



INVESTOR  
EDUCATION  
CENTRE  
投資者教育中心

# Financial Products in Stock Market

24 April 2015

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# Agenda

## Part 1

*Stocks and bonds in Hong Kong*

## Part 2

*Other common financial products in Hong Kong:  
Structured products*

## Part 3

*Latest investor protection measures*

# Stocks

# What is “Stock”?

- Stock represents ownership of a company.
- A company’s stock is divided into a definite number of shares.
- Shareholders’ percentage of ownership equals percentage of shares owned.
- Classes of shares:
  - Ordinary shares
    - Voting rights on important matters (electing board of directors, proposals for fundamental changes, e.g. mergers or liquidation).
    - Right to dividend payments.
  - Preference shares
    - Usually no voting rights.
    - Priority over ordinary shares in dividend payment and liquidation.
    - Dividend can be accumulative.



# ABC of Stock

- **“Blue” Chips** : normally defined as constituents of the Hang Seng Index, most sizable companies, largest market capitalizations, leaders in respective industries.
- **“Red” Chips** : companies incorporated outside the PRC and controlled by Mainland entities, operations and assets primarily in the PRC.
- **A shares** : Domestic shares of PRC companies, denominated and traded in RMB and previously exclusively by PRC residents only, until the launch of Shanghai-Hong Kong Stock Connect.
- **B shares** : Domestic shares of PRC companies denominated in RMB, traded in foreign currency by foreign persons and PRC residents holding legal foreign currency deposits.

# ABC of Stock

- ***H shares*** : Shares of PRC-incorporated enterprises listed in Hong Kong and denominated in HKD.
- ***Second/third liner stocks*** : Stocks of relatively smaller listed companies, generally of lower market capitalization.
- ***International Issuers*** : Overseas companies doing primary or secondary (dual) listings in Hong Kong.

# Stock Market Structure



Stock Exchange of  
Hong Kong



Listed Companies



Share Registrars



Stock Brokers



HK Securities  
Clearing Company



Regulators



Investors



# The Stock Exchange of Hong Kong Ltd (SEHK)

- Wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx).
- Operates securities products trading market.
- Regulates issuers and administers listing rules.



SEHK



Listed Co



Investors

## Primary Market

- Initial Public Offerings (IPOs)
- Seasoned Offerings

## Secondary Market

- Open market of securities trading

# Main Board vs Growth Enterprise Market Board

Two stock markets/boards in Hong Kong

## Main Board

- Longer operating history and management.
- More stringent listing requirements; have to meet one of Profit Test, Market Cap/Revenue Test, or Market Cap/Revenue/ Cashflow Test.

## GEM Board

- Shorter operating history and management.
- Less stringent listing requirement; have to meet Cashflow Test & Market Cap Test.

# Why Invest in Stock?

## Return components

- Income : Dividend Income
  - Dividend Stock
  - Cash Dividend vs Scrip Dividend (以股代息)
- Capital Appreciation : Share Price Growth
  - Growth Stock

# Cash Dividend vs Scrip Dividend/Bonus Shares

## Cash Dividend

- Cash outflow from company
- Less cash for business development

## Scrip Dividend / Bonus Shares

- Issues more shares as dividend or as bonus shares
- No cash outflow
- Dilutive
  - Lower EPS: same net profit, more shares outstanding

# Stock Classifications

- Dividend Stocks (高息股) vs Growth Stocks (增長股)
- Value Stocks (價值股) vs Growth Stocks (增長股)
- Large Cap (大市值/大型股) vs Mid Cap (中市值/中型股) vs Small Cap (細市值/細型股)
- Cyclical Stocks (周期性股) vs Defensive/Stable Stocks (防守性股)

# Valuation Metrics/Indicators

- Market Capitalization
  - Total value of the issued shares of a company
  - Share price  $\times$  # of issued shares
- Earnings Per Share (EPS)
  - Total earnings / # of issued shares
- Price to Earnings (P/E) Ratio
  - Share price / EPS
  - Historical P/E vs Expected P/E
- Dividend Yield
  - Dividend Per Share / Share Price



# Valuation Example

- Market Capitalization
  - $\$10 \times 50m = \$500m$
- Earnings Per Share (EPS)
  - 2013:  $\$35m / 50m = \$0.7$
  - 2014:  $\$50m / 50m = \$1.0$
- Price to Earnings (P/E) Ratio
  - *Historical P/E:*  $\$10 / \$0.7 = 14.3x$
  - *Expected P/E:*  $\$10 / \$1.0 = 10.0x$
- Dividend Yield
  - $\$0.7 / \$10 = 7\%$

- Share price = \$10
- Number of shares = 50m
- 2013 earnings = \$35m
- 2014 exp earnings = \$50m
- Dividend per share = \$0.7

# Bonds



# What is “Bond”?

- A debt instrument usually issued by companies or government.
- Issued for a predetermined period of time (normally more than one year).
- Intended to raise capital by borrowing.
- Generally involves a promise to repay the principal and interest on specified dates.

# ABC of Bond

- **Issuer** : The party that issues the bond, i.e. the borrowing party.
- **Face value/par value/redemption value/principal** : The amount repaid to the bondholder when the bond matures.
- **Coupon rate** : The rate at which the issuer pays interest on the principal to the bondholder each year.
- **Term** : The life of the bond, i.e. the period (usually a number of years) over which the issuer has promised to meet its obligations under the bond. Some bonds can be “perpetual”, i.e. they do not have a fixed maturity date.
- **Guarantor** : Some bonds are guaranteed by a third party called a guarantor. If the issuer defaults, the guarantor agrees to repay the principal and/or interest to the bondholder.

