

# VALUETRONICS HOLDINGS LIMITED

(Registration No.: 38813)

(Incorporated in Bermuda)

(the "Company")

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## INCREASE IN THE INITIAL INVESTMENT IN THE JOINT VENTURE WITH SINNET CLOUD HK LIMITED ("JOINT VENTURE")

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*Capitalised terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the Company's announcement dated 24 June 2024 titled "ENTRY INTO AN INVESTMENT BY WAY OF A JOINT VENTURE".*

### 1. INTRODUCTION

- 1.1 Background - The Joint Venture: The board of directors (the "**Board**" or "**Directors**") of Valuetronics Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to refer to the Company's announcement made on 24 June 2024 (the "**June Announcement**") in relation to, *inter alia* the Company's wholly-owned subsidiary, Value Match Company Limited's ("**VML**") entry into a joint venture agreement (the "**JVA**") with Sinnet Cloud HK Limited ("**SinnetCloud HK**") and the newly incorporated joint venture company, Trio AI Limited (the "**JV Company**").
- 1.2 The Joint Venture's Business: The JV Company will carry on the business of providing GPU chips and AI related value-added cloud services in Hong Kong utilising servers powered by high performance GPU chips which aim to deliver computing capabilities tailored for AI applications. In addition, it will provide a suite of ancillary and complimentary services, including data services and model services designed to meet the evolving needs of businesses seeking to harness the power of AI.

### 2. UPDATE ON THE JOINT VENTURE

- 2.1 Capitalisation of the JV Company: VML and SinnetCloud HK have each completed their respective subscriptions in the JV Company in accordance with the terms of the JVA. As at the date of this announcement, the JV Company has an issued and paid-up share capital of HKD14,000,000 divided into 14,000,000 ordinary shares, with VML holding 7,700,000 ordinary shares and SinnetCloud HK holding the remaining 6,300,000 ordinary shares respectively.
- 2.2 Initial Investment - Equipment Leasing: In the June Announcement, the Company outlined its commitment to support the JV Company in addressing the substantial capital expenditure challenges associated with providing GPU chips and AI related value-added cloud services as a startup. To facilitate the Joint Venture, the Group will acquire the GPU chips, servers and ancillary hardware, which will be leased to the JV Company as part of the collaboration with SinnetCloud HK, its joint venture partner. For details of the equipment leasing arrangement between the Group and the JV Company, please refer to paragraph 5.1 of the June Announcement.

To-date, the Group has successfully acquired and deployed the quantity of GPUs and ancillary hardware for lease to the JV Company, as agreed upon at the signing of the JVA. Specifically, Computing Assets Limited ("**CAL**"), a wholly-owned subsidiary of VML, acquired and deployed approximately 250 MetaX GPUs and ancillary hardware for lease to the JV Company (the "**Initial Leased Equipment**") at the acquisition costs and associated expenses of approximately HKD60 million.

- 2.3 JV Company's Operations and Business Update: The JV Company anticipates the installation of the requisite software into, along with the testing and commissioning of, the Initial Leased

Equipment, will be completed by the end of September 2024. Upon completion, the system will be prepared for trial testing with prospective customers, followed by the initiation of commercial operations.

- 2.4 **Acquisition of Addition Equipment:** To enhance the JV Company's competitiveness as outlined in paragraph 3, the Company and SinnetCloud HK have decided to increase the JV Company's capacity beyond the trial phase of approximately 250 GPU chips.

Accordingly, CAL will acquire approximately 750 additional MetaX GPU chips and ancillary hardware ("**Additional Equipment**"), bringing the Joint Venture's capacity above 1000 GPUs. The acquisition costs and associated expenses are estimated to be in the region of HKD172 million, which the Group intends to fund in cash through internal resources.

The Additional Equipment will be leased to the JV Company on the same terms and conditions in the master equipment leasing agreement between CAL and the JV Company in respect of the Initial Leased Equipment. The lease will have a term of 60 months from the date of delivery and installation, with rent structured to cover the acquisition costs and associated expenses of the Additional Equipment, including an interest component.

### 3. RATIONALE TO INCREASE THE INVESTMENT IN THE JOINT VENTURE

The Company's decision to increase its investment in the Joint Venture is aimed at enhancing the JV Company's initial infrastructure to a minimum scale of 1,000 GPU chips. Key factors driving this increased investment include:

- a. **Attracting High-Value Clients:** Upgrading to 1,000 GPU chips positions the Joint Venture to attract clients in sectors like AI research, tertiary education institutions, financial services, and autonomous systems, which demand substantial computational resources and offer significant revenue potential.
- b. **Delivering Premium Services:** The enhanced GPU capacity will enable the Joint Venture to provide high-performance services such as accelerated AI model training, real-time analytics, and large-scale simulations. These premium offerings can command higher prices, thereby improving profit margins.
- c. **Competitive Differentiation:** A 1,000 GPU infrastructure will set the Joint Venture apart in a competitive market, reinforcing its status as a leading provider of high-performance computing services for commercial applications in Hong Kong.
- d. **Enabling Emerging Technologies:** As industries increasingly adopt AI-driven solutions, the enhanced infrastructure will ensure the Joint Venture can effectively support essential technologies, such as generative AI and complex simulations, across various sectors.
- e. **Accessing New Revenue Streams:** By enhancing its capabilities, the Joint Venture can offer tailored services for AI-driven applications, including personalised recommendations and advanced cybersecurity, thereby unlocking new revenue opportunities.
- f. **Capacity for Large-Scale AI Projects:** The upgraded infrastructure will provide the necessary capacity to manage significant AI projects, allowing the Joint Venture to pursue larger and more lucrative contracts.

