

## Quest for Securities & Investment Elites (QSIE) Case Analysis Competition

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### Case background

#### Case Study- Eastern Rock Investment Company Limited

You graduated from a famous UK university in 2010 and joined the Chartered Institute for Securities & Investment (CISI) as a member in 2016 after several years of work experience in the investment banking industry as a portfolio accountant. In June 2019, you returned to Hong Kong and joined a prestigious multinational investment company, Eastern Rock Investment Company Limited (The Company) as an Investment Analyst. Your goal is to leverage on your securities & investment knowledge, skills and exposures for advancing your career in the banking and investment industry.

In one of unit trust investment portfolios managed by The Company, it has made significant equity investment in the China Oceanwide Holdings Limited (HK 0715 or China Oceanwide), which is an investment holding company listed in the Hong Kong Stock Exchange. The Company invested in substantial amount of funds into this stock at average cost of \$0.74 in the 1<sup>st</sup> quarter 2016 and the share price slid over 50% in the last three years (Chart 1). China Oceanwide's earnings per share (EPS) dropped significantly, falling to a loss. China Oceanwide has warned of a substantial drop in profits for 2018 with its auditor, PricewaterhouseCoopers (PwC) having resigned on Friday, 22 February 2019.



(Chart 1)

The Managing Director of The Company asked you in mid December 2019 to write a report and give professional advice on whether they should increase, maintain or decrease the level of equity investment in China Oceanwide within the next few months.

### **Case Study Requirements**

As the Investment Analyst of the Eastern Rock Investment Company Limited, write a report to your Managing Director which should include the following contents.

- (a) Evaluate and make a comprehensive analysis into the financial situation of the China Oceanwide. You should make a valuation of China Oceanwide's share price using possible projection based on the latest and past performance of China Oceanwide.
- (b) As The Company has a large equity investment in China Oceanwide, write a business proposal to China Oceanwide's Board of Directors concerning their financial positions, challenges faced and possible actions that they should undertake in order to stop the financial loss and bring the company back to normal operating growth. The proposal should include necessary competitive analysis (business and geographical analysis), appropriate financial analysis and money laundering issues in relation to its performance and PwC's resignation.
- (c) You note that your colleague, Susan Greenwood, is in receipt of some investment research on China Oceanwide which has yet to be made public. As a result of regulations, you are required to highlight whether Susan is permitted or not to arrange a transaction in China Oceanwide's shares for clients.

## Reference:

1. [www.hkex.com.hk](http://www.hkex.com.hk)
2. [www.aastocks.com](http://www.aastocks.com)
3. <https://www.bloomberg.com/quote/715:HK>
4. <https://markets.ft.com/data/equities/tearsheet/profile?s=715:HKG>
5. <https://www.cisi.org/cisiweb2/cisi-website/homepages/cisi-financial-services-professional-body-hong-kong>

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