

AEMULUS HOLDINGS BERHAD
[Company No.: 201401037863 (1114009-H)]
(Incorporated in Malaysia)

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE EIGHTH ANNUAL GENERAL MEETING (“AGM”) OF THE COMPANY HELD AT THE WALHALLA HALL, AEMULUS BASE, NO. 25, JALAN SULTAN AZLAN SHAH, ZON PERINDUSTRIAN BAYAN LEPAS, PHASE 1, 11900 BAYAN LEPAS, PULAU PINANG, MALAYSIA ON TUESDAY, 7 FEBRUARY 2023 AT 10:00 AM

The Chairman of the Company, Dato’ Seri Lee Kah Choon welcomed all shareholders, proxy holders and invited guests to the Company’s Eighth Annual General Meeting (“**8th AGM**”).

After confirming that a quorum was present pursuant to the Company’s Constitution, the Chairman called the meeting to order at 10:00 a.m.

AGENDA 1

TO RECEIVE THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022 TOGETHER WITH THE REPORTS OF THE AUDITORS THEREON

Members were informed by the Chairman to receive the audited financial statements of the Company for the financial year ended 30 September 2022 together with the reports of the directors and auditors thereon.

The Chairman declared that the Audited Financial Statements for the financial year ended 30 September 2022 together with the reports of the directors and auditors were for discussion purpose only as the provisions of Section 340(1)(a) of the Companies Act 2016 did not require shareholders’ approval for the Audited Financial Statements. Hence, it would not be put forward for voting.

The Chairman updated the shareholders that they have received questions from Minority Shareholders Watch Group (“**MSWG**”) earlier before the AGM. The Chairman then invited the Chief Financial Officer (“**CFO**”) of the Company, Mr. Ng Chin Wah to present the replies to the MSWG’s questions.

The following were the questions raised by MSWG and responses from the Company:-

Question 1

Based on the strategy of sales in financial year ended (“**FYE**”) 2022, the Group wished to aggressively populate the market in China with its 5G RF solutions through its joint-venture company, Tangming Shengshi Technology (Jiashan) Co., Ltd. (“**TMSS**”). The strategy aims to get new RF startup companies in China to adopt the Group’s solutions at the early stage. This effort was slowed by the side effects of very strict pandemic control in China. [page 43 of Annual Report (“**AR**”)2022].

With China’s border reopening in early January 2023, please briefly update shareholders on the Group’s plans for capturing opportunities in the China market for financial year ending 2023?

Answer:

[Mr. Ng Chin Wah - CFO] For those systems which the Group has allocated to designated customers, the Group shall continue to work with them to bring in those systems. Our strategy is to ride on the pent-up demand after China re-opens its boarder.

Question 2

In relation to the Group's investment in an associate, TMSS, the Group's share of loss was RM0.7 million for FYE 30 September 2022 compared to a profit of RM0.6 million in the previous year. (Note 9, page 135 of AR2022)

What were the main reasons for the loss? When is TMSS expected to turn profitable?

Answer:

[Mr. Ng Chin Wah - CFO] The loss was mainly due to TMSS' business operation being affected by strict pandemic control in China, as well as sales and marketing activities were hampered due to travel restrictions and our end customers' business operation did not operate at full capacity.

While we are not able to predict the timing of TMSS' turnaround, our strategy is to ride on the pent-up demand after China opens up.

Question 3

The Group's trade receivables increased significantly to RM57.9 million (2021: RM 34.9 million) (Note 11, page 136 of AR2022). The increase in trade receivables was due to higher sales generated towards the end of FYE2022 resulting in the corresponding increase in trade receivables (page 39 of AR2022). Included in the trade receivables is an amount of RM43.5 million (2021: RM19.5 million) due from an associate (Note 11.5, page 137 of AR2022).

To-date, how much of the RM43.5 million trade receivables due from the associate has been collected?

Answer:

[Mr. Ng Chin Wah - CFO] Out of the RM43.5 million receivables from our associate (TMSS), the Group has received RM637,000 and majority of the amount is not due. The Management is engaging with TMSS to expedite the payment.

Question 4

The Group has trade receivables amounting to RM6.4 million (2021: RM5.4 million) that are past due as at the end of the reporting period but not impaired as the management is of the view that these debts will be collected in due course (Note 38.3.1, page 157 of AR2022).

How much of the said trade receivables that are past due are due from related parties and/or major customers? How long has the said trade receivables been overdue? To-date, how much of the said trade receivables have been collected?

Answer:

[Mr. Ng Chin Wah - CFO] Out of the total overdue debts of RM6.4 million, RM3.2 million have been collected. For categorisation purpose, RM3.5 million out of RM6.4 million were

contributed by our major customers and RM3.2 million out of RM3.5 million have been collected. The information has been tabulated in our AR2022, Page 156.

