

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document including the appendices hereto, which constitute an integral part of this document, before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

Various expressions used in this summary are defined under the sections headed “Definitions” and “Glossary of Technical Terms” in this document.

OVERVIEW

Founded in the early 1970s, we are a well-established integrated securities broker in the Hong Kong financial services industry. Our services enable our clients to trade securities listed on the Stock Exchange, the Shanghai Stock Exchange, Shenzhen Stock Exchange as well as the exchanges in Australia, Canada, Europe, Japan, Singapore, the United Kingdom, the United States and B shares in the PRC, through us or platforms provided by respective external brokers accessible via our award winning multi-platform trading system. We also provide financing services and asset management services in Hong Kong to cater for our clients’ specific needs.

[REDACTED]

Our main services include the following:

- **Securities broking services:** We provide brokerage services to clients to trade securities listed on the Stock Exchange as well as the Shanghai Stock Exchange and Shenzhen Stock Exchange via the Shanghai Connect and Shenzhen Connect, respectively. We also enable our clients to trade securities listed on exchanges in Australia, Canada, Europe, Japan, Singapore, the United Kingdom, the United States and B shares in the PRC by providing access to trading systems operated by external brokers licensed in their respective jurisdictions. We also provide placing services for debt securities in fund raising exercises. For the years ended 31 December 2016 and 2017, commission and brokerage income generated from self-employed account executives and licensed employees (exclusive of staff dealings) were HK\$10.9 million and HK\$15.7 million, respectively, which accounted for 45.7% and 33.5% of our total revenue generated from our securities broking services. For the years ended 31 December 2016 and 2017, commission and brokerage income generated from staff dealing were HK\$0.2 million and HK\$0.2 million, which accounted for 0.8% and 0.3%, respectively, of our total revenue generated from our securities broking services, which were immaterial.
- **Financing services:** We provide credit facilities to our clients who wish to purchase securities on the Stock Exchange or make applications for IPOs on a margin basis. We also provide trading facilities to our clients and generate interest income from our cash account clients on their overdue debit balance.
- **Asset management services:** We provide asset management services on a discretionary basis. The majority of our asset management clients are applicants of the Capital Investment Entrant Scheme (“CIES”). Under the CIES, applicants who meet certain criteria and have the financial means to invest in Hong Kong may apply to be a permanent resident after seven years of continuous stay and by maintaining their capital commitment in Hong Kong as required in the CIES. As at 31 December 2017, we had 24 clients receiving our asset management services with a total AUM of HK\$207.7 million, 20 of which were CIES clients with a total AUM of HK\$200.3 million.

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Our business activities are carried out through our wholly owned subsidiary, Victory Securities (HK), which is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management, under the condition that it shall not provide a service of managing a portfolio of futures contracts for another person) regulated activities under the SFO. Victory Securities (HK) holds two Stock Exchange Trading Rights. It is a participant of HKSCC and since November 2014, has been a China Connect Exchange Participant and a China Connect Clearing Participant. We did not engage in dealing in future contracts during the Track Record Period but we are resuming our futures brokerage business.

For further details of our services, please refer to the paragraph headed “Business — Our business model” in this document.

CLIENTS

Our clients mainly comprise corporate, institutional and retail clients as well as high volume day traders from Hong Kong and the PRC. During the Track Record Period, our major clients were mainly high net worth individuals based in Hong Kong and the PRC. Our clients are typically referred to us by our licensed employees, self-employed account executives or by existing clients. For the years ended 31 December 2016 and 2017, revenue attributable to our top five largest clients, in aggregate, accounted for 24.5% and 24.5% of our total revenue, respectively. During the same period, our largest client accounted for 14.7% and 6.9% of our total revenue, respectively.

Our top five largest clients during the Track Record Period were mainly involved in our securities broking services and had two to fourteen years of business relationship with us. During the Track Record Period, none of our Directors or their respective close associates or existing Shareholders who owned more than 5% of our Company’s issued share capital had an interest in our top five largest clients. Our top five largest clients for the years ended 31 December 2016 and 2017 were Independent Third Parties. We had not received any material complaints from our clients during the Track Record Period.

