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Victory Securities (Holdings) Company Limited

勝利證券(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8540)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Victory Securities (Holdings) Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 3 April 2023 (the “**Announcement**”). Unless otherwise defined herein, capitalised terms herein shall have the same meanings as those defined in the Announcement.

In addition to the information disclosed in the Announcement, the Company would like to provide further information pursuant to Rule 19.58(7) and (8) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) as follows:

According to the unaudited financial statements of VDX Group prepared in accordance with the Hong Kong Financial Reporting Standards, for the period between 24 June 2022, being the incorporation date of VDX Group, and 31 December 2022, the revenue of VDX Group was nil, the net loss before and after taxation of VDX Group was nil and the net asset of VDX Group as at 31 December 2022 was HK\$15 million.

The Company would also like to provide further information on the businesses of Victory Securities (HK) and VFCL, as well as further elaborate on the reasons and the benefits of entering into the Transactions to the Company and its shareholders as follows:

As disclosed in the Announcement and the announcements of the Company dated 11 October 2022, 3 February 2023 and 22 March 2023, respectively, the businesses of Victory Securities (HK) are primarily traditional securities dealing, the provision of advisory and asset management services, and, with the approval granted by the Hong Kong’s Securities and Futures Commission (“**SFC**”) in March 2023, also include dealing, and the provision of advisory and asset management services for virtual assets; while, on the other hand, VFCL is developing and operating its own trading platform to allow clients to trade virtual asset related products on its platform directly, for which SFC has in February 2023 accepted the application submitted by VFCL to apply for respective licenses.

The operation of VFCL is expected to involve professional knowledge and expertise different from those required by Victory Securities (HK), and accordingly the operation of the trading platform engaged in trading of virtual assets related products would be different from the existing operations of the Group. In order to expand the business scope and to provide a full spectrum of virtual asset related services (which will be explained in greater details in this announcement), the Company invested in VFCL with other shareholders who have extensive experiences in virtual asset business which can help to facilitate the licenses application and future development of VFCL and avoid excessive capital investments of the Group at the initial stage of operation of VFCL.

The initial working capital of VFCL before the grant of licenses and commencement of operations is very much dependent on the contribution from the existing shareholders of VFCL which were made in terms of shareholders' loan; however, when the shareholders' loans continue to increase, the material loan balance will affect the capital structure of VFCL, and will become a deterrent to new investors. New investors and their investments are of particular importance to startups like VFCL. They are cornerstones to future growth.

The Subscription improves the capital structure of VDX Group and VFCL as a whole and enhances its ability to attract high quality investors to invest in and provide additional capital to finance its future growth and development, which is critical for the continuing growth and development of VFCL. The Subscription can also maintain the Group's shareholdings in VDX Group and VFCL and maintain its share of return on investment in long term when VFCL's licenses are granted and operations commenced. The Subscription Price was determined by the parties after arm's length negotiation with references to the net asset value of VDX Group and VFCL and the future business potential of VDX Group and VFCL, as well as the market data of companies comparable to VDX Group.

In addition, VFCL is expected to follow all the guidelines of the SFC for virtual asset trading platform operators, including safe custody of assets, know-your-client, anti-money laundering, conflicts of interest, prevention of market manipulation, auditing, and risk management, etc. The trading platform of VFCL will allow its customers to trade their virtual assets in a regulated environment under the supervision of regulatory authorities. The target customers will be institutional customers or other securities companies, which are expected to include existing clients who have already opened accounts with Victory Securities (HK) to trade virtual assets.

It is important to note that the "Joint circular on intermediaries' virtual asset-related activities" issued by the SFC and the Hong Kong Monetary Authority on 28 January 2022, as well as the latest policy statement issued by The Government of the HKSAR on October 2022 have covered on the development of virtual assets in Hong Kong, setting out the vision and policy approach towards the virtual assets sector, relevant innovative technologies and their applications, as well as the development of the virtual assets ecosystem. The Government of the HKSAR seeks to create a suitable environment for the growth of the industry through policies facilitating innovation, and a comprehensive and balanced regulatory framework. The Government of the HKSAR also pragmatically proposes a number of pilot schemes to test and enhance the level of technology and their applicability.

In view of the active participation and the assistance from the Government of the HKSAR in terms of policies and infrastructure, the Company considered that the industry will be able to grow and develop substantially in the near future. Investing in VFCL, which has secured the acceptance by the SFC of its licenses application that as disclosed in the announcement of the Company dated 3 February 2023, will help the Company to establish its status and secure market share in the virtual assets sector at the earlier stage while the market in Hong Kong is still developing with less competitions and higher potential for future growth. Upon securing requisite regulatory approvals by VFCL from the SFC, the Group and VFCL collectively will be able to provide a full spectrum of virtual asset related services, with (a) Victory Securities (HK) providing dealing, advisory, and asset management services; and (b) VFCL providing its own trading platform for virtual asset related products. Through cooperation with VFCL, the Group will be able to solidate the leading position of the Group in its existing business sectors, expand the spectrum of its services and provide synergies to the Group amongst the various business lines of the Group, which can enhance the competitiveness of the Group's virtual assets related services and provide convenience to clients by providing one-stop virtual asset related services.

Thus, the Board considered that the Transactions can facilitate the continuous growth and development of VFCL, solidate the leading position of the Group in its existing business sectors, expand the spectrum of its services and provide synergies to the Group amongst the various business lines of the Group. Accordingly, the Board considers that the Subscription Price and the Transactions are fair and reasonable and in the interest of the Company and the shareholders.

The supplemental information provided in this announcement does not affect other information contained in the Announcement. The contents of the Announcement remain unchanged.

By Order of the Board
Victory Securities (Holdings) Company Limited
Kong Yan Yue
Company Secretary

Hong Kong, 18 May 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Kou Kuen, Mr. Chiu Che Leung, Stephen and Mr. Chan Pui Chuen, one non-executive Director, namely Mr. Chan Ying Kit (Chairman) and three independent nonexecutive Directors, namely Mr. Ying Wing Ho Peter, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange website (www.hkexnews.hk) for at least 7 days from the date of its publication and on the website of the Company (www.victorysec.com.hk).