# ABC of Bond

- **Maturity** : the date on which the investor's principal will be repaid.
- **Covenants** : restrictive agreement for protecting the interests of the lenders.
- **Yield to Maturity (YTM)** : the discount rate that makes the PV of the bond cash flows (coupons + principal) equal the bond price. This is the return an investor gets if he/she buys at the prevailing bond price and holds until maturity.
- **Basis Point (bp)** : 1 basis point = 0.01%; 100 basis points = 1%

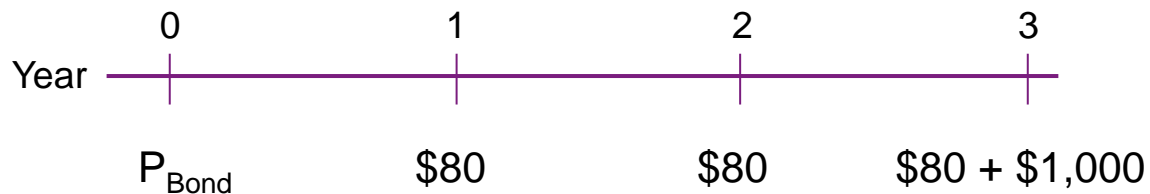
# Types of Bonds

- Government Bond vs Corporate Bond
- Convertible (可換股債券) vs Unconvertible Bond
- Redeemable/Callable (可回購債券) vs Irredeemable Bond
- Fixed vs Floating Rate Bond (e.g. Inflation Adjusted, iBond)
- Investment-grade Bond vs Non-investment-grade Bond / Speculative-grade Bond / Junk Bond
- Vanilla vs Zero Coupon Bond
- Senior vs Subordinated Bond

# Types of Bonds

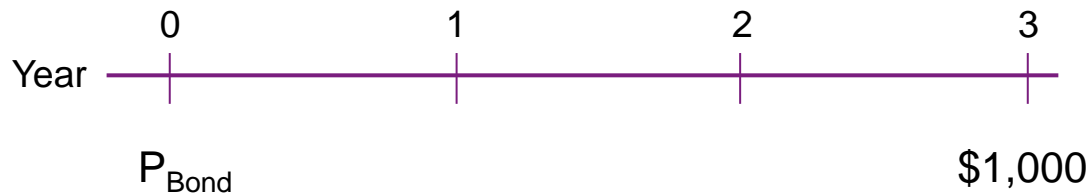
## Example: Vanilla Bond

A three-year corporate bond with \$1,000 face value and an 8% coupon rate.



## Example: Zero Coupon Bond

A three-year government bond with \$1,000 face value.



# Valuation of Bonds

## Coupon Rate vs Discount Rate

- The coupon rate IS NOT the return rate.
- The coupon rate determines the expected future cash flows.
- The Yield-to-Maturity/Discount Rate is the required rate of return demanded by the investors or the market.
- Yield-to-Maturity/Discount Rate is determined from the market prices of bonds with similar features (term to maturity, bond rating, etc). It depends on the riskiness of future cash flows.

### Selling before Maturity

- Bond price fluctuates during the Term.
- Selling the bond before Maturity will subject the investor to price risk.

### Holding until Maturity

- Receives the principal and the coupon payments (unless the issuer defaults).
- Return will be the expected Yield-to-Maturity.



# Valuation of Bonds

## Example of Coupon Rate vs Discount Rate

- A three-year corporate bond with \$1,000 face value and an 8% coupon rate.
- Given the credit rating of the issuer and the interest rate environment, investors require 8% return from holding the bond at the time of issuance. The bond is worth \$1,000.
- One month after issuance, expected inflation rises sharply and credit rating of issuer drops. Investors require 10% return from holding the bond.
- Discount rate becomes 10%, coupon rate remains at 8%, bond price drops below \$1,000.



# Major Risks

- **Default / Credit risk** : The issuer may fail to pay you the interest or principal as scheduled.
- **Interest rate risk** : When the interest rate rises, the price of a fixed rate bond will normally drop, and vice versa. If you want to sell your bond before it matures, you may get less than your purchase price.
- **Exchange rate risk** : If your bond is denominated in a foreign currency, you face an exchange rate risk.
- **Liquidity risk** : You may not be able to sell your bond if the liquidity of the secondary bond market is low.
- **Inflation risk** : The return on bond investments will lose purchasing power under high inflation - a serious concern for those who need to rely on the regular income from bonds.
- **Event risk** : A corporate event such as a merger or takeover may lower the credit rating of the bond issuer.



# Credit Ratings

Explanation	Moody's	Standard & Poor's	Default Risk	Regulatory Designation
Best quality, smallest degree of risk	Aaa	AAA	Lowest	Investment Grade
High quality, slightly more long-term risk than top rating	Aa	AA		
Upper-medium grade, possible impairment in the future	A	A		
Medium grade, lacks outstanding investment characteristics	Baa	BBB		
<hr style="border-top: 1px dashed blue;"/>				
Speculative, protection may be very moderate	Ba	BB		Non-investment Grade
Very speculative, may have small assurance of interest and principal	B	B		
Issues in poor standing, may be in default	Caa	CCC		
Speculative to a high degree, with marked shortcomings	Ca	CC		
Lowest quality, poor prospects of attaining real investment standing	C	C	Highest	



# Stock vs Bond

	<b>Stock</b>	<b>Bond</b>
Relationship with Issuer	Shareholders (Owners)	Creditors / Lenders
Voting Rights	Yes (usually only for ordinary shares)	No
Income for Investment	Ordinary Shareholders: Dividend, variable and not guaranteed  Preference Shareholders: Dividend, fixed and guaranteed, can be accumulative	Interest, fixed and guaranteed
Priority of claim in case of liquidity	Ordinary Shareholders: Third  Preference Shareholders: Second	First

# **Other common financial products in Hong Kong: Structured products**

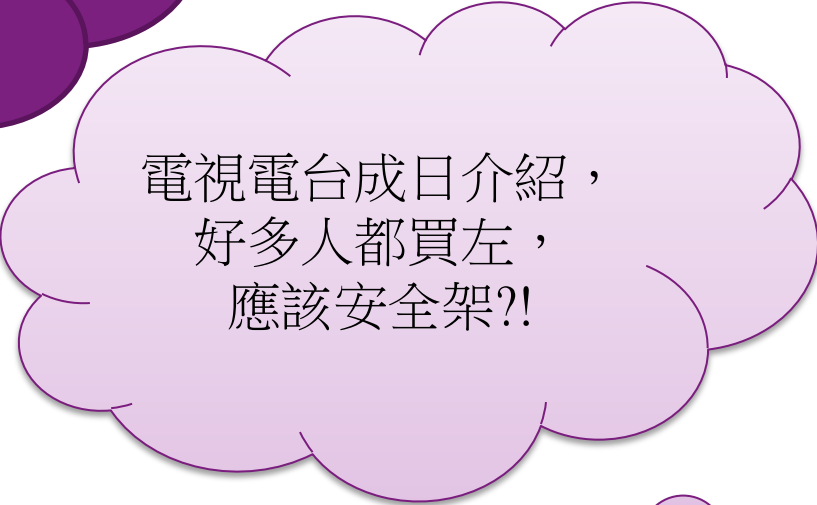
# Structured Products

- **A structured product is an instrument embedded with derivative, under which the return, the amount due and/or the method of settlement is determined by reference to:**
  - changes in price, value and/or level of one or more reference underlying (e.g. securities, commodity, index); and/or
  - The occurrence or non-occurrence of an event
- **Two main categories :**
  - Listed structured products, e.g. derivative warrants, CBBCs
  - Unlisted structured products, e.g. equity-linked structured notes or currency-linked investment deposit

# Warrants and CBBC – True or False?



銀碼細，回報高!  
以小博大!



