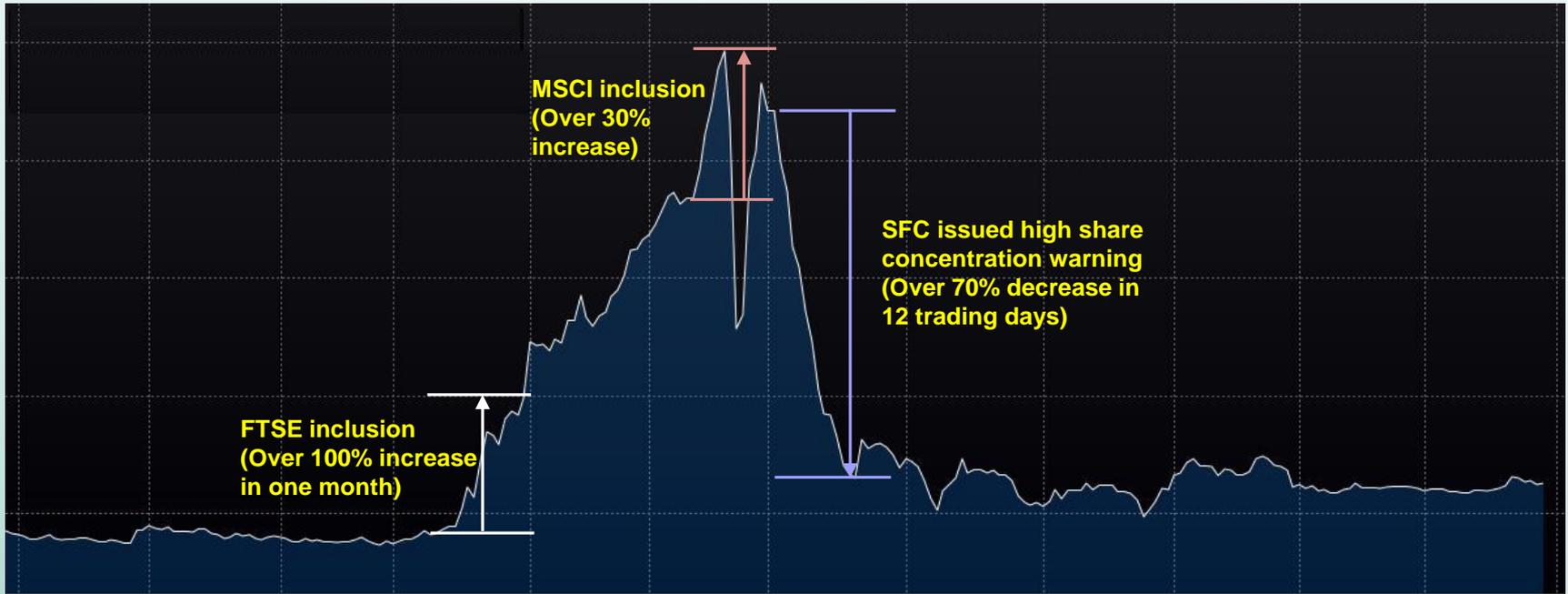
## GEM



Source: Bloomberg

# Case 1

## Market Cap Movements



# Case 2

## Market Cap Movements



# Impact of Inclusion in Market Indices

- **Stocks with soaring market cap got into MSCI and FTSE**
  - Including stocks with peak market cap ranging from approx. HK\$50bn to HK\$300bn
  - Impact on index-tracking funds
- **FTSE and MSCI introduced new rules to exclude stocks with high shareholding concentration from their indices**
  - 24 HK-listed stocks have been/will be removed from indices (FTSE: 17 stocks; MSCI: 18 stocks)



# Volatility of Newly-listed GEM Companies

- Highly volatile post-IPO share price performance in 2015
- Average first-day increase from offer price: **7 times**

## Most volatile newly-listed GEM companies in 2015\*

Company	Business sector	First day price change from IPO price	Highest price vs IPO price	Peak market cap (HK\$'bn)	Decrease from peak (%)
Company A	Software development	+21 times	<b>+21 times</b>	8.8	<b>-98%</b>
Company B	Construction	+17 times	<b>+17 times</b>	5.0	<b>-97%</b>
Company C	Magazine publishing	+10 times	<b>+17 times</b>	4.7	<b>-97%</b>
Company D	Video conferencing/multimedia audio-visual solutions	+14 times	<b>+15 times</b>	5.9	<b>-97%</b>
Company E	Construction	+12 times	<b>+17 times</b>	4.6	<b>-97%</b>

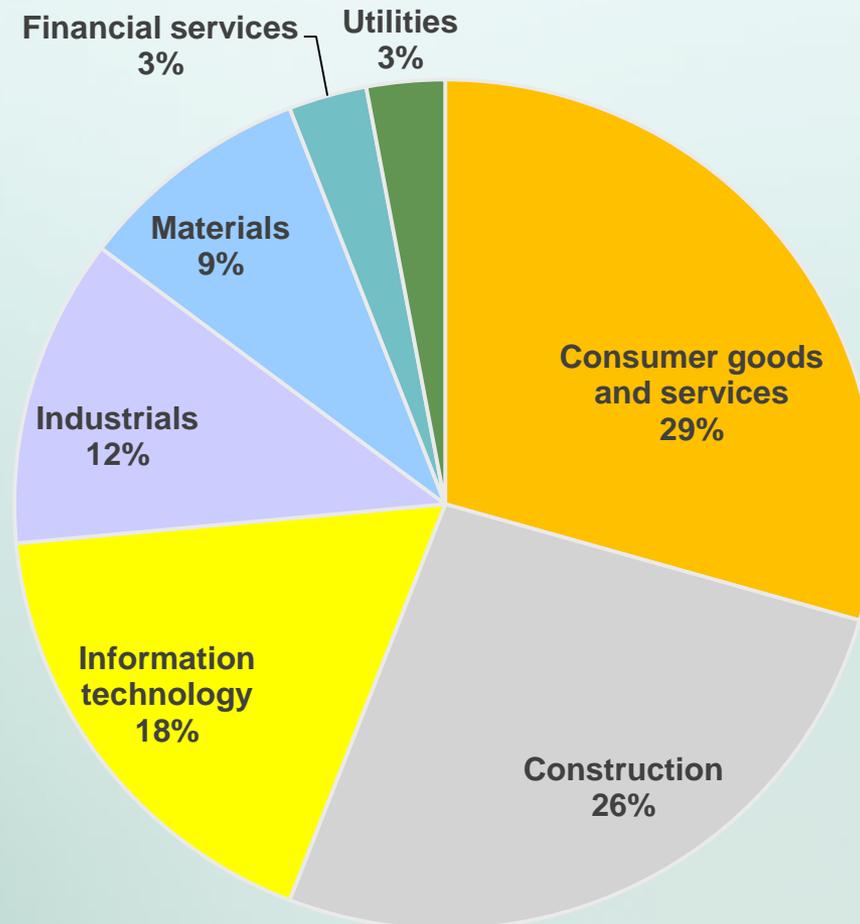
\*In terms of price change from offer price to peak closing price  
 Note: Data as of 31 Jan 2016  
 Source: Bloomberg



# Profile of Newly-listed GEM Companies

Most of the newly-listed GEM companies are from traditional industries, e.g. consumer and construction

## Breakdown of GEM companies listed in 2015 by industries



Source: HKEx