SUPPLIERS

Due to the nature of our principal business activities, we have no major suppliers and information about our suppliers would be of limited or no value to investors in making an investment decision, and therefore disclosure of which is not required under paragraph 28(1)(b) of Appendix 1A of the GEM Listing Rules. We engage certain IT vendors which facilitate the operation of our trading platform and the provision of securities market information and price quotations.

COMPETITIVE STRENGTHS AND STRATEGIES

Our Directors are of the view that our positioning as a financial service provider in Hong Kong together with the following competitive strengths contribute to our success and differentiate us from our competitors: (i) we nurture talent and maintain an experienced and stable management team; (ii) we benefit from our long history which, coupled with our adherence to the principle of “Integrity, Trust-worthiness and Prudence” has allowed us to build up a loyal and diverse client base; (iii) we provide an integrated trading platform to our clients with access to the major financial markets in the world; (iv) we are committed to providing a wide range of quality financial services to our clients; and (v) we possess a prudent risk management system. For further information, see “Business — Competitive strengths.”

We intend to implement the following strategies to further develop our business extensively and create value for our Shareholders: (i) enlarge the capacity of our financing services; (ii) upgrade our portfolio management system and order management system; (iii) engage in proprietary trading; (iv) expand our client network with a focus on high net worth and institutional clients; (v) enter into the corporate finance advisory business and resume the futures brokerage business; and (vi) enhance our research capabilities and asset management service. For further information, see “Business — Business strategies”.

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KEY OPERATIONAL DATA

The following table sets out our certain key operational data for the years or as at the dates indicated:

	As at or for the year ended	
	31 December	
	2016	2017
Securities brokerage trading turnover (<i>HK\$ in millions</i>)	745,182	1,446,959
Average brokerage commission rate ⁽¹⁾ (<i>bps</i>)	21.6	20.7
Balance of margin loans (<i>HK\$ in millions</i>)	80.1	96.2
Margin value ⁽²⁾ (<i>HK\$ millions</i>)	77.3	118.5
Loan-to-margin ratio ⁽³⁾	103.7%	81.2%
Loan-to-value ratio ⁽⁴⁾	31.8%	27.5%
AUM (<i>HK\$ in millions</i>)	213.1	207.7

Notes:

- (1) Average brokerage commission rate equals commission and brokerage fee revenue from our brokerage services divided by the brokerage trading turnover (excluding commission rate offered to high volume day trader clients and U.S. market clients), for the same year.
- (2) Margin value refers to the market value of the securities pledged with us as collateral for margin financing multiplied by the lending ratio of the respective securities. It indicates the quality of collaterals held by a brokerage house.
- (3) Loan-to-margin ratio refers to the ratio of the total amount of accounts receivable from margin clients as at the dates indicated to the margin value as at same dates.
- (4) Loan-to-value ratio refers to the ratio of the total amount of accounts receivable from margin clients as at the dates indicated to the market value of the underlying securities pledged as collateral as at the same dates.

KEY FINANCIAL DATA

The table below sets out a summary of our consolidated financial information for each of the years ended 31 December 2016 and 2017, which has been extracted from the Accountants’ Report:

Highlights of consolidated statements of profit or loss

	Year ended 31 December	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Revenue	30,234,835	56,433,162
Other income and gains/(losses), net	<u>3,189,133</u>	<u>7,912,341</u>
	33,423,968	64,345,503
Commission expenses	(3,696,937)	(7,027,489)
Depreciation	(1,757,107)	(2,113,746)
Staff costs	(10,057,423)	(15,336,578)
Other operating expenses	(7,842,403)	(17,068,586)
Finance costs	<u>(1,207,427)</u>	<u>(1,570,457)</u>
Profit before tax	8,862,671	21,228,647
Income tax expense	<u>(1,768,473)</u>	<u>(3,575,564)</u>
Profit for the year	<u><u>7,094,198</u></u>	<u><u>17,653,083</u></u>

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Our profits increased from HK\$7.1 million for the year 2016 to HK\$17.7 million for the year 2017. The increase was mainly due to (i) increase in brokerage income derived from securities dealing by our clients largely in the Hong Kong market; (ii) recognition of placing commission income as we commenced placing of debt securities as a placing agent for listed clients; (iii) revaluation gains on investment properties which were capital in nature and not subject to Hong Kong profits tax. For details, please refer to the paragraph headed “Financial Information - Description and comparison of principal items in the consolidated statements of profit or loss” in this document.