電視電台成日介紹，  
好多人都買左，  
應該安全架?!

# Warrants



# Warrant (認股證/窩輪/輪/權證)

- Warrants are an instrument which gives investors the right – but not the obligation – to buy or sell the underlying assets at a pre-set price on or before a specified date
- Underlying asset can be a single stock, a basket of stocks, an index, a currency, a commodity, a futures contract, etc.
- Warrants can be bought or sold prior to their expiry in the market provided by HKEx
- At expiry, settlement is made in cash rather than a purchase or sale of the underlying asset
- Issued by a third party, usually an investment bank, independent of the issuer of the underlying asset
- Normally have an initial life of six months to two years

# Terms used in Warrants

Call Warrant (認購證)	A right to buy the underlying asset
Put Warrant (認沽證)	A right to sell the underlying asset
Strike Price / Exercise Price (行使價)	The right at which you buy or sell the underlying asset in exercising a warrant
Conversion Ratio (兌換率)	Number of units of the underlying asset exchanged when exercising a unit of warrant Conversion ratio = 1 → one warrant for one share Conversion ratio = 10 → 10 warrants for one share
Expiry Date (到期日)	The date on which a warrant will expire and become worthless if the warrant is not exercised
American Warrant (美式認股證)	Exercise to buy/sell the underlying asset on or before the expiry date
European Warrant (歐式認股證)	Exercise to buy/sell the underlying asset on the expiry date only
Premium (溢價)	Usually expressed as a percentage, indicates how much extra an investor is paying to buy the warrant instead of buying or selling the underlying asset directly



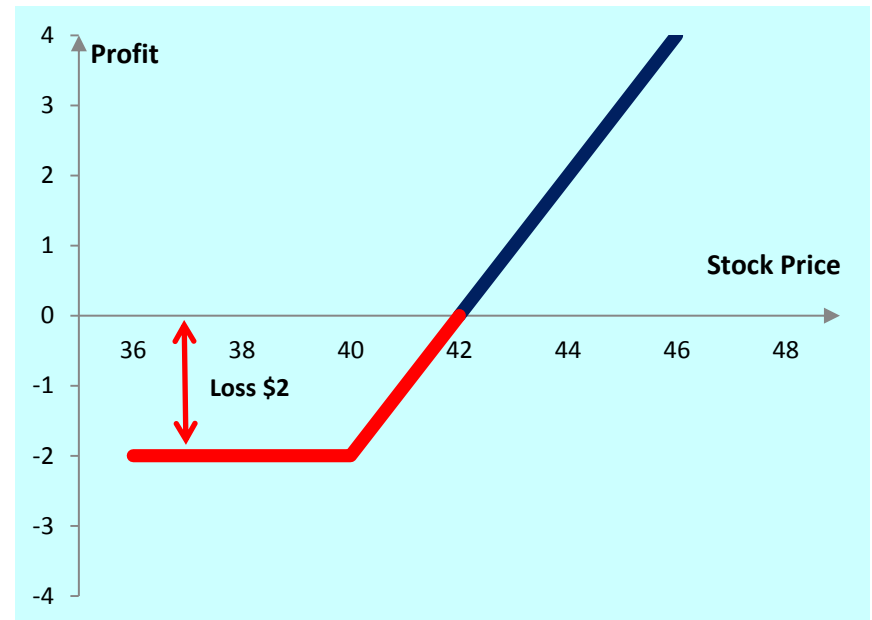
# How to calculate the return of a Call Warrant?

## Call Warrant of Stock A

- Warrant Price : \$2
- Strike Price : \$40
- Expiry Date: 2014-10-31

If the price of Stock A on the expiry date is:

>\$42	Take profit by exercising the right to buy
\$40 - \$42	Can exercise the right to buy. However there may be loss after deducting the cost of call warrant
<\$40	Would not exercise the right to buy and losing the cost of call warrant



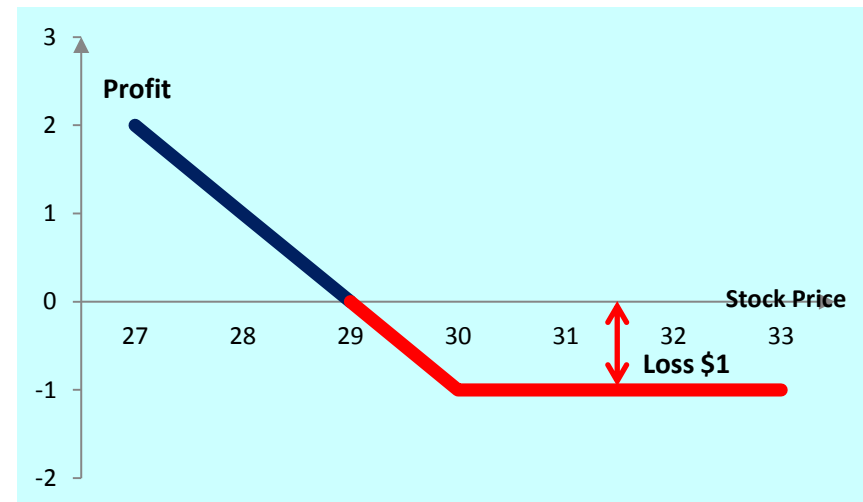
# How to calculate the return of a Put Warrant?