This increased investment reflects the Company's commitment to enhance the JV Company's competitiveness and advancing its capabilities, positioning it for sustained growth in the rapidly evolving AI landscape.

#### 4. RELATIVE FIGURES UNDER RULE 1006

4.1 The relative figures for the aggregate investment in the Joint Venture of approximately HKD240 million comprising (i) HKD7.7 million (being the capital contribution by the Group to the JV Company); (ii) HKD60 million (being the acquisition and associated costs of the Initial Leased Equipment); and (iii) HKD172 million (being the acquisition costs and associated expenses of the Additional Equipment), (collectively, referred to as the “**Total JV Investment**”), computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”) and based on the Group’s latest announced consolidated financial statements, being the audited financial statements for the financial year ended 31 March 2024 are set out below:

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative Figures (%)<sup>(1)</sup></b>
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable <sup>(2)</sup>
(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits	Not meaningful <sup>(3)</sup>
(c)	Aggregate value of the consideration <sup>(4)</sup> given compared with the Company’s market capitalisation <sup>(5)</sup> based on the total number of issued shares in the Company, excluding treasury shares	15.4 %
(d)	Number of equity securities issued by the Company as consideration for the Joint Venture, compared with the number of equity securities previously in issue	Not applicable <sup>(6)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	Not applicable <sup>(7)</sup>

**Notes:**

(1) Percentage figures are rounded to the nearest one (1) decimal place.

(2) Not applicable, as the Group is not disposing of any assets.

(3) The JV Company has not commenced operations and there are no net profits attributable to it.

(4) “*consideration*” is the Total JV Investment, being approximately HKD240 million (or approximately SGD39.7 million converted based on the foreign exchange rate of HKD6.05: SGD1 as at 26 September 2024 as extracted from the website of the Monetary Authority of Singapore).

(5) “*market capitalisation*” is calculated by the number of ordinary shares in the capital of the Company (excluding treasury shares) multiplied by the weighted average market price of SGD0.630 per share as at 26 September 2024, being the market day immediately preceding the date of the purchase order for the Additional Equipment.

(6) Not applicable, as the Company is not issuing any equity securities as consideration.

(7) Not applicable, as the Company is not a mineral, oil and gas company.

As at least one of the relative figures computed based on Rule 1006(a) of the Listing Manual for the Total JV Investment exceeds 5% but none of the relative figures exceeds 20%, the investment in the Joint Venture would constitute a “discloseable transaction” under Chapter 10 of the Listing Manual.

As previously stated in the June 2024 Announcement, pending the evaluation of the outcome and performance of the initial investment in the Joint Venture, the Company intends to seek Shareholders’ prior approval before making further commitments that may extend the Group’s core business to include the provision of services aimed at implementing AI applications and related products.

The Company would like to inform Shareholders that the acquisition of the Additional Equipment aligns with its intention to treat the Joint Venture as an investment and does not represent an extension of the Group’s core business to include the provision of AI services. Additionally, the relative figures of the Total JV Investment computed on the bases set out in Rule 1006 of the Listing Manual, remain below 20%. Therefore, Shareholders’ approval is not required for the overall investment in the Joint Venture, which includes the acquisition of the Additional Equipment.

The Company will continue to assess the Joint Venture’s performance and will seek Shareholders’ approval if there is an intention to expand the Group’s core business to encompass the Joint Venture’s operations or if further investment in the Joint Venture triggers any shareholder approval requirements under the Listing Manual.

## **5. FINANCIAL EFFECTS**

The Total JV Investment is not expected to have any material impact on the earnings per share or the net tangible assets of the Group for the financial year ending 31 March 2025 for the following reasons:

- (i) rental yield from the lease of the Initial Leased Equipment which is expected to commence from the third quarter of the Company’s financial year ending 31 March 2025 is immaterial;
- (ii) the Additional Equipment is expected to be deployed to the JV Company in batches over the third and fourth quarters of the Company’s financial year ending 31 March 2025 and accordingly, rental yield from their lease is expected to commence from the first quarter of the Company’s financial year ending 31 March 2026; and
- (iii) the JV Company is a startup and is expected to commence its operations only in the third quarter of the Company’s financial year ending 31 March 2025.

## **6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or substantial shareholders of the Company or their respective associates have any interest, direct or indirect in the Joint Venture or the acquisition of the Additional Equipment or any other transactions contemplated in the Joint Venture, other than in their capacity as Director or Shareholder.

**7. DIRECTORS' SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Joint Venture. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Joint Venture.

**8. FURTHER ANNOUNCEMENTS**

The Company will make further announcement(s) as appropriate when there are material developments to the Joint Venture, and/or to disclose further details of the Joint Venture as required under Chapter 10 of the Listing Manual.

**9. CAUTIONARY STATEMENT**

Shareholders and potential investors are advised to exercise caution in dealing or trading in the shares of the Company as there is no certainty or assurance as at the date of this announcement that the Joint Venture will be completed.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubts about the actions they should take.

BY ORDER OF THE BOARD  
**VALUETRONICS HOLDINGS LIMITED**

Tse Chong Hing  
Chairman and Managing Director

27 September 2024