Revenue by business segment

The table below sets out the breakdown of our revenue derived from each business segment during the Track Record Period:

	Year ended 31 December			
	2016		2017	
	HK\$	% of revenue	HK\$	% of revenue
Securities broking services	23,832,126	78.8	46,937,968	83.2
Financing services	5,685,918	18.8	7,267,365	12.9
Asset management services	716,791	2.4	2,227,829	3.9
Total:	<u>30,234,835</u>	<u>100.0</u>	<u>56,433,162</u>	<u>100.0</u>

Our total revenue increased by HK\$26.2 million or 86.6% from HK\$30.2 million for the year ended 2016 to HK\$56.4 million for the year 2017. Such increase was mainly due to a substantial increase in income from our securities broking services for the year 2017 as compared to the previous year. For details, please refer to the paragraph headed “Financial Information — Description and comparison of principal items in the consolidated statements of profit or loss — Revenue by business segment” in this document.

Principal cost components

The principal components of our expenses were commission expenses, staff costs and other operating expenses. For details, please refer to the paragraph headed “Financial Information — Description and comparison of principal items in the consolidated statements of profit or loss” in this document.

Highlights of consolidated statements of financial position

	As at 31 December	
	2016	2017
	HK\$	HK\$
Non-current assets	79,420,961	61,373,602
Current assets	156,462,633	349,955,681
Current liabilities	93,719,705	261,510,366
Non-current liabilities	6,449,366	6,356,194
Equity	135,714,523	143,462,723

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Our current assets increased from HK\$156.5 million for the year 2016 to HK\$350.0 million for the year 2017. Such increase was mainly due to the increase in trade receivables by HK\$187.5 million mainly due to the increase in client money deposited with an external broker. Our current liabilities increased from HK\$93.7 million for the year 2016 to HK\$261.5 million for the year 2017. Such increase was mainly due to the net repayment of bank borrowings by HK\$9.5 million, offset by the increase in trade payables by HK\$171.7 million. The increase in trade payables was mainly due to the increase in client money being deposited in the accounts opened with our Group.

For the year 2017, a client deposited HK\$195.0 million in securities accounts opened with us. The ultimate beneficial owner of such client was a businessman with over 15 years’ experience in the securities and brokerage industry. Pursuant to client instructions, we in turn placed the fund with an external broker providing a platform for securities trading on the exchanges in the United States. As at the Latest Practicable Date, HK\$176.6 million of the client money was transferred back to our client. For further information, please refer to the paragraph headed “Financial Information — Description and analysis of principal items in the consolidated statements of financial position — Trade payables” in this document.

Highlights of consolidated statements of cash flows

	Year ended 31 December	
	2016	2017
	HK\$	HK\$
Cash flow generated from operating activities before changes in working capital and taxes paid	11,373,099	17,368,390
Net cash flow from operating activities	35,961,765	2,069,734
Net cash flow from investing activities	405,098	24,230,699
Net cash flow used in financing activities	(32,957,106)	(25,495,882)
Net increase in cash and cash equivalents	3,409,757	804,551
Cash and cash equivalents at beginning of year	4,784,981	8,194,738
Cash and cash equivalents at end of year	8,194,738	8,999,289

We recorded net cash flow from operating and investing activities for the years 2016 and 2017. We recorded net cash used in financing activities for the years 2016 and 2017, which was mainly due to net repayment of bank borrowings. For details, please refer to the paragraph headed “Financial Information — Liquidity and capital resources” in this document.

FINANCIAL RATIOS

	Year ended 31 December	
	2016	2017
Net profit margin before interest and tax	33.3%	40.4%
Net profit margin	23.5%	31.3%
Return on equity	5.2%	12.3%
Return on total assets	3.0%	4.3%

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	As at 31 December	
	2016	2017
	HK\$	HK\$
Current ratio	1.7	1.3
Quick ratio	1.7	1.3
Gearing ratio	42.0%	33.1%
Debt to equity ratio	36.0%	26.8%