## Put Warrant of Stock B

- Warrant Price : \$1
- Strike Price : \$30
- Expiry Date: 2014-09-30

If the price of Stock B on the expiry date is:

<\$29	Take profit by exercising the right to sell
\$29-\$30	Can exercise the right to sell. However there may be loss after deducting the cost of put warrant
>\$30	Would not exercise the right to sell and losing the cost of put warrant



# Example 1: Holding a warrant until expiry

Investing \$5,000 in a Call Warrant with Stock A as underlying asset	
Market price of Stock A:	\$100
Market price of the warrant:	\$0.5
No. of warrants purchased:	$\$5,000 / \$0.5$ = 10,000 warrants
Exercise price:	\$100
Conversion ratio:	10 warrants for 1 share

Settlement price of Stock A at expiry:	\$110
Cash settlement amount at expiry:	10,000 warrants x $[(\$110 - \$100) / 10]$ = \$10,000
Return <sup>^</sup> :	\$5,000
Rate of return <sup>^</sup> :	100%

Investing \$5,000 in Stock A	
Market price of Stock A:	\$100
No. of shares purchased:	$\$5,000 / \$100$ = 50 shares

Settlement price of Stock A at expiry:	\$110
Cash settlement amount at expiry:	50 shares x $(\$110 - \$100)$ = \$5,500
Return <sup>^</sup> :	\$500
Rate of return <sup>^</sup> :	10%

<sup>^</sup>All transaction related fees and charges are not included



## Example 2: Holding a warrant until expiry

Investing \$5,000 in a Call Warrant with Stock A as underlying asset		Investing \$5,000 in Stock A	
Market price of Stock A:	\$100	Market price of Stock A:	\$100
Market price of warrant:	\$0.5	No. of shares purchased:	$\$5,000 / \$100 = 50$ shares
No. of warrants purchased	$\$5,000 / \$0.5 = 10,000$ warrants		
Exercise price:	\$100		
Conversion ratio:	10 warrants for 1 share		
<b>Settlement price of Stock A at expiry:</b>	<b>\$101</b>	<b>Settlement price of Stock A at expiry:</b>	<b>\$101</b>
Cash settlement amount at expiry:	$10,000 \text{ warrants} \times [(\$101 - \$100) / 10] = \$1,000$	Cash settlement amount at expiry:	$50 \text{ shares} \times (\$101 - \$100) = \$5,050$
Return <sup>^</sup> :	<b>-\$4,000</b>	Return <sup>^</sup> :	\$50
Rate of return <sup>^</sup> :	<b>-80%</b>	Rate of return <sup>^</sup> :	1%

<sup>^</sup>All transaction-related fees and charges are not included



## Example 3: Trading a warrant before expiry

### Investing \$5,000 in a Call Warrant with Stock A as underlying asset

Market price of Stock A	\$100
Market price of the warrant:	\$0.5
No. of shares purchased	$\$5,000 / \$0.5$ = 10,000 warrants
Exercise price:	\$100
Conversion ratio:	10 warrants for 1 share

<b>A week later</b>	
<b>Market price of Stock A:</b>	<b>\$105</b>
<b>Market price of the warrant:</b>	<b>\$0.7</b>

Value of the holding (Call Warrant):	10,000 warrants x \$0.7 = \$7,000
Return <sup>^</sup> :	\$2,000
Rate of return <sup>^</sup> :	40%

### Investing \$5,000 in Stock A

Market price of Stock A:	\$100
No. of shares purchased:	$\$5,000 / \$100$ = 50 shares

<b>A week later</b>	
<b>Market price of Stock A:</b>	<b>\$105</b>
<b>Market price of the warrant:</b>	<b>\$0.7</b>

Value of the holding (Stock A):	50 shares x (\$105-\$100) = \$5,250
Return <sup>^</sup> :	\$250
Rate of return <sup>^</sup> :	5%

<sup>^</sup>All transaction-related fees and charges are not included



# Risks of warrants

- **Issuer risk**
  - Warrant holders are unsecured creditors of the issuer
- **Gearing risk**
  - Value of warrant may change in value rapidly than the underlying asset
- **Limited life**
  - Unlike stocks, warrants have any expiry date
- **Time decay**
  - When other factors are equal, the value of warrants will decrease over time
- **Volatility**
  - Volatility of the underlying asset increase: higher warrant price
  - Volatility of the underlying asset decrease: lower warrant price
- **Market forces**
  - Demand and supply of the warrants, e.g. sold out of a warrant issue, issuers make further issues of an existing warrant

# Callable Bull / Bear Contracts (CBBC)



# Callable Bull / Bear Contracts(牛熊證)

- A type of structured products that tracks the performance of an underlying asset without requiring investors to pay the full price required to own the actual asset.
- The underlying assets include stocks, stock indices, currencies and commodities
- **Bull contracts** – take bullish positions on the underlying asset  
**Bear contracts** – take bearish positions on the underlying asset
- Issued by a third party, usually an investment bank



# Callable Bull / Bear Contracts (牛熊證)

- Issued with the condition that during their lifespan they will be called by the issuers when the price of the underlying asset reaches a level (known as the “Call Price”) specified in the listing document
- If the Call Price is reached before expiry, the CBBC will expire early and trading will be terminated immediately
- Traded on the HKEx
- Settled in cash only
- Issued usually with a lifespan of three months to five years

# Features of CBBC

- Price movement tends to track the price of underlying asset closely
- Have a Call Price and a Mandatory Call Feature
- Two categories of CBBC :
  - **Category N**: Call Price = Strike Price
  - **Category R**: Call Price “>” or “<” Strike Price; may receive a small amount of cash payment called “residual value”
- Issue price of a CBBC includes funding cost:
  - the issuer's financing/stock borrowing costs after adjustment for expected ordinary dividends of the shares (if the underlying assets are dividend-paying shares) ; and
  - the issuer's profit margin

# Valuation of CBBCs - at expiry

Type of CBBC	Category	Settlement price $>$ Strike price	Settlement price = / $<$ Strike price
Bull	N R	Positive settlement amount	0

Type of CBBC	Category	Settlement price = / $>$ Strike price	Settlement price $<$ Strike price
Bear	N R	0	Positive settlement amount

## Settlement Price

- Closing price of the underlying stock on the last trading day; or
- The index level for settling the expiring index future contract

# Valuation of CBBCs - at Mandatory Call Event (MCE)

When the spot price hits the call price:

Type of CBBC	Category	Call Price $\geq$ Settlement price $>$ Strike price	Settlement price = / $<$ Strike price
Bull	N	0	0
	R	Positive residual value	0

Type of CBBC	Category	Settlement price = / $>$ Strike price	Call Price $<$ / = Settlement price $<$ Strike price
Bear	N	0	0
	R	0	Positive residual value

## Settlement Price

- As determined according to the terms in the listing document
- Bull CBBCs – must not be lower than the lowest traded price after MCE and up to and including the next trading session
- Bear CBBCs – must not be higher than the highest traded price after MCE and up to and including the next trading session



## Example of Cat. R Bull Contract – At issuance

Underlying asset	Stock Y
Spot price	\$110
Call price (fixed at issue)	\$95
Strike price (fixed at issue)	\$90
Funding cost	\$4.5
Contract entitlement	1:1
Expiry	12 months
Theoretical price at issue: [(spot price - strike price + funding costs) / entitlement]	\$24.5
Value of one board lot (100 shares)	\$2,450

