



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Valuetronics Holdings Limited

Stock code: BN2

Meeting details:

Date: 22 Jul 2024

Time: 10.00 a.m.

Venue: Level 3, Venue Room II & III, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633

Q1. As noted in the chairman's statement, the group's performance has been bolstered by new customers, notably:

- a CE customer supplying products to a leading global entertainment conglomerate
- an ICE customer specialising in network access solutions
- (from 2023) a customer providing cooling solutions for high performance computing environments
- (from 2023) a customer supplying hardware for retail chains

- (i) **Can the company outline the key technological advancements associated with these new customers and products? As a one-stop manufacturing solution provider, do these technological advancements notably impact the manufacturing process by increasing complexity, costs or manufacturing cycle time? Would it be accurate to characterise that the approach and process to serving these new customers has remained within the normal course of business, despite these technological advancements?**
- (ii) **How deeply involved are the group's engineering and manufacturing resources in the product development process?**
- (iii) **What is the typical timeframe for a New Product Introduction (NPI)? Is the Vietnam Campus now ready to handle NPIs independently?**
- (iv) **How is the group actively securing new customers and getting a larger wallet share of existing customers?**
- (v) **How deep is the new product/customer pipeline and which products are considered legacy and could potentially be phased out over time?**

Q2. On 24 June 2024, the company announced that a HK\$7.7 million cash investment for a 55% interest in a joint-venture company with Sinnet Cloud HK Ltd (“SinnetCloud HK”). The joint venture, Trio AI Limited, aims to provide Graphics Processing Unit (“GPU”) and AI related value-added cloud services in Hong Kong.

As outlined in the company’s announcement, TrioAI will utilise high-performance GPU-powered servers to offer extensive computing capabilities tailored for AI model development and applications. TrioAI will also provide value-added services such as data services and model optimization, training, and inference on a scalable 'as-a-service' model, enhancing flexibility and cost-efficiency for users.

At its inception, the company, through its subsidiary, will acquire GPU-enabled servers and ancillary hardware up to HK\$60 million, leasing them back to TrioAI for 60 months.

- (i) **What level of commercial due diligence did the board conduct prior to entering the JV with SinnetCloud HK?**
- (ii) **What is the size of the addressable market for GPU and AI-related cloud services in Hong Kong?**
- (iii) **Can management confirm that the group will be acquiring GPU-enabled servers and ancillary hardware of up to HK\$60 million? What is the total amount earmarked for the group’s investment in this new AI-related business?**
- (iv) **Are there any synergies between this AI venture and the group's current manufacturing operations?**
- (v) **Who are the target customers and how does TrioAI acquire new customers?**
- (vi) **Is the group almost fully reliant on SinnetCloud HK to grow this new business? What contributions are expected from SinnetCloud HK, Sinnet Cloud Co. Ltd. and Shenzhen-listed Beijing Sinnet Technology Co., Ltd.? Are the partners already in the provision of AI related cloud services and if so, how will potential conflicts of interest be managed?**
- (vii) **What risks has the board identified regarding this new AI investment?**

Q3. As disclosed in the corporate governance report, the internal audit function of the group is outsourced to Acclime Advisory Services Limited (“Acclime”). Acclime functions according to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and is adequately resourced to perform the internal audit effectively.

- (i) **What were the scope, key findings and recommendations by the internal auditor for 2023-2024?**
- (ii) **Can the audit committee (AC) confirm that all the operating subsidiaries in the PRC and Vietnam were included in the internal audit? How was the internal audit carried out in China and Vietnam?**
- (iii) **What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations??**
- (iv) **Separately, could the board explain why its two main operating subsidiaries in China are audited by two different firms, namely 广东荣德会计师事务所 (Guangdong Rongde Certified Public Accountants) and 惠州市恒正会计师事务所 (Huizhou Hengzheng Certified Public Accountants)??**
- (v) **Are both CPA firms member firms of PricewaterhouseCoopers (“PwC”)?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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