Question 5

The Group's revenue breakdown based on geographical location of customers are as follows:

Revenue	2022 (RM)	2021 (RM)
Malaysia	15,854,239	15,651,120
China	42,572,760	24,054,625
Singapore	6,911,625	8,993,674
Korea	2,899,033	4,111,114
USA	2,433,618	3,959,513
Taiwan	91,821	2,290,509
Others	2,271,988	2,032,322
	73,035,084	61,092,877

(Note 35, page 151 of AR2022)

What were the reasons for the huge decrease in revenue contribution by customers from Singapore, Korea, USA and Taiwan? To-date, has sales from Singapore, Korea, USA and Taiwan picked-up?

Answer:

[Mr. Ng Chin Wah - CFO] Our major market for both Korea and US is Mobile/tablets saw a drop in demand in FY2022.

As for Singapore, demands for our products in the enterprise storage market has slowed down last fiscal year.

Taiwan's sales are reflected in China's sales number. So far, the demand for Complementary Metal Oxide Semiconductor Image Sensor ("CIS") for automotive industry is relatively consistent.

According to Tech Wire Asia, global semiconductor revenue is expected to shrink by 4% in 2023.

After the presentation by Mr. Ng Chin Wah, it was opened to the floor for questions on the Audited Financial Statements for the FYE 30 September 2022.

The complete list of questions received for the 8th AGM together with the answers for the same was attached as **Appendix 1**.

As there were no further questions, the Chairman declared that the Audited Financial Statements for the FYE 30 September 2022 together with the directors' and auditors' report were deemed received by the Meeting as the same had been laid before the Meeting in compliance with Section 340(1)(a) of the Companies Act 2016.

ORDINARY RESOLUTIONS 1 TO 7

The Chairman went through the proposed ordinary resolutions 1 to 7.

Q&A SESSION

The complete list of questions received for the 8th AGM together with the answers for the same was attached as **Appendix 1**.

POLL RESULTS

All the resolutions tabled at the 8th AGM of the Company held on 7 February 2023 and voted by poll were duly passed by the shareholders.

There being no other business, the 8th AGM ended at 12:15 p.m.

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Appendix 1 – Question and Answers

NO.	QUESTION	ANSWER
1.	<p>Shareholder 1: The Group has only received RM637,000 out of the total receivables of RM43.5 million, please explain the reason to continue business in China.</p>	<p>Ng Sang Beng- Chief Executive Officer (“CEO”):- <i>Out of the RM43.5 million receivables from our associate Tangming Shengshi Technology (Jiashan) Co., Ltd. (“TMSS”), the Group has received RM637,000 and majority of the amount is not due yet.</i></p> <p><i>The sales from China have contributed 40-45% of the Group’s revenue in 2022.</i></p>
2.	<p>Shareholder 1: Why the co-founder, Mr. Yeoh Chee Keong resigned? Whether there was any disagreement between Mr. Yeoh Chee Keong and the CEO?</p>	<p>Ng Sang Beng- CEO:- <i>The fact that Mr. Yeoh Chee Keong appointed myself as the proxy to vote at the Annual General Meeting (“AGM”) indicated that there was no disagreement between us.</i></p>
3.	<p>Shareholder 1: Why the CEO sold off the Company’s shares?</p>	<p>Ng Sang Beng- CEO:- <i>I sold off the Company’s shares due to my own personal commitment to pay off loan.</i></p>
4.	<p>Shareholder 1: Is “Aemulus” a registered trademark under Company’s name or under the CEO’s name?</p>	<p>Ng Sang Beng- CEO:- <i>“Aemulus” is a registered trademark.</i></p> <p><i>It was registered under Aemulus Corporation Sdn. Bhd., a wholly owned subsidiary of the Company.</i></p> <p><i>The letter for registration of trademark was displayed to the screen for the shareholders’ information during the AGM.</i></p>
5.	<p>Shareholder 1: Referring to note 38, page 156 of the Annual Report, the Group extends to existing customers credit terms ranging from 30 to 180 days.</p>	<p>Ng Chin Wah- Chief Financial Officer (“CFO”): <i>The trade receivables “Not past due” amounting to RM51.5 million did not include the amount of “technical buy-off”.</i></p>

