



RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

AEM ANNUAL GENERAL MEETING TO BE HELD ON 28 APRIL 2022

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

Singapore, 23 April 2022 - AEM Holdings Ltd. (“AEM” and the “Company”) would like to thank shareholders for submitting their questions in advance of the 2022 Annual General Meeting (“AGM”). The AGM will be convened through electronic means on 28 April 2022 at 3.00 p.m. (Singapore time).

The questions and our responses have been grouped by topic. Where appropriate, questions have been rephrased for clarity and consolidated where they overlap or are closely related. The topics are as follows:

- A. Industry Outlook and AEM Portfolio
- B. Financials and Capital Management
- C. Mitigation of Recent Risk Factors
- D. Others

Please refer to our responses to these substantial and relevant questions in the following pages.

Presentation at AGM

Some of these topics will be outlined during the presentation at the AGM on 28 April 2022.

By Order of the Board

Chandran Nair
Chief Executive Officer



RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

A. Industry Outlook and AEM Portfolio

Question 1

What is the outlook for testing this year and in the next few years given the ramping up of production by Intel?

Our view is that the outlook is generally very positive given that there has been significant investment in the front-end capacity, and once that capacity is online, there will be an increase in demand for back-end test capacity as overall volumes will increase.

Question 2

How is the progress in securing customers other than Intel?

The first win, with the major memory IDM, was announced late last year. We are in different stages of the sales cycle with several other major semiconductor companies and see those efforts proceeding according to plan.

Question 3

Which of the following semiconductor devices, namely, Field Programmable Gate Array, Silicon-Carbide (SiC), Gallium-Nitride (GaN) and Insulated Gate Bipolar Transistor can be tested using AEM's existing suite of testing solutions? Does AEM have any plans to develop new solutions for those devices that cannot yet be tested?

AEM has traditionally focused on the compute industry and our initial expansion focus is in areas where our value proposition is highly enabling. Accordingly, we are now focused on high volume compute, high performance memory, mobility processors and automotive processors. Our products can be repurposed to address adjacent markets. We will be periodically assessing the ROI of pursuing emerging adjacent markets such as SiC.

Question 4

As some potential customers have already invested heavily in traditional Automated Test Equipment, they may only switch to Test 2.0 gradually. For traditional Automated Test Equipment, what is the average replacement cycle in terms of years, whereby old equipment is replaced by new?

High-end device segments such as computing, mobility, and automotive require test coverage beyond what is currently achievable with traditional Automated Test Equipment ("ATE") and their existing back-end test flow. The requirement to supplement back-end test with System Level Test and the resultant change in test economics is forcing manufacturers to rethink their back-end test flow and look to a Test 2.0 paradigm to realise a more cost-efficient method of test, regardless of the age of existing ATE.



RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

A. Industry Outlook and AEM Portfolio *(Continued)*

Question 5

What is the customer retention rate for CEI after AEM acquired the former?

CEI provides a unique offering of high mix, low volume contract manufacturing services to customers. CEI has successfully retained all of its customers, subsequent to the AEM acquisition and is able to attract new customers in the semiconductor industry.

Question 6

How are the newly acquired companies contributing to the AEM Group and are there plans to use the surplus cash to acquire more synergistic companies?

We have made acquisitions to bring together core technologies to realise our System Level Testing Plus (“SLT+”) vision and to enhance our ability to deliver quality products to our customers. The entities within AEM Group leverage on each other’s technologies and strengths to provide solutions and products to our customers.

Amongst the acquisitions to-date, the acquisition of CEI has enabled AEM to leverage on CEI’s assembly and box build capabilities to deliver its customised test cell offerings, from intelligent load boards to custom-native system level test offerings, in a quick and timely manner to meet the customer’s need. The acquisition of CEI raises the level of service for our customers by creating a site-resilient infrastructure. Together with our global manufacturing sites, CEI’s manufacturing plants in Vietnam and Indonesia will allow us to meet the growing demands of our global customer base.

We acquired a stake in ATECO to engage in joint efforts to offer advanced solutions to the memory market and engage in R&D activities on testing and handling for semiconductor devices.

The acquisition of Mu-TEST brought in a strong team of highly experienced engineers, which complements AEM’s System Level Test engineering team, enabling the delivery of AEM’s Asynchronous Modular Parallel Smart (AMPS)-based SLT+ solutions to the semiconductor and electronics markets.

The acquisition of DB Design strengthened AEM’s design and application engineering capabilities in the consumables space, and expanded AEM’s customer portfolio in the semiconductor and electronics space.

We are constantly on the look-out for synergistic and meaningful acquisition as we aim to expand our technology pillars and gain market access.



RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

A. Industry Outlook and AEM Portfolio *(Continued)*

Question 7

Could you provide some real-life examples on how AEM has managed to cross-sell new products and technical solutions to CEI's life science customers? What are the opportunities available for AEM in the booming life science industry that AEM will like to pursue?

AEM is committed to growing CEI's life science sector. With regards to cross selling, the largest opportunity is with the integration of CEI into AEM to provide quick turn solution and full stack capability to our semiconductor customers. A real-life example is the engagement with a large semiconductor customer to manufacture the applications specific testers.

Question 8

Will CEI continue to seek growth in their Contract Manufacturing business or only focus on manufacturing for AEM post acquisition?

