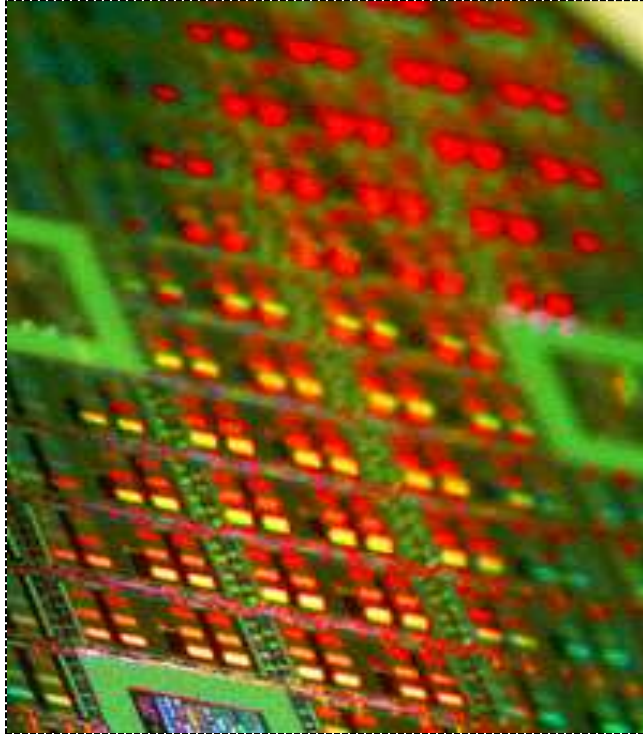




axt



# AXT

## STAR Market Update

August 22, 2022



# Legal Disclosure

## **SEE ADDITIONAL RISK FACTORS ON FORM 10-Q AND FORM 10-K**

This STAR Market update contains forward-looking statements within the meaning of the Federal securities laws, including, for example, the progress, timing and estimated completion of the proposed listing of shares of Tongmei on the STAR Market. These forward-looking statements are based upon assumptions that are subject to uncertainties and factors relating to the company's operations and business environment, which could cause actual results to differ materially from those expressed or implied in the forward-looking statements contained in the foregoing discussion. These uncertainties and factors include but are not limited to: the requests for redemptions by private equity funds in China of investments in Tongmei, the administrative challenges in satisfying the requirements of various government agencies in China in connection with the listing of shares of Tongmei on the STAR Market, continued open access to companies to list shares on the STAR Market, investor enthusiasm for new listings of shares on the STAR Market and geopolitical tensions between China and the United States. Additional uncertainties and factors include, but are not limited to: the timing and receipt of significant orders; the cancellation of orders and return of product; emerging applications using chips or devices fabricated on our substrates; end-user acceptance of products containing chips or devices fabricated on our substrates; our ability to bring new products to market; product announcements by our competitors; the ability to control costs and improve efficiency; the ability to utilize our manufacturing capacity; product yields and their impact on gross margins; the relocation of manufacturing lines and ramping of production; possible factory shutdowns as a result of air pollution in China or COVID-19; COVID-19 or other outbreaks of a contagious disease; tariffs and other trade war issues; the financial performance of our partially owned supply chain companies; policies and regulations in China; and other factors as set forth in the company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and other filings made with the Securities and Exchange Commission. Each of these factors is difficult to predict and many are beyond the company's control. The company does not undertake any obligation to update any forward-looking statement, as a result of new information, future events or otherwise.



# Summary of the Process

- Announced intention in November 2020 to seek capital by listing Tongmei to IPO in China
- Separate listing of Tongmei, no change regarding the current Nasdaq listing of AXTI
- Tongmei's IPO application was formally accepted for review by the Shanghai Stock Exchange ("SSE") in January 2022
- The SSE approved the application in July 2022
- The application is now being reviewed by the China Securities Regulatory Commission ("CSRC")
- If approved, the next stage in this process is to conduct a series of one-on-one meetings with interested investment funds in China and assess the level of interest
- Once the meetings are concluded Tongmei's investment banker could request a listing date to begin trading
- We believe trading could begin in Q4 2022, but timing is subject to various factors outside of Tongmei's control



# Ownership of Tongmei

- AXT currently owns approximately 85.5% of Tongmei
- An additional 10% will be sold if the IPO is approved
- AXT would then own approximately 77% of Tongmei



# Benefits to Key Shareholders

- **AXT shareholders**
  - Attractive balance sheet, minimal dilution
  - Displays and leverages/unlocks China assets
  - Strengthens AXT's business development positioning
- **Our customers**
  - Increases confidence in our ability to scale up
  - Confirms our commitment to their projects and to winning their business
- **Our employees**
  - Creates excitement, pride and financial opportunity
  - Strengthens retention, motivation and commitment to excellence

A close-up, microscopic view of a circuit board, showing a dense grid of red and yellow components connected by green traces.

Thank You