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	<p>The revenue as disclosed in the quarterly results was as follows:</p> <p>(i) First quarter for the financial period ended 31 December 2021: RM18.580 million.</p> <p>(ii) Second quarter for the financial period ended 31 March 2022: RM19.205 million.</p> <p>(iii) Third quarter for the financial period ended 30 June 2022 (“3rd quarter”): RM17.035 million.</p> <p>(iv) Fourth quarter for the financial period ended 30 September 2022 (“4th quarter”): RM18.216 million.</p> <p>The total revenue for the 3rd quarter and 4th quarter is only RM35.251 million.</p> <p>Why the trade receivables “Not past due” was amounting to RM51.5 million as at 30 September 2022?</p>	<p>Ong Chong Chee- Independent Director:</p> <p><i>The customers will only buy off the products once they are satisfied with the products. The credit term will start after the customers buy off the products.</i></p> <p><i>The credit term does not start immediately after the products are shipped out.</i></p> <p><i>The differences were due to the technical buy-off.</i></p>
<p>6.</p>	<p>Shareholder 2:</p> <p>For the past year, the profit margin was about 20% and the profit margin for year 2022 has declined. Any plans to recover the profit margin?</p>	<p>Ng Sang Beng- CEO:-</p> <p><i>In the financial year 2021, the Group has a healthy profit margin of 24%.</i></p> <p><i>In the financial year 2022, the Group experienced global parts shortages, increased in raw material prices and long lead time in its supply chain.</i></p> <p><i>The Group has to pay at a higher price to purchase from resellers if in needs of the parts.</i></p> <p><i>The Management has managed to secure new orders worth approximately RM37.9 million as announced to make plans ahead for the secured orders which expected to be fulfilled in the next few years.</i></p>

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7.	<p>Shareholder 2: Referring to note 21, page 142 of the Annual Report, please explain why the Group has increased the current liabilities from RM10.7 million in 2021 to RM24.3 million in 2022.</p>	<p>Ng Chin Wah- CFO: <i>The Group increased the bank borrowings to fund its working capital as well as to support the Group’s strategies.</i></p>
8.	<p>Shareholder 3: Please explain the validity of the following statement on page 41 of the Annual Report:-</p> <p><i>“the manufacturers have revised their lead time to some are up to between 30 to 53 weeks; Some are up to 90 weeks.”</i></p> <p>What is the Group’s plan to improve the profit margin?</p>	<p>Ng Sang Beng- CEO:- <i>It was a fact that the Group experienced a long lead time due to global parts shortages. There were articles on global parts shortages.</i></p> <p><i>The Group could improve on its profit margin if it were to purchase parts from direct manufacturers, however, there was a long lead time if purchase parts from direct manufacturers, which is about 90 weeks. If the Group were to purchase from the direct manufacturers, it will not be able to recognise sales in a year which is not acceptable.</i></p> <p><i>Hence, the Group has to pay at a higher price to purchase from resellers if in needs of the parts.</i></p>
9.	<p>Shareholder 3: Please explain on the high inventories of RM34 million maintained by the Group.</p>	<p>Ng Sang Beng- CEO:- <i>The Group maintains a higher inventories level due to global part shortages.</i></p> <p><i>The value of the inventories has also increased due to raw material price increase.</i></p>
10.	<p>Shareholder 1: Why the finished goods inventories increased from RM5.1 million in 2021 to RM10.5 million in 2022?</p>	<p>Ng Sang Beng- CEO:- <i>The Group has to build up its inventory for finished goods while waiting for the arrival of parts due to the long lead time.</i></p> <p>Ng Chin Wah- CFO: <i>The Group built finished goods ahead which were commonly ship out as one of</i></p>

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		<i>the strategies to counter for the global supply chain part shortages.</i>
11.	<p>Shareholder 4: The Group has a revenue of RM73 million in 2022 but a high trade receivables of RM51 million in 2022.</p>	<p>Ng Sang Beng- CEO:- <i>In order to penetrate into China’s market, the Group has to place free demonstration system in China which is the existing business model in China. The products take at least a year before turning into purchase order, and there were a 3 months’ credit terms.</i></p> <p><i>There was agreement that all the sales contracts have to go through TMSS.</i></p> <p><i>The Group only fund 40% of the free demonstration system as the Group only holds 40% of TMSS.</i></p> <p><i>The Management obtained banks’ facilities to fund the demonstration system.</i></p>
12.	<p>Shareholder 4: As at today, how much of the trade receivables amounting to RM51 million as at 30 September 2022 has been collected?</p>	<p>Ng Sang Beng- CEO:- <i>The Group is not able to disclose the figures as the Group will release the announcement on quarterly results this evening.</i></p>
13.	<p>Shareholder 4: The Group’s revenue increased RM11.9 million (2022: RM73.0 million vs 2021: RM61.1 million).</p> <p>The trade receivables “Not past due” increased RM22 million (2022: RM51.5 million vs 2021: RM29.5 million).</p> <p>Please explain why the increase in revenue is not higher than the increase in trade receivables “Not past due”.</p>	<p>Ng Sang Beng- CEO:- <i>TMSS is still at start up status and has only been incorporated about 2 years, and therefore it needs more time to turn profitable.</i></p>

