

VALUETRONICS HOLDINGS LIMITED

(Registration No.: 38813)
(Incorporated in Bermuda)

ENTRY INTO AN INVESTMENT BY WAY OF A JOINT VENTURE

1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of Valuetronics Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Value Match Company Limited ("**VML**") had on 24 June 2024 entered into a joint venture agreement (the "**JVA**") with Sinnet Cloud HK Limited ("**SinnetCloud HK**") and newly incorporated Trio AI Limited (the "**JV Company**") pursuant to which VML and SinnetCloud HK have agreed to establish a joint venture to carry on the business of providing GPU (graphic processing unit) and AI (artificial intelligence) related value-added cloud services in Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), more particularly described in paragraph 4 below.

2. INFORMATION ON THE JOINT VENTURE PARTNER – SINNET CLOUD HK LIMITED

*Shareholders of the Company ("**Shareholders**") should note that information relating to SinnetCloud HK in this paragraph and elsewhere in this announcement was provided by SinnetCloud HK.*

SinnetCloud HK is a company incorporated under the laws of Hong Kong. It is a wholly-owned subsidiary of Sinnet Cloud Co. Ltd. (collectively, they are referred to the "**SinnetCloud Group**"). Beijing Sinnet Technology Co. Ltd. (stock code 300383), a company established in the People's Republic of China ("**PRC**") and listed on the Shenzhen Stock Exchange is an affiliate of the SinnetCloud Group. The SinnetCloud Group has a proven track record of providing cloud computing and related value-added services for AI applications across the PRC.

3. CAPITALISATION OF THE JV COMPANY

- 3.1 Formation of the JV Company: The JV Company was incorporated on 19 June 2024 under the laws of Hong Kong for the purpose of the joint venture with one issued and fully paid-up ordinary share (subscriber share). Following the signing of the JVA, the subscriber share was transferred to VML.
- 3.2 Subscription of Shares: VML and SinnetCloud HK shall subscribe for such number of ordinary shares in the JV Company within two (2) days and make payment in cash and in-kind respectively as soon as practicable thereafter and in any event no later than 45 days from the date of the JVA as follows:

Shareholder	No. of ordinary shares	Subscription consideration	Percentage interest in JV Company
Value Match Company Limited	7,699,999 ordinary shares plus 1 subscriber share	HKD7,700,000 payable wholly in cash	55.0%
Sinnet Cloud HK Limited	6,300,000 ordinary shares	HKD6,300,000 payable in-kind in the form of a grant of a perpetual licence on an exclusive basis of a proprietary software platform owned by SinnetCloud HK, details of which are set out in paragraph 3.3 below (<i>Software Licence</i>)	45.0%
TOTAL	14,000,000 ordinary shares	HKD 14,000,000	100%

Following the completion of the subscription, the JV Company will have an issued and paid-up share capital of HKD14,000,000 divided into 14,000,000 ordinary shares.

3.3 Software Licence:

- (a) As a term of the joint venture, SinnetCloud HK will grant the JV Company a perpetual licence on an exclusive basis for the use of its suite of proprietary software which provides a software platform for the JV Company's business and operations in Hong Kong and Macau Special Administrative Region of the PRC ("Macau"). SinnetCloud HK and the JV Company will enter into an agreement in respect of the grant of the said licence.
- (b) In consideration of the grant of the licence, the JV Company will allot and issue 6,300,000 fully paid-up ordinary shares to SinnetCloud HK in accordance with the JVA as a one-time payment for the licence fee. The grant of the licence will include the provision of support and updates to the software, including all future upgrades and enhancements, free of charge, to ensure the continued functionality and competitiveness of the JV Company's business and operations within the markets it operates in.

4. THE JV COMPANY'S BUSINESS

The JV Company will carry on the business of providing GPU (graphic processing unit) and AI (artificial intelligence) related value-added cloud services in Hong Kong. It will utilise servers powered by high performance GPU (graphic processing unit) which aim to deliver computing capabilities tailored for AI applications.

Beyond high-performance computing, the JV Company will provide a comprehensive suite of ancillary services, including data services and model services. These encompass model training and optimisation, as well as model inference and optimisation, ensuring efficient and effective model performance. These services are designed to meet the evolving needs of businesses seeking to harness the power of AI.

5. SERVERS AND ANCILLARY EQUIPMENT

- 5.1. Equipment Leasing: As part of the joint venture collaboration, VML and SinnetCloud HK have agreed that VML will, or through its affiliate, acquire the graphic processing unit (GPU) enabled servers and ancillary hardware (the “**leased equipment**”) for lease to the JV Company, aimed at alleviating the significant capital expenditure burden it faces as a startup. The lease will run for a term of 60 months at a rent calculated to principally cover the leased equipment's acquisition and associated costs incurred by the Group. As a crucial aspect of this arrangement, the JV Company shall bear the sole responsibility for the maintenance, upkeep, insurance and all associated costs of the leased equipment during the lease term. VML or its affiliate (as the case may be) and the JV Company will enter into an agreement governing the terms of the lease.
- 5.2. Option to lease further equipment: The JV Company has granted to VML and/or its affiliate (as the case maybe) an option to lease any additional GPU-enabled servers and ancillary hardware which the JV Company may require for its business from time to time.