Our net profit margin increased from 23.5% for the year 2016 to 31.3% for the year 2017. The increase in net profit margin was mainly due to the increase in revenue for the year 2017. Due to the nature of our business, our major expenses are to a large extent fixed in nature (except for expenses directly correlated to trading turnover of our client, such as commission expenses and exchange and clearing fee). Accordingly, an increase in our revenue will have a positive impact on our net profit margin. For details, please refer to the paragraph headed “Financial Information — Key financial ratios” in this document.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by DTTKF. DTTKF is owned as to approximately 66.63%, 10.50%, 6.71%, 2.00%, 1.89%, 3.78%, 0.94%, 0.94%, 3.31%, 1.35%, 0.60%, 1.30% and 0.05% by Ms. Kou, Ms. Kou Luen, Mr. Chan, Mr. Chiu, Mr. Ko Yuen Fai, Mr. Ko Yuen Kwan, Mr. Ko Yuen San, Mr. Ko Yuen Sing, Ms. Kwok Lo Ming, Ms. Meng Li, Mr. Sze Tung, Mr. Yeung Tak Kuen and Mr. Chan Pui Chuen, respectively. As DTTKF and Ms. Kou will be directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company immediately following the [REDACTED], each of DTTKF and Ms. Kou shall be regarded as a Controlling Shareholder under the GEM Listing Rules.

In addition, on the basis that Ms. Kou Luen, Mr. Chan, Mr. Chiu, Mr. Ko Yuen Fai, Mr. Ko Yuen Kwan, Mr. Ko Yuen San, Mr. Ko Yuen Sing, Ms. Kwok Lo Ming, Ms. Meng Li, Mr. Sze Tung, Mr. Yeung Tak Kuen and Mr. Chan Pui Chuen (the “**Other DTTKF Shareholders**”) together with Ms. Kou hold their respective interest in our Company through a common investment holding company, namely, DTTKF, the Other DTTKF Shareholders are regarded as a group of Controlling Shareholders of our Company together with Ms. Kou and DTTKF. For further details, please refer to the section headed “Relationship with our Controlling Shareholders” in this document.

SUMMARY OF PROMINENT RISK FACTORS

There are certain risks relating to investment in the [REDACTED]. Some of the particular risks in investing in the [REDACTED] are further described in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED]. We believe some of the significant risk factors that are specific to our operations include:

- (i) Volatility in the performance of the financial markets could materially and adversely affect our business;
- (ii) We rely heavily on the BSS to execute our securities trading orders, any failure of the BSS may have a material adverse effect on our business;

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- (iii) Our business operations are concentrated in Hong Kong and any material deterioration in the economic, political and regulatory environment in Hong Kong could materially and adversely affect our business and prospects;
- (iv) We are subject to extensive regulatory requirements. Non-compliance with such requirements could cause us to incur fines, restriction on our activities or even suspension or revocation of some or all of our licences for carrying on our business activities;
- (v) Our financing services could be materially and adversely affected by the decline in market value of the collateral, the suspension of the collateral, the change in lending ratio for the collateral, the increase in collateral concentration or client’s default in repayment; and
- (vi) We rely on applicants of the CIES as a source of clients.

REASONS FOR THE [REDACTED]

Our Directors believe that the [REDACTED] will enhance our profile, strengthen our financial position and competitiveness, and provide us with additional capital to implement our future plans.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that: (i) the [REDACTED] is completed and [REDACTED] Shares are issued and sold in the [REDACTED]; (ii) the [REDACTED] is not exercised; (iii) it does not take into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme; and (iv) [REDACTED] Shares are issued and outstanding upon completion of the [REDACTED].

	Based on an [REDACTED] of [REDACTED] per [REDACTED]	Based on an [REDACTED] of [REDACTED] per [REDACTED]
Market capitalisation of our Shares	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽¹⁾⁽²⁾⁽³⁾	[REDACTED]	[REDACTED]

Notes:

- (1) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in “Appendix II — Unaudited pro forma financial information.”
- (2) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2017.
- (3) The unaudited pro forma adjusted consolidated net tangible assets value per Share of the Group as at 31 December 2017 did not take into account the dividend of HK\$8,000,000 declared and paid, pursuant to a shareholder’s resolution dated 12 February 2018, details of which are disclosed in the paragraph headed “Financial Information — Dividend” in this document. Had the declaration of the dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets value per Share of the Group would have been reduced to [REDACTED] and [REDACTED] based on a minimum [REDACTED] of [REDACTED] per [REDACTED] and on a maximum [REDACTED] of [REDACTED] per [REDACTED], respectively.