CEI is a reputable contract manufacturer with a proven track record and an established customer base. The acquisition of CEI enables AEM to provide quick turn, full stack capability for our handler and tester solutions. CEI will continue to serve third party customers and in parallel provides vertical integration over the AEM supply chain. A significant amount of CEI business continues to be from external customers.

B. Financials and Capital Management

Question 1

What is the impact of rising interest rates and inflationary pressure on AEM's business outlook?

Maintaining a strong financial position is one of AEM's top priorities. The Company has cash and cash equivalent of S\$216.2 million with a low gearing ratio of 0.2 times as at 31 December 2021. The Company will continually review its capital structure to ensure rising interest rate does not adversely impact its financial position and the running of the business.

Similarly, there is scope for the Company to work on improving operational efficiency and productivity to mitigate the impact of inflationary pressures.



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B. Financials and Capital Management *(Continued)*

Question 2

Is there any possibility that dividend pay-out can be raised, and can dividend be distributed every quarter?

AEM is committed to investing for growth and increasing shareholders' return. The dividend policy established is in consideration to delivering sustainable long-term shareholders' return with regards to the Company's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors.

The Board will continually review the dividend policy. At this juncture, we do not plan to change the frequency of our dividend payment from semi-annual to quarterly basis.

Question 3

Is there any plan to increase cash flow via rights issue for future acquisitions and mergers?

We will focus on executing our strategy and continually review our capital structure to enable growth and deliver value for our shareholders. In this regard, we will regularly re-evaluate different fund-raising options to support our growth strategy.

Question 4

Could management explain what caused the reduction in cash flow from operating activities between FY2020 and FY2021, and the increase in trade and other receivables (S\$18 million to S\$53 million) and inventories (from S\$22 million to S\$90 million) in the Cash Flow Statement?

The reasons for the reduction in cash flow from operating activities are primarily driven by higher working capital to fund the increase in AEM's business activities, in addition to incorporating the CEI operations in FY2021.

Furthermore, higher sales recorded towards the end of FY2021 resulted in the increase in trade and other receivables.

Last but not least, the ongoing supply chain disruptions experienced by many companies in the industry continues to be a challenge for order fulfilment. Accordingly, we have held onto a higher inventory level in FY2021 as compared to FY2020 to assure parts and components availability to meet future delivery plans.



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C. Mitigation of Recent Risk Factors

Question 1

What is the impact to AEM on China plant and movement of staff in China under the current situation?

Against the backdrop of the latest pandemic development in China, our operation in China strictly complies with the COVID-19 movement control implemented by the Chinese Authority. We continue to carry out business activities by adopting measures like remote working arrangements for certain functions that do not need to be performed onsite and maintain safe distancing rules at the work premises. The Company will continue to monitor the ongoing development and keep shareholders informed of any material development should the COVID-19 situation changes, specifically in China.

Question 2

Could you explain further on the U.S. litigation?

We refer to our SGX announcement "Update Announcement" dated 24 February 2022. Under the rules of the arbitral body (JAMS) and the applicable protective order, the details of the arbitration are confidential.

The AEM entities involved have sought legal advice from their legal advisers in the United States of America and have been advised that based on a preliminary analysis, the claims appear to lack factual and/or legal support. The arbitration is still at an early stage and the claimant has not provided any quantification for its demands for relief. The arbitration hearing is currently expected to conclude in 2023. The Company is working with its legal advisers to monitor the progress of the arbitration and will update the shareholders on material developments on this matter as necessary and where appropriate. In the meantime, the Company's operations are unaffected by the arbitration.

Question 3

Is there any impact on your global business arising from the prolonged Ukraine-Russia conflict, including elevated oil and gas prices?

The Company has not experienced any major direct impact from the prolonged Ukraine - Russia conflict to-date. However, from a macro perspective, businesses around the world could face cost pressures due to higher energy prices, supply chain disruptions, and upward pressure on prices of commodities. We will continue to monitor the situation.



RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

C. Mitigation of Recent Risk Factors *(continued)*

Question 4

With the ongoing supply chain disruptions and increase in raw material cost, is the company experiencing component shortages resulting in delays to your equipment production and delay to delivery timeline?

In the current global situation, the supply chain disruptions have been widespread. We are working very closely with our suppliers to secure the materials that we require for production. We undertake proactive inventory management strategies, which include building up a prudent level of inventory holdings which are expected to be utilised for production. So far, we have been able to contain the impact of the disruptions and continue to serve our customers effectively.

D. Others

Question 1

Temasek has been increasing their stake in AEM over the past few months. Is there any plan which the shareholders should be aware of?

The Company is not in the position to respond or answer regarding the investment decisions made by any of its shareholders. Investors have made investment decisions based on their independent assessment of their investment objectives, strategy, and portfolio management amongst others.

Question 2

Will AEM consider having an interactive e-AGM going forward?

The Company engages its stakeholders regularly and encourages feedback, views and participation of its shareholders. Shareholders can reach out to the Company in various ways, including posting such feedback and views to the Company's investor relations website. The Company also adopts the practice of regularly communicating its financial performance and major developments in its business and operations on SGXNET and where appropriate directly to shareholders, analysts, the media, and its employees.

We believe the AGM is a platform to address shareholders' questions on the resolutions tabled for approval at the AGM. Accordingly, our current platform allows substantial and relevant questions received from shareholders to be answered and the Company will respond to these questions on a timely manner, allowing the shareholders to cast their votes on an informed basis.

The Company will continuously evaluate its communication approach and constantly monitor the most appropriate forum of conducting an AGM based on permitting circumstances.