

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

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

1. INTRODUCTION

On behalf of the Board of Directors of Aemulus (“**Board**”), CIMB Investment Bank Berhad (“**CIMB**”) wishes to announce that the Company proposes to undertake the Proposed Placement.

The Proposed Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 (“**Act**”) obtained from the shareholders of the Company at its annual general meeting (“**AGM**”) convened on 8 February 2021, whereby the Board has been authorised to issue and allot new ordinary shares in Aemulus (“**Aemulus Shares**”) not exceeding 10% of the total number of issued Aemulus Shares (“**General Mandate**”). The General Mandate shall continue to be in force until the conclusion of the next AGM of the Company.

2. DETAILS OF THE PROPOSED PLACEMENT

2.1 Placement size

As at 20 October 2021, being the latest practicable date prior to this announcement (“**LPD**”), the total issued share capital of Aemulus (net of associated costs relating to the issuance of Aemulus Shares) is RM91,367,476 comprising 606,786,947 Aemulus Shares in issue. In addition, the Company has granted a total of 765,700 Aemulus Shares under the restricted share plan of the Company (“**RSP**”) which may be vested in June 2022 and September 2022.

Based on the total number of Aemulus Shares in issue as at the LPD, the Proposed Placement will entail the issuance of up to 60,678,000 new Aemulus Shares (“**Placement Shares**”) representing up to 10% of the total number of Aemulus Shares in issue.

2.2 Placement arrangement

The Placement Shares are intended to be placed to third-party investors (“**Placees**”) to be identified in the course of the book-building exercise for the Placement Shares. The Placees shall be persons or parties who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

In accordance with Rule 6.05(c) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”), the Placement Shares will not be placed out to the following persons:

- (i) a director, major shareholder or chief executive of the listed corporation or a holding company of the listed corporation (“**Interested Person**”);
- (ii) a person connected with the Interested Person; or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The precise terms and conditions such as the identity of the Placees, the number of Placement Shares allocated and the issue price for the Placement Shares can only be determined upon completion of the book-building exercise for the Placement Shares.

Subject to prevailing market conditions and investors' interest, the Proposed Placement may be implemented in a single tranche or in multiple tranches within 6 months from the date of approval of Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities, or any extended period as may be approved by Bursa Securities. If the Proposed Placement were to be implemented in tranches, there will be several price-fixing dates depending on the number of tranches. The Board believes the implementation in tranches may provide some flexibility to the Company in its efforts to identify and secure investors and maximise the number of Placement Shares to be placed out under the Proposed Placement.

2.3 Basis and justification of determining the issue price of the Placement Shares

The issue price of the Placement Shares will be fixed at a date to be determined and announced later ("**Price-Fixing Date**").

The issue price of the Placement Shares shall be determined by way of a book-building process and shall be fixed at a price which is not more than 10% discount to the 5-day volume weighted average market price ("**VWAMP**") of Aemulus Shares immediately prior to the Price-Fixing Date.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Aemulus Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the allotment and issue of the Placement Shares were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

2.5 Listing and quotation of the Placement Shares

Aemulus will make an application to Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities.

3. 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 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

Purposes	Estimated timeframe for utilisation	Illustrative Proceeds RM mil
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)”).*

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’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:

	Note	Indicative amount RM mil
<i>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</i>	(a)	4.0
<i>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</i>	(b)	4.0
<i>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</i>	(c)	4.0
Total		12.0

Notes (cont'd):

- (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. 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.
- (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 above use of proceeds also takes into the cost of hiring personnel for its R&D activities such as in the areas of product engineering and software development.

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 in view of the increasing production and engineering activities and in tandem with the increase in sales. Proceeds allocated will be used to fund the construction of 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 breakdown is as follows:

	Indicative amount
	RM mil
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	9.0

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 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 plans for TMSS is subject to finalisation and the approval of TMCC's board of directors.

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.

Notes (cont'd):

- (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.*

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.

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, staff related costs, 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 field-programmable gate array (FPGA) devices to ensure a constant supply of materials.

The breakdown is as follows:

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

- (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. 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.

