



VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda on 18 August 2006)
(Company Registration Number: 38813)
(the “Company”)

**ANNUAL GENERAL MEETING TO BE HELD ON 22 JULY 2024 – RESPONSES TO
SUBSTANTIVE AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS**

The Board of Directors (the “**Board**”) of Valuetronics Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to its announcement and Notice of Annual General Meeting (“**AGM**”) dated 3 July 2024.

The Company would like to thank shareholders who submitted their questions in advance of the Company’s AGM which will be held at Level 3, Venus Room II & III, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633 on 22 July 2024 at 10.00 a.m. (Singapore time).

Please refer to **Appendix A** for the Company’s responses to substantive and relevant questions received from shareholders relating to the business of the AGM.

BY ORDER OF THE BOARD
VALUETRONICS HOLDINGS LIMITED

Tse Chong Hing
Chairman and Managing Director
16 July 2024

Question 1:

While the Group has experienced consecutive years of declining revenue, it has acquired several new customers in recent years. Can the company outline the key technological advancements associated with these new customers and products? Are there major differences between these new customers and existing ones in terms of manufacturing processes, New Product Introductions (“NPI”), and the required engineering and manufacturing resources? Additionally, how is the Group actively securing new customers? Can management provide guidance to investors on whether an upturn in revenue is expected this year?

Company’s Response:

The Group secured two new customers in the financial year ended 31 March 2024 (“FY2024”), including a CE customer supplying products to a leading global entertainment conglomerate and an ICE customer specializing in network access solutions. In the financial year ended 31 March 2023 (“FY2023”), the Group acquired two additional new customers: a hardware provider for retail chain stores and a customer offering cooling solutions for high-performance computing (“HPC”) environments.

These products are linked to the latest technological applications, such as immersive entertainment experiences in amusement parks, ultra-fast network connections, cloud-based devices, and cooling solutions for HPC environments. These new products involve more complex manufacturing processes and stringent process control. However, both new and existing products utilize similar surface-mount technology (“SMT”) and plastic injection machinery, so significant CAPEX incurred solely for new products is not anticipated.

The engineering resources allocated to NPI process may vary according to the complicity of product. Currently the Group mobilize experienced engineers from China to Vietnam campus to participate NPI process for some of the newly acquired customers. Our flexibility to allocate cross-site engineering resources ensures a smooth NPI process and timely outcome, supporting the Group’s commitment to anchoring customers at the Vietnam campus. With regional manufacturing sites in China and Vietnam, Valuetronics is well-positioned to adapt to evolving global supply chain dynamics and meet the changing needs of both new and existing customers. This approach has proven successful in our recent customer acquisition and allowed us to navigate the challenges and uncertainties arising from geopolitical tensions over the last few years.

While it is not the Group's practice to provide profit guidance, the analysis of significant trends and competitive conditions of the industry can be found on pages 2–3 of the Annual Report under the section “Business Outlook” of the Chairman Statement.

Question 2:

What's the utilization rate in China factory and Vietnam factory? Does the Group have any plan to sell or lease part of these space to third parties?

Company's Response:

When we established the Vietnam campus, the production shop floor utilization rate at the China campus became less relevant, as some machinery was relocated from China to Vietnam. Additionally, a considerable amount of property, plant, and equipment ("PPE") at the China campus has been fully depreciated. The China campus will continue to serve as the Design and Development hub for the Group, leveraging its experienced engineering resources. The Group does not have any plans to sell or lease any part of the China campus to third parties.

Utilization at the Vietnam campus is dynamic, as the acquisition of machinery depends on production volume and customer production ramp-up. Currently, approximately 50% of the production shop floor is occupied, providing sufficient headroom for the Group's production expansion in Vietnam.

Question 3:

On 24 June 2024, the company announced a HK\$7.7 million cash investment for a 55% interest in a joint venture with Sinnet Cloud HK Ltd, forming Trio AI Limited. Trio AI will provide GPU and AI-related cloud services in Hong Kong, utilizing high-performance GPU servers for AI model development and applications. Services will include data services, model optimization, training, and inference on a scalable 'as-a-service' model, enhancing flexibility and cost-efficiency for users. Initially, the Group will acquire GPU-enabled servers and hardware worth up to HK\$60 million and lease them to Trio AI Limited.

What's the business model of the joint venture – Trio AI? What has Valuetronics done to assess this opportunity? What is the market outlook and competition landscape? What synergies are expected? Will there be further spending on GPU-enabled servers and ancillary hardware?

Company's Response:

Trio AI Limited aims to enhance flexibility and cost-efficiency for users through scalable 'as-a-service' models, offering data services, model optimization, training, and inference utilizing high-performance GPU.

The Group engaged a reputable business consulting firm to conduct research related to the Artificial Intelligence Data Center and to review the business proposal for this joint venture.

Supercomputing, driven by the unparalleled computing power of GPUs, forms the backbone of advanced AI applications and developments. Based on insights from this research, the Group is optimistic about the market outlook for Trio AI's business in Hong Kong. The continuous advancements in AI and the increasing computational needs signal a favorable environment. Supporting this outlook, survey data¹ indicates that 41% of companies across various industries have already adopted or plan to adopt AI, with around 60% planning to invest an average of HK\$1.2 million to expand their AI applications.

On demand side, with businesses increasingly relying on AI to optimize operations, enhance customer experiences, and gain competitive advantages, our target customers include both established companies and startups. These entities require GPU processing power for AI model training, development, and supporting services such as model optimization.

Moreover, the supply of GPU processing power is currently constrained by the availability of high-performance GPUs in the Hong Kong market.

The initial phase of our investment involves acquiring GPU-enabled servers and ancillary hardware worth up to HK\$60 million. The Group will evaluate further investments based on GPU and hardware procurement lead time, and customer requirements regarding computational performance.

This investment not only allows us to assess the viability and potential returns of entering the AI era but also provides potential access to manufacturing opportunities for AI-related hardware within our existing manufacturing capabilities, such as hardware assembly and HPC cooling solutions.

End.

¹ Source: "Research on the Development of the Artificial Intelligence Industry in Hong Kong" conducted by HK Productivity Council, HKU Business School, and HK Institute of Economics and Business Strategy, Nov 2023