

AEMULUS HOLDINGS BERHAD (“AEMULUS” OR “COMPANY”)

PROPOSED PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF AEMULUS (“PROPOSED PLACEMENT”)

(Unless otherwise stated, all definitions and terms used in this announcement shall have the same meaning as defined in the announcement dated 15 November 2021 in relation to the Proposed Placement.)

We refer to the announcement on the Proposed Placement dated 15 November 2021. On behalf of the Board, CIMB wishes to announce the following additional information:

1. As at the LPD, the Company does not have any treasury shares.

2. UTILISATION OF PROCEEDS

For illustrative purposes, assuming the issue price of RM1.10 per Placement Share, representing about 4.00% discount to the 5-day VWAMP of Aemulus Shares up to and including 2 November 2021 (being the latest practicable date prior to the announcement dated 15 November 2021), of RM1.1458 per Aemulus Share, the Proposed Placement is expected to raise gross proceeds of up to about RM66.7 million (“**Illustrative Proceeds**”).

Assuming the Illustrative Proceeds are raised, the Company and its subsidiary (“**Group**”) expect to use the proceeds in the following manner:

<u>Purposes</u>	<u>Estimated timeframe for utilisation</u>	<u>Illustrative Proceeds</u> RM mil
Future investments/acquisitions/collaborations ⁽¹⁾	Within 24 months from the receipt of the proceeds	7.0
Research and development (“ R&D ”) expenditure ⁽²⁾	Within 24 months from the receipt of the proceeds	12.0
Capacity expansion ⁽³⁾	Within 24 months from the receipt of the proceeds	9.0
Additional investment in its joint venture ⁽⁴⁾	Within 12 months from the receipt of the proceeds	13.0
Repayment of borrowings ⁽⁵⁾	Within 6 months from the receipt of the proceeds	9.0
Sustainability and environmental, social and governance (“ ESG ”) efforts ⁽⁶⁾	Within 24 months from the receipt of the proceeds	0.5
Working capital ⁽⁷⁾	Within 12 months from the receipt of the proceeds	15.4
Estimated expenses for the Proposed Placement ⁽⁸⁾	Upon completion of the Proposed Placement	0.8
Total		66.7

Notes:

(1) Part of the proceeds raised will enable the Group to have funds readily available to take advantage of any opportunities for future investments, acquisitions or collaborations that will complement the Group’s existing business, as and when they arise. These include equity investments into joint ventures, collaborations, partnerships and/or acquisitions of business(es) (“**Investment(s)**”).

Notes (cont'd):

The management of the Company continuously seeks opportunities and evaluates potential opportunities within similar or different vertical test markets such as 5G, electric/autonomous vehicle, light-emitting diode display, complementary metal-oxide-semiconductor ("CMOS") image sensors ("CIS"), enterprise storage and automotive, to expand its product range. As at the LPD, the Company has not identified any suitable Investment(s). The Company will make the requisite announcement(s) and/or seek the approval of its shareholders, if required, as and when such Investment(s) is/are identified and confirmed, depending on the materiality of the investments, acquisitions or collaborations.

If the Group is unable to identify any suitable and viable Investment(s), the proceeds will be allocated for the working capital purposes of the Group, details of which are set out in Note (7) below.

- (2) As the Group is involved in the design and assembly of automated test equipment, R&D plays an important role in the development of products of the Group. The Group's current product line-up consists of a wide range of testers used to address mobile/tablets, enterprise storage, automotive and CIS test markets. To keep up with the evolution in technological advances among the test markets mentioned above, the Group plans to develop new features, sub-systems or products which will be introduced to the market progressively. The Group expects to launch the new features and products starting from the second quarter of 2022 onwards. The Group's R&D team will also continue to work on enhancing and/or upgrading of the existing testers to improve the features and functionalities in anticipation of meeting the demands and expectations of its customers for testing future devices designed with higher technical specifications, as and when required. At the same time, as part of the Group's effort to explore new similar/different vertical test markets, the Group may design new products from scratch on top of its existing products to address these markets. The R&D efforts may involve collaborations or partnerships with other providers in order to expedite the time-to-market of the testers.

