

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

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On behalf of the Board of Directors of Aemulus (“**Board**”), KAF Investment Bank Berhad (“**KAF IB**”) wishes to announce that the Company proposes to undertake a private placement of up to 54,940,000 new ordinary shares in Aemulus (“**Aemulus Shares**” or “**Shares**”), representing approximately 10% of the total number of issued shares of the Company to third party investors to be identified later and at an issue price to be determined by the Board and announced later (“**Proposed Private Placement**”).

Further details of the Proposed Private Placement are set out in the ensuing sections of this announcement.

2. PROPOSED PRIVATE PLACEMENT

2.1 Details of the Proposed Private Placement

The Proposed Private Placement shall be undertaken in accordance with the general mandate in relation to Sections 75 and 76 of the Companies Act, 2016 (“**Act**”) approved by the shareholders of Aemulus at the Annual General Meeting (“**AGM**”) of the Company held on 20 February 2020 which authorises the Board to issue new Aemulus Shares not exceeding 10% of the total number of issued shares of the Company (“**General Mandate**”). The said approval shall continue to be in force, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of the Company.

2.2 Placement size

As at 3 August 2020, being the latest practicable date prior to this announcement (“**LPD**”), the share capital of Aemulus was RM59,438,213 comprising 549,476,647 Shares. The Company also has a total of 1,642,900 Shares granted under the restricted share plan of the Company (“**RSP**”) which have not been vested as at the LPD.

Based on the total number of 549,476,647 issued shares of the Company as at the LPD and assuming no Shares are vested pursuant to the RSP prior to the completion of the Proposed Private Placement, the issuance of 54,940,000 new Shares under the Proposed Private Placement (“**Placement Shares**”) would represent approximately 10% of such total number of issued shares of the Company.

However, the actual number of Placement Shares to be issued in relation to the Proposed Private Placement will depend on the total number of issued shares of the Company on a date to be determined later after obtaining all relevant approvals to be obtained pursuant to the Proposed Private Placement.

2.3 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage. 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 to the following parties:-

- (a) a director, major shareholder or chief executive officer of Aemulus or a holding company of Aemulus (“**Interested Person**”);
- (b) a person connected with an Interested Person; or
- (c) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in 1 or more tranches, depending on the prevailing market conditions, within 6 months after the receipt of all relevant approvals for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, subject to the expiry of the General Mandate or a new mandate being obtained from shareholders of the Company.

2.4 Basis of determining and justification for the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement. As the Proposed Private Placement may be implemented in 1 or more tranches, there could be several price fixing dates and issue prices.

Based on Rule 6.05(a) of the Listing Requirements, the Placement Shares must not be priced at more than 10% discount to the 5-day weighted average market price (“VWAMP”) of the Aemulus Shares immediately before the price-fixing date.

For illustrative purposes throughout this announcement, the indicative issue price of the Placement Shares is assumed at RM0.43 per Placement Share, which represents a discount of approximately 8.51% to the 5-day VWAMP of Aemulus Shares up to and including the LPD of RM0.47.

2.5 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Shares in issue, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid prior to the date of allotment of the Placement Shares.

2.6 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

2.7 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)
(i) Enhancement/upgrade of tester features to further improve the test system performance	3,500
(ii) Advanced radio frequency test system for testing devices with extended 5G frequency range	3,500
Total	7,000

The expenses relating to the R&D expenditures are expected to include, amongst others, R&D staff costs, purchase of hardware and equipment, software related costs and other related R&D expenses.

- (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 to fund the Group’s business development and marketing activities for its 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.

The proceeds will also be utilised on marketing related expenses such as trade shows, exhibition fees and its related expenses to showcase the Group's products and technology. 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.

- (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, 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.

3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable the Company to raise funds for the purposes as set out in Section 2.7 of this announcement.

In particular, a portion of the placement proceeds will be allocated to fund the Group's plan to finance any suitable and viable potential Business Investment(s) that complement the Group's existing business and which may generate positive returns to the Group in the future. In addition, the Proposed Private Placement will also enable the Company to raise monies to fund its R&D activities, to reduce its existing bank borrowings, for marketing, branding and customer support related activities as well as for the general working capital requirements for the Group. The Board expects the Proposed Private Placement to contribute positively to the future earnings and continuing growth of the Group when the benefits of the utilisation of proceeds are realised.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it enables the Company to raise funds expeditiously given the expected timeframe for completion of the exercise as compared to securing external bank borrowings for additional working capital or other forms of fund raising exercise. Upon completion of the Proposed Private Placement, the enlarged capital base and shareholders' funds are also expected to further strengthen the financial position of the Group. In addition, the Proposed Private Placement may potentially increase the liquidity of the Shares in the market.