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FUTURE PLANS AND [REDACTED]

Assuming an [REDACTED] of [REDACTED] (being the mid-point of the [REDACTED] range) and the [REDACTED] not being exercised, we estimate that we will receive [REDACTED] from the [REDACTED] (after deduction of estimated total [REDACTED] paid or payable by us) of [REDACTED]. We intend to use the [REDACTED] to achieve our business objectives from the Latest Practicable Date up to 31 December 2020 as follows:

**[REDACTED] used
(amount and %)**

[REDACTED] used (amount and %)	Objectives	Activities
[REDACTED] or [REDACTED]	Enlarge the capacity of our financing services <i>(note)</i>	<ul style="list-style-type: none"> make [REDACTED] available as capital for our margin financing business, including but not limited to A shares via Shanghai Connect and Shenzhen Connect
[REDACTED] or [REDACTED]	Upgrade our portfolio management system and order management system	<ul style="list-style-type: none"> engage vendor to help us develop an integrated trading system in phases
[REDACTED] or [REDACTED]	Proprietary trading	<ul style="list-style-type: none"> capture low-risk opportunities
[REDACTED] or [REDACTED]	Expand our client network with a focus on high net worth and institutional clients	<ul style="list-style-type: none"> increase market exposure by advertising through different channels such as television, and MTR billboards etc. host marketing campaigns hire business development and sales teams as appropriate
[REDACTED] or [REDACTED]	Enter into the corporate finance advisory business	<ul style="list-style-type: none"> hire experienced personnel as appropriate
[REDACTED] or [REDACTED]	Enhance our research capabilities and asset management service	<ul style="list-style-type: none"> hire additional personnel to conduct research report for the asset management team and institutional investors, as appropriate expand our investment channels in the capital market set up and launch a public fund after the [REDACTED]
[REDACTED] or [REDACTED]	Working capital and other general corporate purposes	

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Note:

Upon the [REDACTED], margin financing and short term IPO financing would be financed by our internal resources and [REDACTED] earmarked for the margin financing business, which depending on demand may have an overall effect of reducing our existing bank borrowings and our borrowing costs. Our bank borrowings refer to available bank facilities of HK\$190 million used for our margin financing and short term IPO financing comprising of (i) certain overdrafts with interest charged at Hong Kong Prime Rate / Hong Kong Prime Rate + 0.5% per annum or HIBOR + 2.3% per annum and (ii) revolving term loans with interest charged at HIBOR + 1.9%/2.25% per annum based on 1week tenor. Such facilities from Bank A mature on 6 October 2018 while facilities from Bank B are subject to review on 31 May 2019. For further details of our bank borrowings, please refer to the paragraph headed “Business — Our business model — (ii) Financing services — External bank borrowings” in this document.

As at 30 April 2018, the Group had a cash balance of HK\$8.4 million and an unutilised banking facilities of HK\$116.9 million, which mostly consisted of revolving term loans. Revolving term loans typically incur lower financing costs as compared to the overdrafts as it normally requires the repledging of collateral securities from margin clients.

The repledging of collateral securities is subject to certain statutory requirements. For instance, the maximum aggregate market value of repledged securities must not exceed 140% of the value of margin loan balance at the end of a trading day and when calculated on a client-by-client basis, any amount receivable from any of its margin clients, shall include in its ranking liabilities if it exceeds 10% of the aggregate of amounts receivable from its margin portfolio. In addition, repledged securities are subject to the bank’s lending ratio which varies between 0% to 90% during the Track Record Period.

Assuming that the bank’s lending ratio of repledged securities is 50%, the Group can only borrow 70% of the margin loans it lent to margin clients from the bank every time when it repledges collateral securities. Accordingly, using the entire cash balance of HK\$8.4 million, the maximum amount of margin loan the Group can lend to its margin clients will be about HK\$28.0 million and an additional banking facilities of HK\$19.6 million will be utilised.

