

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

PROPOSED PRIVATE PLACEMENT

(For consistency purposes, the abbreviations and definitions used throughout this announcement shall have the same meanings as those previously defined in the Company’s announcement dated 4 August 2020 in relation to the Proposed Private Placement.)

1. UTILISATION OF PROCEEDS

Based on the indicative issue price of RM0.43 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM23.62 million, which are proposed to be utilised as follows:-

Proposed utilisation of proceeds	Expected time frame for utilisation from the completion date of the Proposed Private Placement	RM’000
Future viable investment(s) ⁽¹⁾	Within 24 months	7,000
Research and development (“R&D”) expenditure ⁽²⁾	Within 24 months	7,000
Partial repayment of bank borrowings ⁽³⁾	Within 6 months	5,000
Marketing, branding and customer support activities ⁽⁴⁾	Within 24 months	1,500
General working capital ⁽⁵⁾	Within 12 months	2,924
Estimated expenses in relation to the Proposed Private Placement ⁽⁶⁾	Within 1 month	200
Total		23,624

Notes:-

- (1) Apart from expanding the Group’s business organically, Aemulus and its subsidiary (“**Aemulus Group**” or “**Group**”) may also expand inorganically, via joint venture, collaborations, business agreements, and/or mergers and acquisition of business(es)/investment(s) that will complement the Group’s existing business (“**Business Investment(s)**”). As such, the Company has earmarked RM7.0 million of the gross proceeds to be raised from the Proposed Private Placement to finance any suitable and viable potential Business Investment(s).

Therefore, the Board is of the view that the said funds will provide further financial support and flexibility to the Group in pursuing suitable and opportune investments. In the event the proceeds raised from the Proposed Private Placement is insufficient to finance the cost(s) of the said viable Business Investment(s), the Group will finance the shortfall using internal funds, bank borrowings or a combination of both.

As at LPD, the Company has not identified any suitable Business Investment(s). The Company will make the requisite announcement(s) and/or seek the approval of its shareholders pursuant to the Listing Requirements, if required, as and when such Business Investment(s) is/are identified and confirmed.

In the event the Group is unable to identify any suitable and viable Business Investment(s) within the timeframe stipulated (or any extended timeframe, if applicable), the proceeds allocated for future viable investments shall be transferred to the general working capital purposes of the Group, the utilisation of which is set out in Note (5) below.

- (2) *The Company intends to allocate RM7.0 million of the gross proceeds to be raised from the Proposed Private Placement to finance the Group's R&D expenditure as set out below:-*

R&D expenditure	(RM'000)
(a) <i>Enhancement/upgrade of tester features to achieve higher operating frequency and to further improve the test system performance</i>	3,500
(b) <i>Advanced radio frequency ("RF") test system for testing devices with extended 5G frequency range</i>	3,500
Total	7,000

The Group's current product line-up consists of a wide range of testers used for the testing of analog-digital components, discrete devices, automotive LEDs and RF front-end devices. To keep up with the evolution in technological advances, the Group plans to develop new products which will be introduced to the market progressively. The R&D team will also continue to work on enhancement/upgrading of the existing testers to improve the features and functionalities in anticipation of meeting the demand and expectation of the customers for testing future devices designed with higher technical specifications as and when required.

(a) Enhancement/Upgrade of tester features

The earmarked proceeds will be utilised to purchase new hardware, equipment and software which include electronic and mechanical components, laboratory measurement instruments, design and simulation software. The enhancement/upgrade is expected to enable the Company to reach a larger market segment related to signal transmission, enterprise storage and image sensors devices. These testers will be used to test the said devices and is expected to complement the existing AMB5600, AMB7300 and AMB7600SR range of testers.

The breakdown of the quantity and cost for each component above are subject to the operating requirements at the time of utilisation and therefore cannot be determined at this juncture.

(b) Advanced RF test system

The earmarked proceeds will be utilised to develop new RF test solution for 5G enabled devices used in various electronic equipment and its related applications. The advanced RF test system is expected to further strengthen the Company's footprint in semiconductor testing market amidst the accelerated development of 5G technologies.

Part of the proceeds will be utilised to purchase hardware, equipment and software which include electronic and mechanical components, laboratory measurement instruments, design and simulation software.

The breakdown of the quantity and cost for each component above are subject to the operating requirements at the time of utilisation and therefore cannot be determined at this juncture.

In addition, part of the proceeds are also expected to be utilised on staff related cost for R&D department. In this regard, the Company intends to hire an additional 15 new personnel for its R&D related activities in the next 12 to 24 months comprising engineers in the product engineering division (7), hardware development division (4), software development division (2) and new product introduction division (2).

As at the LPD, the Group has a total of 65 personnel who are engaged in R&D activities as follows:-

R&D activities by division	No. of employees
Product engineering	28
Hardware development	15
Software development	14
New product introduction	8
Total	65

- (3) The Company intends to utilise RM5.0 million of the gross proceeds to partially repay the outstanding borrowings of the Group. As at 30 June 2020, the total bank borrowings of the Group stood at approximately RM21.86 million. Based on the average annual interest rate of 5.04%, the repayment of bank borrowings amounting to RM5.0 million is expected to result in an annual gross interest savings of about RM0.25 million to the Group.
- (4) RM1.50 million of the gross proceeds to be raised from the Proposed Private Placement shall be allocated for the following:-
- (a) business development and marketing activities for existing and potential markets whereby the Company intends to carry out proactive marketing activities in the high growth markets like Far East region to promote its latest semiconductor test solutions via regular discussions and meetings with the existing and potential customers to address their demands;
 - (b) marketing related expenses relating to trade shows, exhibition fees and its related expenses to showcase the Group's products and technology especially in China, Korea, Taiwan or the United States of America in the next 12 to 24 months. The Group's participation in these trade shows and exhibitions is expected to enhance the brand visibility as it enables the Group to display its latest products and solutions more effectively; and
 - (c) customer support related expenses towards the Group's continued value-added service such as provision of on-site technical assistance which involves travelling related expenses.
- (5) The proceeds earmarked for general working capital of the Group of RM2.92 million which include, but are not limited to, purchase of materials, general administrative and daily operational expenses such as staff costs (non-R&D staff), utilities, statutory payments and any other overhead expenditures. The amount of proceeds to be allocated for each of the working capital requirements stated above cannot be ascertained at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.
- (6) RM0.20 million of the proceeds is to be utilised to defray the estimated expenses relating to the Proposed Private Placement which consist of professional fees, placement fees, fees payable to authorities and other miscellaneous expenses to be incurred in relation to the Proposed Private Placement.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for the working capital requirements of the Group.

Pending the eventual utilisation of the proceeds raised from the Proposed Private Placement for the intended purposes above, the proceeds will be placed in short term deposits with licensed financial institutions or in short-term money market instruments. Any interest derived from the deposits with financial institutions or gains arising from the short-term money market instruments will be used as additional working capital of the Group.

Save for the Proposed Private Placement, the Board confirms that the Company has not implemented any fund raising exercise within 3 years from the LPD.

This announcement is dated 11 August 2020.