4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

4.1 Share capital

The proforma effects of the Proposed Private Placement on the issued and paid-up share capital of the Company are as follows:-

	No. of Shares	RM
Issued share capital as at LPD	549,476,647	59,438,213
Placement Shares to be issued pursuant to the Proposed Private Placement	54,940,000	* 23,624,200
Enlarged issued share capital	604,416,647	83,062,413

Note:-

* Computed based on the indicative issue price of RM0.43.

4.2 Net assets ("NA") and gearing

The proforma effects of the Proposed Private Placement on the NA per Share and gearing of the Group based on the audited consolidated financial statements of the Company as at 30 September 2019 are as follows:-

	Audited as at 30.09.2019 RM'000	After Proposed Private Placement RM'000
Share capital	59,438	^(a) 82,862
Reserves	(12,925)	(12,925)
Retained profits	27,532	27,532
Total equity	74,045	97,469
No. of Shares ('000)	549,477	604,417
NA per Share (RM)	0.13	0.16
Interest bearing borrowings (RM'000)	7,139	^(b) 2,139
Gearing (times)	0.10	0.02

Notes:-

(a) After adjusting for 54,940,000 Placement Shares to be issued at the indicative issue price of RM0.43 per Placement Share and deducting the estimated expenses amounting to approximately RM0.20 million in relation to the Proposed Private Placement.

(b) After adjusting for RM5.0 million of the gross proceeds earmarked for the partial repayment of the Group's bank borrowings.

4.3 Earnings and earnings per Share (“EPS”)

The Proposed Private Placement is not expected to have any immediate material effect on the earnings of the Group for the financial year ending 30 September 2020. Nevertheless, the Proposed Private Placement is expected to contribute positively to the future earnings of the Group when the benefits from the utilisation of proceeds to be raised from the Proposed Private Placement as set out in Section 2.7 of this announcement are realised. In addition, the partial repayment of the Group’s borrowings is expected to result in an annual gross interest savings of about RM0.25 million to the Group.

The EPS of the Group is expected to be diluted as a result of the increase in the number of Shares in issue pursuant to the issuance of Placement Shares under the Proposed Private Placement.

4.4 Convertible securities

The Company has a total of 1,642,900 Shares granted pursuant to the RSP but have not been vested as at the LPD as follows:-

- (a) 248,600 Shares awarded on 7 September 2018 and will be vested over a period of up to 3 years; and
- (b) 1,394,300 Shares awarded on 15 January 2020 and the vesting period of which will expire on 14 January 2021.

Save as disclosed above, Aemulus does not have any other convertible securities as at the LPD.

[The rest of this page is intentionally left blank]

4.5 Substantial shareholders' shareholdings

The proforma effects of the Proposed Private Placement on the substantial shareholder's shareholdings of Aemulus as at the LPD are as follows:-

Substantial shareholders	As at LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ng Sang Beng	91,999,499	16.74	51,170,874	^(a) 9.31	91,999,499	15.22	51,170,874	^(a) 8.47
Yeoh Chee Keong	62,174,875	11.32	575,000	^(b) 0.10	62,174,875	10.29	575,000	^(b) 0.10
Aemulus Ventures Sdn Bhd	42,128,749	7.67	-	-	42,128,749	6.97	-	-

Notes:-

- (a) *Deemed interested by virtue of his shareholdings of not less than 20% in Aemulus Venture Sdn Bhd pursuant to Section 8 of the Act, being the founder, council member and beneficiary of Crystal Clear (L) Foundation and other interest held through his spouse pursuant to Section 59(11)(c) of the Act.*
- (b) *Other interest held through his spouse pursuant to Section 59(11)(c) of the Act.*

[The rest of this page is intentionally left blank]

5. FINANCIAL HIGHLIGHTS

5.1 Commentary on the financial performance and financial position of Aemulus

The summary of the audited consolidated financial information of Aemulus for the past 3 financial year ended 30 September (“FYE”) 2017 to FYE 2019 and the 9-month unaudited consolidated financial period ended 30 June (“FPE”) 2020 are set out below:-