The breakdown is as follows:

	<u>Note</u>	<u>Indicative amount</u> RM mil
Purchase of hardware, design and simulation software, laboratory measurement instruments, technology, electronic and mechanical components, and collaboration with a technology partner to be identified, to develop new test solutions for new similar/different vertical test markets	(a)	4.0
Purchase of hardware, design and simulation software, laboratory measurement instruments, electronic and mechanical components to enhance, upgrade or introduce new features in the Amoeba series testers, including but not limited to AMB7000 series, AMB5000 series, AMB1000 series and AMB4200 series	(b)	3.0
Purchase of hardware, design and simulation software, laboratory measurement instruments, electronic and mechanical components to develop new software or hardware to meet new requests or demands from the Group's customers in the next 24 months	(c)	3.0
Cost of hiring personnel	(d)	2.0
Total		12.0

- (a) The Group intends to develop test solutions to penetrate new similar/different vertical test markets such as electric or autonomous vehicles, 5G instrumentations and production automation equipment and solutions in order to diversify and/or increase the Group's revenue sources. The breakdown of the types and quantity of the hardware, software, instruments and components are dependent on the operating requirements of the Group at the time of use of proceeds. Therefore, the Group is unable to determine the breakdown at this juncture. As part of the Group's efforts to penetrate these markets, the Group may collaborate with other technology partners to expedite the development cycles. As at the LPD, the Group has not identified any technology partners yet.

- (b) The Group also intends to continuously enhance its tester features as it is one of the key success factors for the Group to secure new sales orders. The Group plans to upgrade its 400 series test modules which are widely used in its Amoeba series testers. Amoeba series testers are the flagship test solutions of the Group, addressing mobile/tablets, enterprise storage, automotive and CIS test markets. The breakdown of the types and quantity of the hardware, software, instruments and components are dependent on the operating requirements of the Group at the time of use of proceeds. Therefore, the Group is unable to determine the breakdown at this juncture.

Notes (cont'd):

- (c) The test markets that the Group is involved in is subject to constant technological evolution and advancement. The Group's test solutions are required to meet the current and latest technological requests or demands of its customers. The request for solutions that meet the current and latest technological test solutions by the Group's customers especially those in China, the United States and Korea, include 5G millimeter wave instrumentations, production test flow management software, diagnostics and calibration solutions, and production automation solutions. The breakdown of the types and quantity of the hardware, software, instruments and components are dependent on the operating requirements of the Group at the time of use of proceeds. Therefore, the Group is unable to determine the breakdown at this juncture.
- (d) Aemulus intends to use part of the proceeds to hire additional personnel for its R&D activities such as in the areas of product engineering and software development. As at the LPD, the Group has not identified any R&D personnel to be hired. The Group expects to commence the hiring process in the fourth quarter of 2021 to recruit 18 new personnel comprising 2 engineers in the product engineering division, 4 engineers in the hardware development division, 7 engineers in the software development division and 5 engineers in the new product introduction division. The Group expects these personnel to join the Group throughout 2022.

Any excess funds not used for R&D expenditure will be allocated for working capital purposes of the Group, details of which are set out in Note (7) below.

- (3) The Group intends to expand its production and engineering support floor space from approximately 60,000 square feet to approximately 90,000 square feet in view of the increasing production and engineering activities and in tandem with the increase in sales. As the Group is involved in assembly of its testers and produces test modules, the Group expects that the expansion of the floor space will translate to an increase in revenue given that the floor space will support additional production and engineering activities. Proceeds allocated will be used to fund the construction of a new adjacent building with 3 new floors, which forms part of the Group's existing building located at the Bayan Lepas Free Industrial Zone (Phase 1), purchase of production and test equipment and payment of professional fees such as architect fee. The estimated construction cost is RM7.0 million and the Group is currently in the midst of discussion with the professionals to finalise the construction details and floor plan and has yet to ascertain the number of rooms in the new engineering support floor space. The Group expects to apply for the relevant approvals and commence construction by the second quarter of 2022 with completion by the second quarter of 2023. The Group expects to fund the shortfall in construction cost, if any, through internally-generated funds.

The breakdown is as follows:

	<u>Indicative amount</u> <u>RM mil</u>
Construction cost	7.0
Purchase of production and test equipment to expand production, assembly and testing lines on the production floor	1.0
Professional fees	1.0
Total	<u>9.0</u>

The breakdown of the types and quantity of the equipment are dependent on the operating requirements of the Group at the time of use of proceeds. Therefore, the Group is unable to determine the breakdown at this juncture.

Any excess funds not used for the capacity expansion will be allocated for working capital purposes of the Group, details of which are set out in Note (7) below.

- (4) On 10 April 2020, the Company announced that its wholly-owned subsidiary, Aemulus Corporation Sdn Bhd, had entered into a joint venture with Tangren Microintelligence Technology Co., Ltd. ("**Tangren Microintelligence**") to form a joint venture company for the purpose of establishing a long-term business partnership in the People's Republic of China that involve certain product technology transfer, R&D, manufacturing, sales and marketing.