6. SALIENT TERMS OF THE JVA

6.1. Roles and responsibilities of VML and SinnetCloud HK

VML: VML shall procure the lease of the leased equipment to the Company on the terms and subject to the conditions set out in the Equipment Leasing Agreement.

SinnetCloud HK:

- (a) SinnetCloud HK shall be responsible for assisting the JV Company in its day-to-day management and operations of its business.
- (b) SinnetCloud HK shall be responsible for assisting the JV Company in its application and procurement of the requisite permits and licenses required to carry on its business;
- (c) SinnetCloud HK shall use its best endeavours to assist the JV Company in securing certain anchor customers; and
- (d) SinnetCloud HK agrees and acknowledges that its involvement in the JV Company is critical to the success of the JV Company and its business and undertakes to provide assistance and support to the JV Company to the best of its abilities.

6.2. Board of Directors

- (a) Board Composition: The board of directors of the JV Company shall consist of up to three (3) directors, comprising:
 - (i) two (2) directors nominated by the Company; and
 - (ii) one (1) director nominated by SinnetCloud HK.
- (b) Reserved matters: The JVA sets out certain matters which require the unanimous approval of the board of directors of the JV Company.

6.3. Financing

- (a) Financing which the JV Company may require from time to time shall first be met by its internal resources.
- (b) Where the JV Company's internal resources are insufficient to meet its working capital requirements, the JV Company shall, raise funds in the manner and in accordance with the order set out below:
 - first**, by way of procuring shareholders' loans;
 - secondly**, by way of loans and other credit facilities from banks and financial institutions; and
 - thirdly**, by way of issue and allotment of new shares in the capital of the JV Company.

6.4. Issue of New Shares Transfer of Shares

Any issue of new shares shall be subject to the approval of the JV Company's shareholders holding not less than sixty-five per cent (65%) of the issued capital for the time being and the pre-emptive rights of the shareholders in respect of any new issue of shares.

6.5. Transfer of Existing Shares

SinnetCloud HK shall not dispose any shares in the JV Company in the first five (5) years from the date of the JVA without the written consent of VML. Subject thereto, any transfer of shares in the JV Company will be subject to its shareholders' pre-emptive rights.

7. RATIONALE FOR THE JOINT VENTURE

This joint venture investment into the AI infrastructure services sector is the Group's first strategic foray in exploring the potentials of the AI era.

The Group has identified SinnetCloud HK as its joint venture partner for the SinnetCloud Group's extensive experience in cloud computing and related value-added services for AI applications, details of which are more particularly found in paragraph 2 above. Their exceptional track record positions them as an invaluable partner in navigating the complexities of the AI infrastructure services industry. The Group believes SinnetCloud Group's deep industry understanding will optimise the JV Company's delivery of its GPU (graphic processing unit) and AI (artificial intelligence) related value-added cloud services in Hong Kong. With their active involvement in its management, the JV Company will stand to benefit from the SinnetCloud Group's extensive domain knowledge in the implementation and operation of its business plans.

By participating in the joint venture, the Group also seeks to gain insights into manufacturing avenues for AI-related hardware, which aligns with its core competency as an electronics manufacturing service provider.

The Group believes the market outlook for AI infrastructure services in Hong Kong is highly favourable. Data from a survey¹, 41% of surveyed companies across a wide range of industries in Hong Kong have adopted or will adopt AI and around 60% of these companies indicated plans to spend an average of HK\$1.2 million to expand AI applications in their businesses underscoring a growing demand for AI related services and opportunities for AI infrastructure services sector in Hong Kong. This, combined with our joint venture partnership and manufacturing prospects, solidifies the Group's confidence in the potential success of this venture.

The Group's investment in the joint venture is strategically modest yet pivotal, serving as an opportunity to assess the viability and potential returns of entering into the AI era. Pending the evaluation of the outcome and performance of this initial investment, the Company intends to, prior to any further commitment to the joint venture, seek Shareholders' approval to potentially extend the Group's core business to include the provision of services aimed at implementing AI applications and related products.

8. FINANCIAL EFFECTS

8.1 Total Investment

- (a) Leased Equipment: For the initial investment in the joint venture, the total acquisition cost of the leased equipment will not exceed HKD 60 million. As stated in paragraph 7 (*Rationale*) the Company intends to seek Shareholders' prior approval before making further commitment in the joint venture.
- (b) Capital contribution in the JV Company: VML's subscription of shares in the JV Company amounts to HKD7,700,000 in cash.

8.2 No Material Impact

The entry into the joint venture is not expected to have any material impact on the earnings per share or net tangible assets per share of the Group for the financial year ending 31 March 2025.

9. 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, other than in their capacity as Director or Shareholder.

10. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the JVA, with commercially sensitive information redacted, is for inspection by the Shareholders at the Company's Singapore share transfer agent, B.A.C.S Private Limited at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896 during normal office hours for three (3) months from the date of this announcement.

By Order of the Board
VALUETRONICS HOLDINGS LIMITED

Tse Chong Hing
Chairman and Managing Director
24 June 2024