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14.	Shareholder 4: The Group only has 40% shareholdings in TMSS, how much control that the Group has in TMSS? The Group has invested heavily in TMSS and when can expect to get back the return?	Ng Sang Beng- CEO:- <i>The Group only 40% shareholdings in TMSS to make TMSS a local company in China. With the current Chinese Government’s policy of “Made in China 2025” whereby focus is placed on localising critical technical inputs by at least 70%, the opportunity for growth for local controlled companies in China is huge.</i> <i>The Group has operational decision control in TMSS.</i>
15.	Shareholder 1: Please provide the breakdown of Directors’ fees of RM310,000.00 for the financial year ending 30 September 2022.	Dato’ Seri Lee Kah Choon- Chairman: <i>The directors’ fees to the Chairman and independent directors is RM60,000 and RM50,000 respectively.</i> <i>The amount of fees also includes a contingency sum to cater for the appointment of additional non-executive directors as planned by the Company.</i>
16.	Shareholder 1: Whether the Group can be managed well with only one (1) Executive Director with the expansion of business to China?	Ng Sang Beng- CEO:- <i>The Directors appointed the management team to run the day-to-day business operation.</i>
20.	Shareholder 5: When will the Group achieves its maximum capacity in China and Penang?	Ng Sang Beng- CEO:- <i>The Group noted that there will be a slowdown in semiconductor industry in 2023 and 2024.</i> <i>There were retrenchments by multinational corporations and technology company as well as delays in expansion plans and projects by other companies in Penang.</i> <i>During the lock-down in China, the sales team in China was unable to meet</i>

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Appendix 1 – Question and Answers

		<p>customers which led to decreased in sales. The head of sales in China has resigned and the Group has decided to take over the role of sales by sending the sales team from Penang to China.</p> <p>With China’s border re-opening in January 2023, the Group believes that China’s market will recover rapidly.</p>
21.	<p>Shareholder 6: When will the Company forecasts to transfers to Main Market of Bursa Malaysia Securities Berhad?</p>	<p>Ng Sang Beng- CEO:- <i>The Group currently places its focus on building its business and hence will only consider this in due course.</i></p>
22.	<p>Muhammad Firdaus Bin Abdul Rahim: Whether the Group has any plan to venture into integrated circuit market or silicon carbide market?</p>	<p>Ng Sang Beng- CEO:- <i>The Group is already in integrated circuit market which provides IC chips to a famous phone brand in China.</i></p> <p><i>The Group has yet to venture into electric vehicles (“EV”) sector which uses silicon carbide, a high power solution for EV.. The Group will decide at a later date if to venture into this market.</i></p>
23.	<p>Shareholder 7: Describe on TMSS’s joint venture in China. How long will the joint venture in TMSS lasts? Will it be taken over by others?</p>	<p>Ng Sang Beng- CEO:- <i>TMSS is a local entity in China. There will not be a take over of this Company.</i></p>
24.	<p>Shareholder 7: How segregated is the Radio Frequency (“RF”) industry?</p>	<p>Ng Sang Beng- CEO:- <i>The RF industry shifted from 4G to 5G. The RF industry remains as a huge market and the Group will continue to develop new products for this industry.</i></p> <p><i>The Group is currently places its focus on complementary metal oxide semiconductor (“CMOS”) image sensor and Complementary Metal Oxide</i></p>

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		<i>Semiconductor Image Sensor (“CIS”) industries as well as involved in network processes.</i>
25.	Shareholder 8: Whether the Group has achieved the plan as expected for the investment in China market?	Ng Sang Beng- CEO:- <i>The results have shown in 2021, the sales from China have contributed about 39% of the Group’s revenue.</i> <i>And the sales from China have contributed 40-45% of the Group’s revenue in 2022.</i> <i>China is expected to recover its economy in a fast pace after its re-opening of border.</i>
26.	Shareholder 8: Whether the Group intends to implement any artificial intelligence technology to boost efficiency?	Ng Sang Beng- CEO:- <i>The Group was working on a product which will reduce power consumption instead of artificial intelligence.</i>
27.	Shareholder 4: Whether the Group is in control of TMSS and if there is any alternative plan not to solely rely on TMSS?	Ng Sang Beng- CEO:- <i>The Group runs the day-to-day operations in TMSS including approval of payment.</i> <i>The Group has the intellectual property knowledge and TMSS’s partner is providing the business network in China. .</i>