## Example of Cat. R Bull Contract – At expiry

Underlying asset	Stock Y
Price of Stock Y	\$130
Settlement amount of a Bull contract = (settlement price - strike price) / entitlement = (\$130 - \$90) / 1	\$40
Value of one board lot (100 shares)	\$4,000
Net profit <sup>^</sup> of one board lot = (value of the Bull contract CBBC at expiry - original investment) = \$4,000 - \$2,450	\$1,550
Rate of return <sup>^</sup>	63%

<sup>^</sup>All transaction-related fees and charges are not included

# Example of Cat. R Bull Contract – At MCE

## Category R Bull Contract - If spot price falls to the Call Price

Underlying asset	Stock Y
Price of Stock Y	\$95
Residual value of the Bull contract at call: (settlement price* - strike price)/entitlement =(\$94 - \$90)/1	\$4
<i>*It is assumed to be \$94 in this example.</i>	
Value of one board lot (100 shares)	\$400
Net loss <sup>^</sup> of one board lot = \$400 - \$2,450	-\$2,050
Rate of return <sup>^</sup>	-84%

<sup>^</sup>All transaction-related fees and charges are not included

# Risks of CBBC

- **Mandatory call**
  - Once the CBBC is called, even though the underlying assets may bounce back in the right direction from the investors' point of view, it will not be revived
- **Gearing effects**
  - The percentage change in its price is greater compared with that of its underlying assets
  - Investors may suffer higher losses in percentage terms if they expect the price of the underlying assets to move one way but it moves in the opposite direction
- **Limited life**
  - With expiry date and a mandatory call feature
- **Movement of underlying assets' price**
  - The price of a CBBC is affected by a number of factors, including demand for the CBBC and the supply, funding costs and time to expiry
- **Liquidity**
  - No guarantee that investors are able to sell or buy CBBC at their target prices any time they wish
- **Funding costs**
  - Funding costs are charged upfront from the date of purchase to normal expiry, though CBBC may be called before the expiry
- **Trading of CBBC close to Call Price**
  - More volatile on price of CBBC with wider spreads and uncertain liquidity
  - There may be some time lapse between MCE time and suspension of the CBBC trading. Trades executed after the MCE will not be recognised and will be cancelled

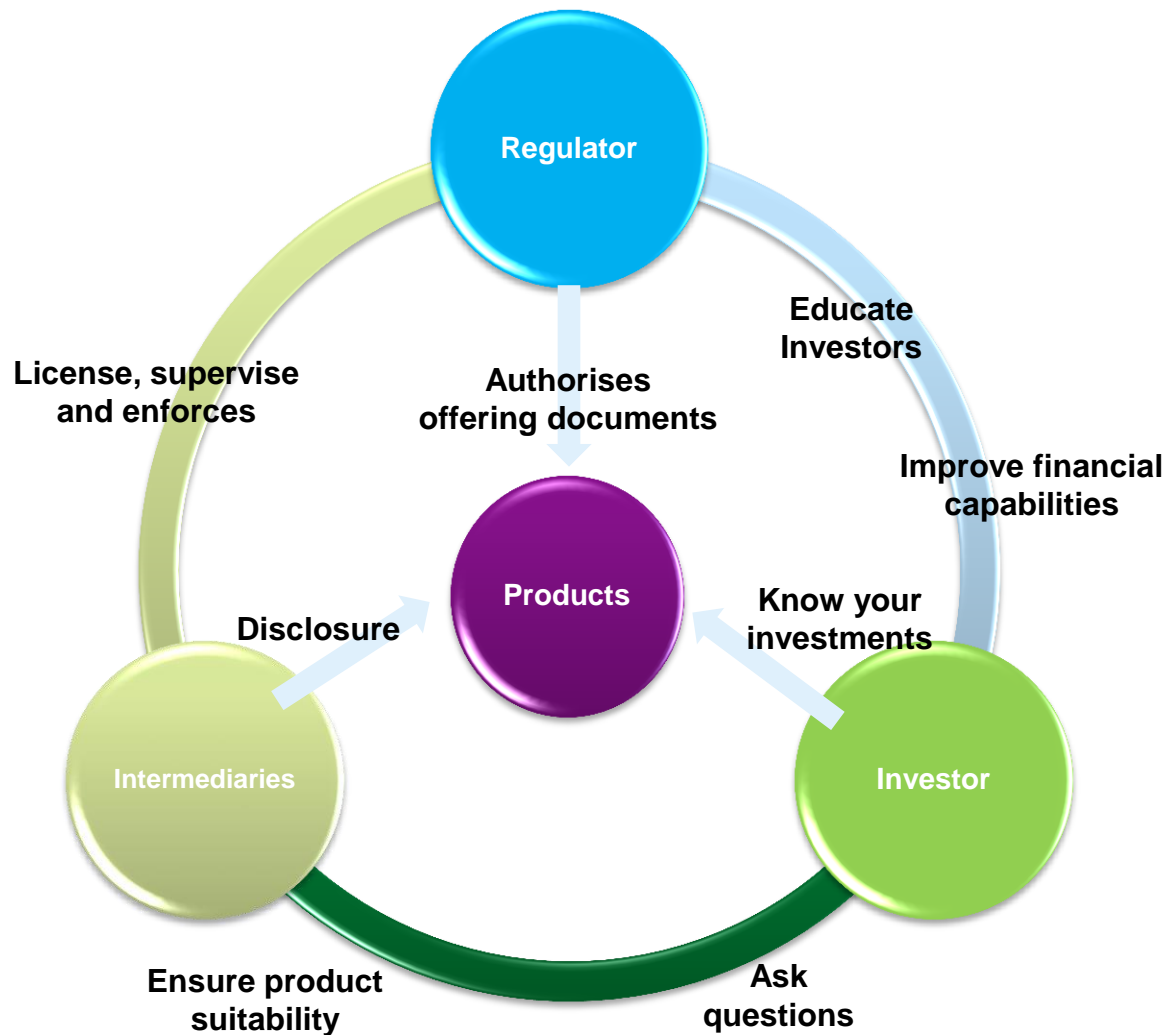


# Latest Investor Protection Measures

# Investor Protection Measures

- Investor's protection framework
- Investor's rights and responsibilities
- Financial Dispute Resolution Centre (FDRC)
- Investor Compensation Fund (ICF)