The Group intends to further invest in its 40%-owned joint venture, TMSS Technology (Jiashan) Co. Ltd ("**TMSS**") via the subscription of new shares in TMSS on a pro-rata basis. This is to fund the working capital requirements of TMSS to rapidly grow its presence in the China market. TMSS expects to use the additional working capital to, among others, expand its production lines, hire additional headcounts to spearhead the operations and purchase of production equipment.

As at the LPD, the Company is in discussions with Tangren Microintelligence on the working capital requirements of TMSS and as such, is unable to provide a breakdown at this juncture. The Company commenced discussions with Tangren Microintelligence during the third quarter of 2021 and expects to conclude discussions in the second quarter of 2022. The plans for TMSS is subject to finalisation and the approval of TMCC's board of directors, which is expected to be obtained in the second half of 2022.

Notes (cont'd):

Any excess funds not used for the additional investment in TMSS will be allocated for working capital purposes of the Group, details of which are set out in Note (7) below.

- (5) The Company intends to partly repay the bank borrowings of the Group. As at the LPD, the total short-term bank borrowings such as overdraft and trade facilities of the Group stood at about RM9.0 million. Based on the average interest rate of 5.04% per annum, the part repayment of such bank borrowings is expected to result in interest savings of about RM0.45 million per annum. As at the LPD, the Group has fully utilised its trade financing facilities. As such, the Group intends to repay its borrowings in order to take up new borrowings to finance its future business activities.
- (6) The Group intends to increase its efforts and investment in ESG in pursuit of sustainability obligations. These efforts require dedicated human resources and financial investment to make the efforts work in the long-term, and in a structured manner. Additional hardware, software, manpower and/or engagement with third party services may be required to make the Group's efforts efficient and quantifiable. As at the LPD, the Group is unable to provide a breakdown as the projects are still in preliminary stage of discussions.

The Group has identified several ESG projects which include tracking its carbon footprint, stepping-up corporate social responsibility efforts, and incorporating the circular economy model to be in line with United Nations' 17 Sustainable Development Goals. The Group expect to implement these projects throughout 2022.

Any excess funds not used for the above plans will be allocated for working capital purposes of the Group, details of which are set out in Note (7) below.

- (7) The working capital requirements refer to, among others, the day-to-day operations and administrative expenses including cost of materials such as integrated circuits and field-programmable gate array ("FPGA"), staff related costs such as salaries, utilities, statutory payments and other administrative expenditures.

The Group intends to use part of the proceeds to purchase long lead time materials to address the worldwide semiconductor parts shortage. Currently, the supply lead time of the semiconductor parts is extremely long with an estimated lead time ranging from 26 weeks to more than a year. As such, it is crucial for the Group to use part of the proceeds to partially stock-up on long lead time key materials such as integrated circuits and FPGA devices to ensure a constant supply of materials to avoid disruption to the Group's production activities.

The breakdown is as follows:

	Indicative amount
	RM mil
Day-to-day operations and administrative expenses	5.4
Purchase of long lead time key materials	10.0
Total	15.4

The breakdown of the types and quantity of the long lead time key materials are dependent on the operating requirements of the Group at the time of use of proceeds. Therefore, the Group is unable to determine the breakdown at this juncture.

- (8) The estimated expenses for the Proposed Placement consist of professional fees, estimated placement fees and fees payable to the relevant authorities as well as other miscellaneous expenses to be incurred.

The expected breakdown is as follows:

	Indicative amount
	RM mil
Professional fees	0.1
Estimated placement fees	0.7
Fees payable to relevant authorities and other miscellaneous expenses	*
Total	0.8

* Negligible.

Any variation to the estimated expenses for the Proposed Placement will be adjusted to or from the amount allocated for working capital.

The exact amount of gross proceeds to be raised from the Proposed Placement cannot be determined at this juncture as the amount would depend on the issue price and actual number of Placement Shares to be issued. Any shortfall in or excess of the actual proceeds raised will be adjusted against the amount allocated for the working capital requirements of the Group, details of which are set out in Note (7) above.

Pending the use of the proceeds from the Proposed Placement for the above purposes, the proceeds will be placed in interest-bearing deposits with financial institutions and/or short-term money market instruments. The interest derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will be used for the Group's working capital requirements including the repayment of interest on its borrowings.

This announcement is dated 22 November 2021.