

Quest for Securities & Investment Elites (QSIE)
Case Analysis Competition 2020
2020 證券與投資精英大比拼
Organised by
EL Education Academy



Case background

Case Study- Eastern Rock Investment Company Limited

You graduated from a famous UK university in 2010 and joined a prestigious Institute for Securities & Investment 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 well-known 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 ABC Holdings Limited ("ABC"), 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 RMB0.75 in the 1st quarter 2016 and the share price slid over 50% in the last three years (The Chart). ABC's earnings per share (EPS) dropped significantly, falling to a loss. ABC has warned of a substantial drop in profits for 2018 with its auditor having resigned in February 2019.



(The Chart)

The Managing Director of The Company asked you in mid January 2020 to write a report and give professional advice on whether they should increase, maintain or decrease the level of equity investment in ABC 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 ABC.

- (b) As The Company has a large equity investment in ABC, write a business proposal to ABC'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.

- (c) You note that your colleague, Susan Doyle, is in receipt of some investment research on ABC 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 ABC's shares for clients.