# Investor's Protection Framework



# Investor's Rights

## Investors' rights as **users of financial services**

- **The right to choose the language version of Customer Service Agreement**
- **The right to receive transaction confirmation within specific time after completion of transaction**
  - For example: transaction confirmation or monthly account statement, etc.
- **The right to request related and sufficient information to facilitate personal investment management**
  - Receive information to facilitate choosing the suitable investment products
- **The right to complain the service providing company and staff for inappropriate handling of investment matters**

# Knowing fees and charges

## Example: Stock trading related fees

Description of Fees	Rate
Brokerage commission	Determined by intermediaries
Securities and Futures Commission transaction levy	0.003% of transaction amount
Stock Exchange of Hong Kong trading fee	0.005% of transaction amount
Stock Exchange of Hong Kong trading tariff (waived by most intermediaries)	\$0.5 per transaction
HKSAR Government stamp duty	0.1% of transaction amount (rounded up to the nearest dollar)
CCASS stock settlement fee	0.002% of transaction amount (min \$2, max \$100)

# Investor's Rights

## Investors' rights as a **shareholder**

- **Right to know**
  - Listed companies must distribute financial report to registered shareholders
- **Right to receive rights & interests**
  - For example: receiving dividends or rights issue, etc.
- **Right to vote at shareholders' meetings**

# Investor's Responsibilities

- **Know yourself**

- Understand your investment objectives and financial situation
- Risk assessment tools:  
<http://www.hkifa.org.hk/eng/RiskAssessmentTools.aspx>

- **Know your investment**

- Do homework before investing
- Read and understand thoroughly the offering documents of the investment products
- Understand features and corresponding risks of the investment products before making investment decision
- Make investment decisions based on facts
- Don't invest in products you don't understand



# Investor's Responsibilities

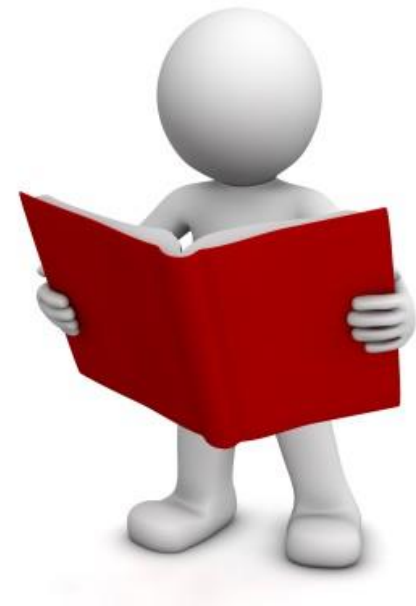
- **Know your intermediaries**
  - Are the financial services providing companies and their staff licensed to sell the corresponding investment products?
    - [www.sfc.hk](http://www.sfc.hk) (List of public register of licensed persons and registered institutions)
  - Understand all details of the customer agreement before signing
- **Work with investment advisors**
  - Request investment advice from your advisor in writing
  - Ask your advisor why the recommended products suit you
  - Fully understand the recommended products





# Investor's Responsibilities

- **Track your investments**
  - Follow the market
  - Read your account statement regularly to monitor the status of your account and portfolio
  - Keep record of your important documents related to investment, e.g. account statements, instructions to advisors for follow up when necessary



# Financial Dispute Resolution Centre

- Financial Dispute Resolution Centre (FDRC) was set up in November 2011 as a non-profit making company.
- An independent and impartial organisation administering the Financial Dispute Resolution Scheme ([FDRS](#)) which requires financial institutions who are its members to resolve monetary disputes with their customers through mediation and arbitration.
- All financial institutions authorised by the Hong Kong Monetary Authority and Securities and Futures Commission, except those only provide credit rating services, are members of FDRS.
- More information about FDRC is available at [www.fdrc.org.hk](http://www.fdrc.org.hk).

# Eligibility of Claims

- An individual or a sole proprietor is eligible
- The financial institution involved in the dispute is a FDRS member
- The claim is in monetary nature with claimable amount not more than \$500,000
- A written complaint has been lodged to the relevant financial institution and received a final written reply but the dispute cannot be solved or has not received written reply more than 60 days after lodging the complaint
- The claim is made within 12 months from the date of purchase
- The claim is not under or has gone through court proceedings
- The claim is not about policies, fees and investment performance, except a dispute concerning an alleged non-disclosure, inadequate disclosure, misrepresentation, negligence, incorrect application, breach of fiduciary duty, breach of any legal obligation or duty, or maladministration

# Investor Compensation Fund

- The Investor Compensation Fund ("Fund") is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of a default of a licensed intermediary or authorized financial institution in relation to exchange-traded products in Hong Kong occurring on or after 1 April 2003.
- Range of intermediaries includes both exchange and non-exchange participants, banks and securities margin financiers.

# Eligibility of Claims

- **Default means an intermediary, its employee or its associated person is in bankruptcy, winding up, or insolvency, or breach of trust, defalcation, fraud, or misfeasance.**
- **The defaulting intermediary must be:**
  - Licensed or registered for dealing in securities or dealing in futures contracts, or
  - Licensed for securities margin financing, or
  - An authorized financial institution which provides securities margin financing. In other words, all licensed brokerage firms and banks that provide securities and futures contracts trading services are covered.
  - The defaulting intermediary can be an organization or an individual. Broker is an example.

# Compensation Limits

- If you sustained losses in relation to securities, the amount of compensation payable to you will not exceed HK\$150,000. If you sustained losses in relation to futures contracts, the upper limit of the compensation is also HK\$150,000. The limit is per person. For joint account, each of the account holders will be subject to a maximum payment limit of HK\$150,000.
- Where the ICC makes any payment out of the Investor Compensation Fund in respect of any claim for compensation, the SFC and the ICC shall be subrogated to all the rights and remedies of the claimant in relation to the loss. All assets recovered by the SFC or the ICC from the subrogation shall become part of the Investor Compensation Fund.

# Time Limit for Claims

- When it is appropriate and necessary, the ICC may issue a Notice Inviting Claims in at least one Chinese and one English newspaper to invite claims regarding a particular intermediary to be lodged with the SFC or the ICC within the time specified, usually 3 months from the date of the notice.
- If no such notice has been published, you must lodge your claim within 6 months after the day you first become aware of the default. A claim lodged outside the deadline may be disallowed.
- More information of Investor Compensation Fund is available at <http://www.hkicc.org.hk>.