With [REDACTED] of [REDACTED] (based on the mid-point of the Indicative [REDACTED] range) to be used for margin financing business, it is estimated that the Group can lend a further HK\$75.3 million margin loans to its margin clients and utilise a further HK\$52.7 million banking facilities, assuming the statutory requirements for repledging securities and the bank’s lending ratio of repledging securities of 50% remain unchanged. Assuming the Group utilising its entire cash balance of HK\$8.4 million and the [REDACTED] of [REDACTED], the unutilised banking facilities will be reduced to about HK\$44.6 million.

For details of our future plans, [REDACTED] and the implementation plans, please see the section headed “Business Objectives and Future Plans” in this document.

DIVIDENDS

During the years ended 31 December 2016 and 2017, we declared dividends of HK\$20.8 million and HK\$14.5 million to all its then shareholders. On 12 February 2018, we further declared a dividend of HK\$8.0 million to DTTKF out of our retained earnings of HK\$13.4 million, which was satisfied by our internal resources.

Our retained earnings accrued from 1 January 2018 onwards will be shared among all our Shareholders. For further details please refer to the paragraph headed “Financial Information — Dividends” in this document. The declaration of future dividends will be subject to our Directors’ decision and will depend on, among other things, our earnings, cash flow, financial condition, capital requirements, statutory reserve requirements and any other factors our Directors may consider relevant. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. Currently, we do not have any predetermined dividend distribution ratio.

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[REDACTED]

Our Directors are of the view that our financial results for the year ending 31 December 2018 are expected to be adversely affected by, among others, the [REDACTED] in relation to the [REDACTED], the nature of which is non-recurring. [REDACTED] directly attributable to issuing the [REDACTED] are recognised in equity, while other [REDACTED] are recognised as other operating expenses in our consolidated statements of profit or loss. The total [REDACTED] in relation to the [REDACTED], primarily consisting of fees paid or payable to professional parties and [REDACTED] payable to the [REDACTED], are estimated to be [REDACTED] (based on the mid-point of the indicative [REDACTED] range). Among the estimated total [REDACTED], (i) [REDACTED] is expected to be accounted for as a deduction from equity upon [REDACTED]; (ii) [REDACTED] is expected to be recognised as expenses in our consolidated statements of profit or loss, of which [REDACTED] and [REDACTED] were charged to the consolidated statements of profit or loss for the years ended 31 December 2016 and 2017 respectively and the remaining of [REDACTED] is expected to be charged to our consolidated statements of profit or loss for the year ending 31 December 2018.

Prospective investors should note that our financial performance for the year ending 31 December 2018 is expected to be adversely affected by the estimated non-recurring [REDACTED] mentioned above, and may or may not be comparable to our financial performance in the past.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Save for the impact of the [REDACTED], our Directors confirm that as at the date of this document, there had been no material adverse change in our financial or trading position or prospects since 31 December 2017, being the date on which our latest audited financial information was prepared and there had been no event since 31 December 2017 which would materially and adversely affect the information shown in our consolidated financial information included in the Accountants' Report as set out in the Appendix I to this document.

Without taking into account the impact of non-recurring [REDACTED], we expect net profit for the year ending 31 December 2018 will decrease compared to the previous year due to a drop in fair value gains on financial assets at fair value through profit or loss due to depressed stock markets in 2018 compared to the previous year, a drop in revaluation gains on investment properties, a decrease in asset management fee from depressed stock markets in 2018 and rises in staff costs and other operating expenses in 2018 compared to the previous year.

NON-COMPLIANCE, DISCIPLINARY AND INSPECTION ACTIONS

We had been subject to certain non-compliances, disciplinary actions and inspection by the SFC in the past, which are summarised as follows: (i) breach of Securities and Futures (Client Securities) Rules - Victory Securities (HK) had in August 2003 pledged securities belonging to its cash clients to its banks without client knowledge and without obtaining their prior approval; (ii) SFC limited scope reviews conducted in or around September 2005, February 2007, December 2012 and December 2017 identified deficiencies, which required certain rectifying measures; and (iii) SFC investigation - Victory Securities (HK) had posted on its website during or around May 2011 to October 2012 certain information on two collective investment schemes in contravention of sections 103 and 107 of the SFO. For details of the above non-compliance, disciplinary and inspection actions, please refer to the paragraph headed “Business — Non-compliance, disciplinary and inspection actions” in this document.