4. INDUSTRY OUTLOOK AND PROSPECTS OF THE MALAYSIAN ECONOMY

The Malaysian economy grew by 16.1% in the second quarter (first quarter of 2021: -0.5%). Economic performance was supported mainly by the improvement in domestic demand and continued robust exports performance. All economic sectors registered an improvement, particularly the manufacturing sector. There was an increase of 6.5% in the sales value of the manufacturing sector for June 2021 to RM124.4 billion, driven by petroleum, chemical, rubber and plastic products (41.6%); food, beverages and tobacco products (9.0%); as well as electrical and electronics ("E&E") products (2.2%). As the strength of global tech cycle continues, this is expected to lend support to the performance of the E&E industry going forward. Most E&E firms have secured higher order bookings in advance, with several firms reporting full order books throughout 2021.

In 2022, gross exports are expected to increase by 1.5% across all sectors, benefitting from robust global trade growth and improvements in supply chains. Exports of manufactured goods are anticipated to grow by 1.5%, underpinned by higher demand for E&E and non-E&E products. Ramped-up digitalisation is expected to propel the demand for semiconductors, particularly electronic integrated circuits, processors and controllers, which will accelerate the growth of the E&E products by 2.4%. Additionally, the emergence of digital healthcare as a new sector, with increased usage of medical devices, such as electro-medical equipment, ultra-violet and X-ray apparatus, is expected to boost exports for the E&E products.

The manufacturing sector is expected to expand by 4.7% in 2022, attributed to the steady performance of both export- and domestic-oriented industries. As one of the key players in the world semiconductor trade, the stronger global demand for E&E products will continue to provide the impetus for Malaysia's manufacturing.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2021, Bank Negara Malaysia ("BNM"); Developments in the Malaysian Economy, BNM Quarterly Bulletin Second Quarter 2021; Media Statement by the Minister of Finance, Ministry of Finance Malaysia dated 13 August 2021: Malaysia's 2Q 2021 GDP Grows by 16.1%, Economy Expected to Continue on Recovery Path; Macroeconomic Outlook, Economic Outlook 2022)

The management of the Company expects demand for its products to further increase in the near term, driven by strong demand from mobile and tablets, CMOS image sensors, data center, radio frequency filters and automotive markets as well as by wider and broader adoption of the 5G technology in China and rest of the world. Further, the Group expects TMSS to expand its presence in the Chinese market rapidly which is expected to contribute significantly to the Group's financial performance. TMSS resides in the ecosystem of Made in China 2025 initiatives whereby the Chinese government drives localisation of the design of semiconductor devices and the associated equipment to make them.

5. RATIONALE FOR THE PROPOSED PLACEMENT

The Proposed Placement will enable the Company to raise the necessary funds to be used in the manner as set out in Section 3 above.

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Placement is the most appropriate avenue to raise funds for the Group due to the following:

- (i) it will enable the Company to raise additional funds without having to incur interest expense or service principal repayment as opposed to conventional bank borrowings;
- (ii) it is an expeditious way of raising funds from the capital market as compared to other alternative fund raising methods; and
- (iii) it will improve the financial flexibility of the Group by strengthening its financial position and capital base.

The Company has not issued any Aemulus Shares for fund-raising purposes in the past 12 months before the date of this announcement.

6. EFFECTS OF THE PROPOSED PLACEMENT

6.1 Issued share capital

The pro forma effects of the Proposed Placement on the issued share capital of Aemulus are as follows:

	<u>No. of Aemulus Shares</u>	<u>Amount</u> <u>RM'000</u>
As at the LPD	606,786,947	(1)91,367
Arising from the Proposed Placement	60,678,000	(2)65,946
Enlarged issued share capital	<u>667,464,947</u>	<u>157,313</u>

Notes:

- (1) Net of associated costs relating to the issuance of Aemulus Shares.
- (2) Assuming the issuance of 60,678,000 Placement Shares based on the illustrative issue price of RM1.10 per Placement Share and after taking into account the estimated expense of about RM0.8 million relating to the Proposed Placement.

6.2 Net assets ("NA"), NA per share and gearing

The pro forma effects of the Proposed Placement on the NA, NA per share and gearing of the Group are as follows:

	<u>Audited as at</u> <u>30 September</u> <u>2020</u>	<u>(I)</u> <u>After</u> <u>adjustments for</u> <u>completed</u> <u>events⁽¹⁾</u> <u>RM'000</u>	<u>(II)</u> <u>After (I) and the</u> <u>Proposed</u> <u>Placement</u>
Share capital	90,527	91,367	(2)157,313
Reserves	(12,751)	(12,773)	(12,773)
Retained profits	23,920	23,920	23,920
NA/Total equity	<u>101,696</u>	<u>102,514</u>	<u>168,460</u>
No. of Aemulus Shares in issue ('000)	604,623	606,787	667,465
NA per Aemulus Share (RM)	0.17	0.17	0.25
Total borrowings (RM'000)	17,694	17,694	(3)8,694
Gearing (times)	0.17	0.17	0.05