# Example

Investor	Balances of Stock Account	Closing prices of stock on the default date	Market Value
Mr and Mrs Chan	Company A 1,600 shares	\$115.00	\$184,000
	Company B 20,000 shares	\$5.50	\$110,000
	Company C 1,000 shares	\$65.00	\$65,000
	<b>Account Total</b>		<b>\$359,000</b>
Mr Chan	Company C 10,000 shares	\$65.00	\$650,000
	<b>Account Total</b>		<b>\$650,000</b>

- Investor's compensation payable to Mr Chan: \$150,000
- Investor's compensation payable to Mrs Chan: \$150,000





# Visit the IEC website



The screenshot shows the homepage of the Investor Education Centre (IEC). At the top, there is a navigation bar with links for 'About IEC', 'Contact Us', and a search bar. Below this is a header section with the IEC logo and the text 'INVESTOR EDUCATION CENTRE 投資者教育中心'. To the right, it states 'The Investor Education Centre is supported by the financial regulators' and lists the Office of the Commissioner of Insurance, SFC, and the Hong Kong Monetary Authority.

The main content area features a large banner for 'Shanghai-Hong Kong Stock Connect' with a map of the region. Below the banner is a 'Hot Topics' section with four featured articles: 'Financial education for children', 'Getting to know RMB-structured products', 'ETF's tracking difference and tracking error', and '10 common questions about ILAS'. A search bar is present with the text 'I want to find out about common tricks in market crime.' and a search button.

On the right side, there is a vertical sidebar with social media icons for YouTube, Facebook, and Share, along with a plus sign and an up arrow. Below the search bar, there are two featured articles: 'Hong Kong Strategy for Financial Literacy' and 'GET SET GO! Money Management Workshop'. At the bottom right, there are sections for 'Life Events & You' and 'Tools & Resources'.

[www.hkiec.hk](http://www.hkiec.hk)

**Thank You**



# Appendices

# Preference Shares

Many corporations issue preference shares, e.g. HSBC.

The Hongkong and Shanghai Banking Corporation Limited

Regulatory Capital Instruments

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# Dividend Stocks

HK Stocks Search

Symbol

Real-time Quote

- Real-time Quote
- Latest Quote
- Real-time Chart
- Real-time Top 20
- Portfolio Anywhere
- Investment Advice

Quote RT

Detailed Quote RT

Dividend History

Basic Chart RT

Technical Analysis RT

Interactive Chart **new**

Stock Price Trend RT

Related Warrants

Related CBBCs

Short Selling **new**

Block Trades

Transactions

Money Flow RT

Real-time Quote | Real-time Latest Quote | Real-time Chart | Real-time Top 20 | Real-time

**BOSSINI INT'L 00592.HK (Category)** Last Update: 2015-04-10 15:20

09/04 14:11 BOSSINI INT'L (00592) has risen 5... **Chart**

1 day (5 mins) AASTOCKS.com

Last	Chg	
<b>0.700</b>	<b>↓ 0.020</b>	
	Chg(%)	
	<b>↓ 2.778%</b>	
Range	0.700 - 0.730	
Volume	2.15M	Market Cap 1.14B
Turnover	1.53M	EPS 0.078
P/E Ratio	8.97	Yield <b>10.00%</b>
Lot Size	2000	52 WK 0.533 - 0.833

09:30 12:00 16:00  
Last Update 04/10/2015 15:35

Latest Quote				More>>
Symbol	Last	Chg	Chg(%)	
00592.HK	0.700	-0.020	-2.778%	A Share <sup>2</sup> : N/A
00011.HK	143.100	+0.800	+0.562%	Last(HKD) <sup>2</sup> : N/A
00983.HK	6.920	+0.040	+0.581%	Premium(%) <sup>2</sup> : N/A
00820.HK	9.980	+0.020	+0.201%	ADR Share <sup>2</sup> : N/A
00067.HK	1.250	0.000	0.000%	Last(HKD) <sup>2</sup> : N/A
				Premium(%) <sup>2</sup> : N/A

# Growth Stocks

HK Stocks Search

Symbol

Real-time Quote

**NANJING PANDA 00553.HK** (Index | Category) Last Update: 2015-04-10 15:48

09/04 09:35 NANJING PANDA (00553) has signifi...

Real-time Quote

Real-time Quote  
 Latest Quote  
 Real-time Chart  
 Real-time Top 20  
 Portfolio Anywhere  
 Investment Advice

Quote RT

Detailed Quote RT

Dividend History

Basic Chart RT

Technical Analysis RT

Interactive Chart **new**

Stock Price Trend RT

Related Warrants

Related CBBCs

Short Selling **new**

Block Trades

Transactions

Money Flow RT

Real-time Quote

Real-time Latest Quote

Real-time Chart

Real-time Top 20

Real-time

Last	A Share RT Quote ▶		Chg
	<b>10.180</b>		<b>↑ 0.180</b>
Range	9.680 - 10.500		Chg(%) <b>↑ 1.800%</b>
Volume	8.46M	Market Cap	2.46B
Turnover	84.52M	EPS	0.209
P/E Ratio	48.71	Yield	0.81%
Lot Size	2000	52 WK	3.620 - 11.480

1 day (5 mins) AASTOCKS.com

09:30 12:00 16:00

Last Update 04/10/2015 15:48

Latest Quote				More>>
Symbol	Last	Chg	Chg(%)	
00553.HK	10.180	+0.180	+1.800%	A Share <sup>2</sup> : 600775.SH
02208.HK	17.120	-0.360	-2.059%	Last(HKD) <sup>2</sup> : 20.545
00592.HK	0.700	-0.020	-2.778%	Premium(%) <sup>2</sup> : ↓ 50.450
00011.HK	143.000	+0.700	+0.492%	ADR Share <sup>2</sup> : N/A
00983.HK	6.910	+0.030	+0.436%	Last(HKD) <sup>2</sup> : N/A
				Premium(%) <sup>2</sup> : N/A

# Value Stocks

HK Stocks Search

Symbol

Real-time Quote

AGILE PROPERTY 03383.HK (Category) Last Update: 2015-04-10 15:53

09/04 09:40 AGILE PROPERTY (03383) has risen ... Chart

1 day (5 mins) AASTOCKS.com

Last	5.290			Chg	↓ 0.100
Range	5.270 - 5.540			Chg(%)	↓ 1.855%
Volume	35.21M	Market Cap	20.72B		
Turnover	187.59M	EPS	1.791		
P/E Ratio	2.95	Yield	8.98%		
Lot Size	2000	52 WK	3.298 - 7.096		