	Audited			Unaudited
	FYE 2017 (RM'000)	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FPE 2020 (RM'000)
Revenue	40,068	36,958	28,834	12,105
Gross profit	25,123	23,330	17,652	7,878
Profit/(Loss) before tax	7,552	5,337	(3,149)	(4,600)
Profit/(Loss) after tax	7,552	5,296	(3,215)	(4,651)
Total equity/NA	73,090	78,503	74,045	69,670
Interest bearing borrowings	2,891	2,361	7,139	21,857
No. of Shares in issue	438,850	548,899	549,477	549,477
EPS/(Loss) per Share (RM)	0.02	0.01	(0.01)	(0.01)
NA per Share (RM)	0.17	0.14	0.13	0.13
Gearing ratio (times)	0.04	0.03	0.10	0.31

(a) Financial commentaries for FPE 2020

The Company revenue decreased by approximately 43.13% from RM21.29 million in FPE 2019 to RM12.11 million in FPE 2020 mainly due to the soft demand from the enterprise storage segment, COVID-19 pandemic impact and implementation of travel restrictions locally and globally. Gross profit has decreased by approximately 43.35% in tandem with the decreased in revenue from RM13.91 million in FPE 2019 to RM7.88 million in FPE 2020.

The Group’s R&D expenses increased by approximately RM0.70 million to RM3.61 million mainly due to the enhancement to the Group’s product features and development of new test solution. Finance cost also increased by approximately RM0.25 million to RM0.35 million mainly due to the drawdown of term loan to fund the construction of “Aemulus Base”, being the Group’s new corporate office and other bank facilities for working capital purpose. However, the increase of R&D and finance cost were partially offset by the decrease in the administrative expenses resulted from the cost saving initiatives deployed during FPE 2020.

The Group recorded loss after tax (“LAT”) of RM4.65 million for the FPE 2020 as compared to PAT of RM0.50 million in FPE 2019.

(b) Financial commentaries for FYE 2019

The revenue decreased by approximately 21.98% from RM36.96 million in FYE 2018 to RM28.83 million in FYE 2019 mainly due to the lower sales contribution from the enterprise storage segment and impact of global trade challenges.

Gross profit decreased by approximately 24.34% from RM23.33 million in FYE 2018 to RM17.65 million in FYE 2019 in line with the decrease in revenue.

During the FYE 2019, the Group recorded LAT of RM3.22 million as compared to profit after tax (“PAT”) of RM5.30 million in FYE 2018 mainly due to the following:-

- (i) decrease of revenue as explained above;
- (ii) recognition of expected credit loss of RM1.8 million in line with the initial adoption of MFRS 9 Financial Instruments; and
- (iii) an increase of RM1.56 million in the administrative expenses to support the Group’s talent retention initiatives and business operation.

(c) Financial commentaries for FYE 2018

The revenue for FYE 2018 decreased by approximately 7.76% from RM40.07 million in FYE 2017 to RM36.96 million mainly due to lower sales contribution from Malaysia and China markets, coupled with the lower-than-expected revenue derived from the smartphone/tablet segment.

In line with the decrease in revenue, the Group recorded lower gross profit by approximately 7.14% from RM25.12 million in FYE 2017 to RM23.33 million in FYE 2018. However, gross profit margin has slightly improved from 62.7% in FYE 2017 to 63.1% in FYE 2018 based on the different product mix sold.

The Group’s PAT decreased by approximately 29.87% from RM7.55 million in FYE 2017 to RM5.30 million in FYE 2018 mainly due to the following:-

- (i) the lower revenue contribution as explained above; and
- (ii) the increase in the R&D expenses in relation to the Group’s continuous effort in the product features enhancement and development of new test solutions.

(d) Financial commentaries for FYE 2017

The Group’s revenue increased by approximately 82.30% from RM21.98 million in FYE 2016 to RM40.07 million in FYE 2017 mainly attributable to:-

- (i) contribution from the smartphone/tablet market segment in line with the increased customer acceptance of the Group’s test solution, design win into tier one smartphone companies and sales contribution from Far East region; and
- (ii) contribution from the enterprise storage segment due to higher demand for the Group’s digital/mixed signal AMB4600 tester.

Gross profit increased by approximately 112.28% from RM11.84 million in FYE 2016 to RM25.12 million in FYE 2017, in tandem with the increase in sales.

As a result of increase in the revenue and dividend income of RM0.59 million derived from the investment in tax-exempted unit trust, the Group has recorded PAT of RM7.55 million for the FYE 2017, representing an increase of approximately 376.12% as compared to LAT of RM2.74 million recorded in FYE 2016.