Notes:

- (1) Adjusted for the following events from 1 October 2020 up to the LPD:
- (a) the vesting of 2,163,700 new Aemulus Shares under the RSP;
- (b) the grant of 1,610,500 new Aemulus Shares under the RSP; and
- (c) the full amount of the grant-date fair value of the new Aemulus Shares under the RSP being expensed.
- (2) Assuming the issuance of 60,678,000 Placement Shares based on the illustrative issue price of RM1.10 per Placement Share and after taking into account the estimated expense of about RM0.8 million relating to the Proposed Placement.

Notes (cont'd):

- (3) After taking into account the repayment of borrowings of about RM9.0 million from the use of part of the proceeds from the Proposed Placement.

6.3 Substantial shareholdings structure

The pro forma effects of the Proposed Placement on the shareholdings of the Company's substantial shareholders are as follows:

Substantial shareholders	As at the LPD				After the Proposed Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Aemulus Shares million	(1)%	No. of Aemulus Shares million	(1)%	No. of Aemulus Shares million	%	No. of Aemulus Shares million	%
Aemulus Venture Sdn Bhd ("AVSB")	41.0	6.75	-	-	41.0	6.14	-	-
Crystal Clear (L) Foundation	67.5	11.12	-	-	67.5	10.11	-	-
Ng Sang Beng	23.3	3.83	(2)113.3	18.67	23.3	3.48	(2)113.3	16.97
Yeoh Chee Keong	60.3	9.94	(3)0.6	0.09	60.3	9.04	(3)0.6	0.09

Notes:

- (1) Based on 606,786,947 Aemulus Shares in issue as at the LPD.
- (2) Deemed interest by virtue of his shareholdings in AVSB pursuant to Section 8 of the Act, being the founder, council Chairman and beneficiary of Crystal Clear (L) Foundation and in the shares held by his spouse pursuant to Section 59(1)(c) of the Act.
- (3) Deemed interest in the shares held by his spouse pursuant to Section 59(1)(c) of the Act.

6.4 Earnings and earnings per share ("EPS")

The Proposed Placement is expected to contribute positively to the future earnings of the Group for the financial year ending 30 September 2022 when the benefits from the use of proceeds are realised while the repayment of the Group's borrowings is expected to reduce the interest expense of our Group. However, the EPS of the Group may be diluted as a result of the increase in the number of Aemulus Shares arising from the Proposed Placement.

The effects of the Proposed Placement on the future earnings and/or EPS of the Group would depend on, among others, the actual number of new Aemulus Shares to be issued under the Proposed Placement, as well as the returns derived from the use of the proceeds raised from the Proposed Placement. Nevertheless, the Board is confident that the Group will use the proceeds raised from the Proposed Placement efficiently and in a manner that is expected to be accretive to the Group's future earnings and/or EPS in the mid to long-term.

6.5 Convertible securities

As at the LPD, save for the Aemulus Shares to be vested under the RSP, Aemulus does not have any convertible securities.

7. APPROVALS REQUIRED

The Proposed Placement is subject to the following approvals being obtained:

- (i) Bursa Securities, for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities; and
- (ii) any other relevant authorities and/or parties, if required.

As the Board intends to issue and allot the Placement Shares pursuant to the General Mandate, the Proposed Placement will not require the approval of the shareholders of the Company.

The Proposed Placement is not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders and chief executive of the Company and/or persons connected to them has any interests, whether direct or indirect, in the Proposed Placement.

9. STATEMENT BY THE BOARD

The Board, having considered all aspects of the Proposed Placement, including the rationale for the Proposed Placement as set out in Section 5 above, is of the opinion that the Proposed Placement is in the best interest of the Company.

10. ADVISER AND PLACEMENT AGENTS

CIMB has been appointed as the Adviser for the Proposed Placement.

CIMB and Kenanga Investment Bank Berhad have been appointed as the Joint Placement Agents for the Proposed Placement.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all the required approvals being obtained and market conditions, the Board expects the Proposed Placement to be completed in the first quarter of 2022.

12. APPLICATION TO THE RELEVANT AUTHORITIES

The application to Bursa Securities in relation to the Proposed Placement is expected to be made within 1 month from the date of this announcement.

This announcement is dated 15 November 2021.