09:30 12:00 16:00 Last Update 04/10/2015 15:53

Latest Quote				More>>
Symbol	Last	Chg	Chg(%)	
03383.HK	5.290	-0.100	-1.855%	A Share <sup>2</sup> : N/A
00553.HK	10.260	+0.260	+2.600%	Last(HKD) <sup>2</sup> : N/A
02208.HK	17.200	-0.280	-1.602%	Premium(%) <sup>2</sup> : N/A
00592.HK	0.700	-0.020	-2.778%	ADR Share <sup>2</sup> : N/A
00011.HK	142.800	+0.500	+0.351%	Last(HKD) <sup>2</sup> : N/A
				Premium(%) <sup>2</sup> : N/A

Quote RT  
Detailed Quote RT  
Dividend History  
Basic Chart RT  
Technical Analysis RT  
Interactive Chart new  
Stock Price Trend RT  
Related Warrants  
Related CBBCs  
Short Selling new  
Block Trades  
Transactions  
Money Flow RT

# Growth Stocks

HK Stocks Search

Symbol

Real-time Quote

- Real-time Quote
- Latest Quote
- Real-time Chart
- Real-time Top 20
- Portfolio Anywhere
- Investment Advice

Quote RT

Detailed Quote RT

Dividend History

Basic Chart RT

Technical Analysis RT

Interactive Chart **new**

Stock Price Trend RT

Related Warrants

Related CBBCs

Short Selling **new**

Block Trades

Transactions

Money Flow RT

Real-time Quote    Real-time Latest Quote    Real-time Chart    Real-time Top 20    Real-time

**TENCENT 00700.HK** (Index | Category)    Last Update: 2015-04-10 15:54

10/04 15:30 Bearish block trade of TENCENT(00...

Last	Chg		
<b>160.900</b>	<b>↑ 1.000</b>		
Range    158.100 - 164.000	Chg(%)		
	<b>↑ 0.625%</b>		
Volume    33.27M	Market Cap	1,508.15B	
Turnover    5.32B	EPS	3.218	
P/E Ratio    50.00	Yield	0.22%	
Lot Size    100	52 WK	93.000 - 170.400	

1 day (5 mins)    AASTOCKS.com

09:30    12:00    16:00

Last Update 04/10/2015 15:54

Latest Quote				More>>
Symbol	Last	Chg	Chg(%)	
00700.HK	160.900	+1.000	+0.625%	A Share <sup>2</sup> : N/A
03383.HK	5.290	-0.100	-1.855%	Last(HKD) <sup>2</sup> : N/A
00553.HK	10.240	+0.240	+2.400%	Premium(%) <sup>2</sup> : N/A
02208.HK	17.240	-0.240	-1.373%	ADR Share <sup>2</sup> : N/A
00592.HK	0.700	-0.020	-2.778%	Last(HKD) <sup>2</sup> : N/A
				Premium(%) <sup>2</sup> : N/A



# Cyclical vs Defensive/Stable Stocks

Galaxy Entertainment Group Limited (HKG:0027)

Add to portfolio

41.20 +0.40 (0.98%)

Delayed: 3:51PM HKT  
HKG data delayed by 15 mins - Disclaimer  
Currency in HKD

Range	40.10 - 42.50	Div/yield	0.28
52 week	32.80 - 73.25	EPS	2.41
Open	42.45	Shares	4.25B
Vol / Avg	25.90M/15.81M	Beta	-
Mkt cap	165.54B	Inst. own	-
P/E	17.09		

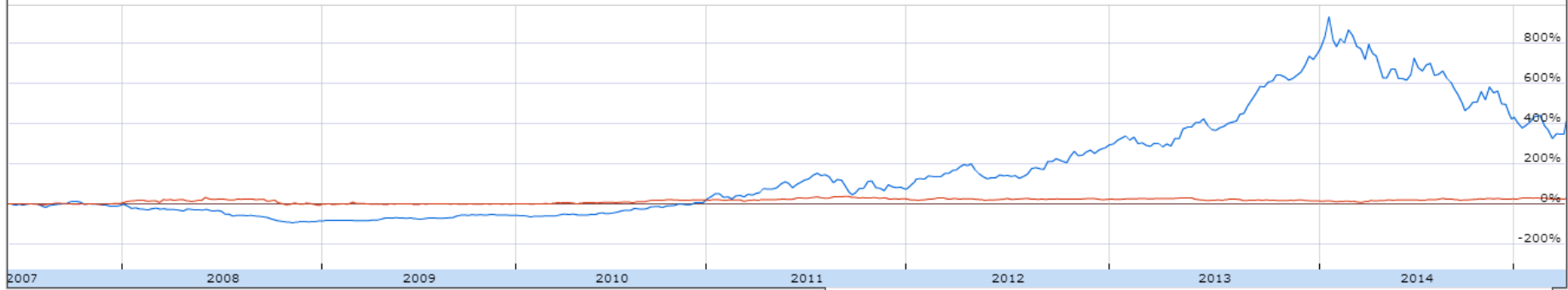
g+1 8

Compare:    Hang Seng Index  H-shares Index  1128  6883  0296  0326  2282  1928  0880  HKG:0002 less

Zoom: [1d](#) [5d](#) [1m](#) [3m](#) [6m](#) [YTD](#) [1y](#) [5y](#) [10y](#) [All](#)

Jun 15, 2007 - Apr 10, 2015

● HKG:0002 +28.51% ● 0027 +411.17%



# Convertible Bond

**FOSUN 复星**

復星國際有限公司

**FOSUN INTERNATIONAL LIMITED**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

(Stock Code: 00656)

**PROPOSED ISSUE OF HK\$3,875,000,000 1.50 %  
GUARANTEED CONVERTIBLE BONDS DUE 2018**

**JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS**



**Morgan Stanley**

The Board is pleased to announce that (i) the Company as issuer of the Conversion Shares and guarantor for payment of all sums payable in relation to the Convertible Bonds, (ii) the Bond Issuer (an indirect wholly owned subsidiary of the Company) as issuer of the Convertible Bonds and (iii) the Joint Lead Managers entered into the Subscription Agreement on 6 November 2013.

The Convertible Bonds will be offered and sold to non-U.S. persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S. None of the Convertible Bonds will be offered to the retail public in Hong Kong.

- Initial Conversion Price : HK\$10.00 per Share.
- Assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into approximately 387,500,000 Shares, representing:
- ~ 5.69% of the enlarged issued share capital of the Company after issue of all Conversion Shares.