5.2 Steps or actions which have been taken/will be taken to improve the financial condition of the Aemulus Group

The Company has undertaken various actions to improve the business performance, *inter-alia*, the following:-:

- (a) Changing the Group's product strategy from generic platform to application specific and niche platform by delivering customised test solution to the customers.
- (b) Improve in sales, marketing and support strategy by deploying resources on high potential deals.
- (c) As announced on 10 April 2020, the Company is in the process of forming a joint venture with Tangren Microintelligence Technology Co., Ltd. for the purpose of establishing a long-term business partnership in China that involve certain product technology transfer, R&D, manufacturing, sales and marketing. The Board believes that the joint venture will improve the Group's financial performances via the contribution from the joint venture.

The Group estimates a gain of approximately RM3.40 million to be recognised from the transfer of intellectual properties to the joint venture. The gain would be recognised proportionately in the corresponding financial year upon the transfer of technology to the joint venture.

- (d) Improving the operation performance such as managing costs, enhance productivity and efficiency.
- (e) Roll-out a range of new products such as AMB7300 tester which is designed to meet the growing demand of radio frequency filter test. The scalable test system with competitive features and yield lower cost of test is expected to be one of the Group's core revenue contributors.
- (f) The Group expects positive revenue contribution from new device testing market involving Complementary Metal Oxide Semiconductor ("CMOS") image sensor, whereby the said CMOS image sensor will be tested using the Group's core tester namely AMB5600.

5.3 Adequacy of the Proposed Private Placement in addressing the Aemulus Group's financial concerns

The proceeds to be raised from the Proposed Private Placement will enable the Company to raise funds for the purposes as set out in Section 2.7 of this announcement. In particular, a portion of the placement proceeds will be allocated to fund the Group's plan to finance any suitable and viable potential Business Investment(s) that complement the Group's existing business and which may generate positive returns to the Group in the future. In addition, the Proposed Private Placement will also enable the Company to raise monies to fund its R&D activities, to partially repay the Group's borrowings, for its marketing, branding and customer support related activities as well as for the general working capital requirements for the Group. The proceeds to be raised from the Proposed Private Placement will provide additional funding to the Company to accelerate its business growth plan including the opportunity for the Group to hire more engineers to address potential customers' growing enquiries, develop new test solutions and enhance the product features which in turn is expected to generate more revenue to the Group in future. Under the present circumstances, the Board is of the opinion that the Proposed Private Placement is sufficient to meet the Company's financial concern and finance its business plan.

5.4 Value creation and impact of the Proposed Private Placement to the Aemulus Group and its shareholders

The Board, after due consideration of various fund raising methods, is of the opinion that the Proposed Private Placement is the most appropriate avenue to raise funds based on the following:-

- (a) the Proposed Private Placement will enable the Company to raise funds for the purposes as set out in Section 2.7 of this announcement without incurring additional interest costs or servicing the principal repayments as compared to bank borrowings. Besides, the partial repayment of the Group's borrowings is expected to result in an annual gross interest savings to the Group;
- (b) the Proposed Private Placement will enlarge the share capital base of the Company, improve its gearing ratio and strengthen its financial position; and
- (c) the Proposed Private Placement is the expeditious and cost-effective way of raising fund from the capital market to support the Group's business growth and expansion especially in Far East region.

The Proposed Private Placement is expected to dilute the EPS and existing shareholders' shareholdings in Aemulus upon completion. However, the Board believes that the anticipated benefits from the utilisation of proceeds will improve its overall business and financial performance of the Group and thus enhance its shareholders' value in the long term.

6. APPROVALS REQUIRED

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

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

The Company had obtained the General Mandate at the last AGM convened on 20 February 2020. The said approval shall continue to be in force until the conclusion of the next AGM of the Company.

The Proposed Private Placement is not conditional upon any other corporate exercise undertaken by Aemulus.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of Aemulus and/or persons connected to them have any interests, direct or indirect, in the Proposed Private Placement.

8. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Private Placement, including the rationale, utilisation of proceeds and the financial effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

9. APPLICATION TO THE AUTHORITIES

The applications to the relevant authorities for the Proposed Private Placement will be made within 1 month from the date of this announcement.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the first quarter of 2021.

11. ADVISER AND PLACEMENT AGENT

KAF IB has been appointed as the Adviser and Placement Agent for the Proposed Private Placement.

This announcement is dated 4 August 2020.