

Sustainability Report 2018



SAMURAI 2K AEROSOL LIMITED

Incorporated in Republic of Singapore

Company Registration No. 201606168C

The Aerosol Coating Specialist

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This sustainability report has been prepared by Samurai 2K and its contents have been reviewed by the Company's Sponsor, UOB Kay Hian Private Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor had not independently verified the contents of this sustainability report.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report including the accuracy, completeness or correctness of any information, statements or opinions made or reports contained in this sustainability report.

The contact person for the Sponsor is Mr Gregory Wee Toon Lee, Assistant Vice President at 8 Anthony Road, #01-01, Singapore 229957, and telephone (65) 6590 6881.

Board's Statement



*Standing from left: Mr Sia Yeak Hong, Dato' Loh Shin Sing, Mr Hau Hock Khun and Dato' Chang Chor Choong.
Sitting from left: Mr Lim Siang Kai Mr Ong Yoke En and Ms Lim Lay Yong*

The Board of Directors (the “**Board**”) of Samurai 2K Aerosol Limited (“**Samurai 2K**”, and together with its subsidiaries, the “**Group**”) are pleased to present our sustainability report for the financial year ended 31 March 2018 (“**FY2018**”).

As one of the leading aerosol coating specialist, we provide high-performance coating solutions for the automotive refinishing and refurbishing industry and we are cognizant that sustainability means more than just financial accountability; it's also the story of our progress towards tracking and achieving our environmental, social and governance (“**ESG**”) goals.

Sustainability guides the way our business is conducted and as demonstrated in our vision, “*We change the aerosol; aerosol changes the world*”, we strive to continually improve the economic and social well-being of our stakeholders by incorporating key sustainability issues and principles within our business operations.

Our Board oversees the identification and management of risk and opportunities surrounding sustainability issues and how it has been embedded as part of our business and operational strategy.

To stay relevant in today's dynamic business environment and new challenges, our Board will seek new perspectives in managing and overseeing our key ESG factors as we embark on our sustainability journey.

Sincerely,
Board of Directors

About This Report

This report focuses on the evaluation of Samurai 2K’s business performance in terms of economic, environmental, social and governance aspects. In preparation for this report, we have considered material sustainability issues and strategies which consequently optimise our business growth.

This is an inaugural report by Samurai 2K and it is prepared in accordance with the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Rules – Sustainability Reporting guide (the “**SGX Sustainability Reporting Guide**”) and with reference to the Global Reporting Initiative (“**GRI**”) Standards 2016: Core Option, which is a well-known and globally recognised sustainability reporting framework and its reporting principles. We have chosen to adopt the GRI Sustainability Reporting Standards as it is the most widely accepted global framework for voluntary corporate reporting of environmental and social performance.

Unless otherwise stated, this report covers the period from 1 April 2017 to 31 March 2018 for our operations in Singapore and Malaysia. We have not sought external assurance for this report and we may consider doing so in future annual sustainability reports.

For any suggestions, comments, and enquiry related to this report, kindly contact our headquarters at (60)7-510 3188. Our headquarters is located at 4 Jalan Dato’ Yunus 1, Taman Perindustrian Dato Yunus Sulaiman, Lima Kedai 81120 Skudai, Johor, Malaysia.



Who We Are

Samurai 2K was established in 1997 by our founder, Mr. Ong Yoke En. We are a leading aerosol coating specialist with a focus on high performance coating solutions with advanced technology for the automotive refinishing and refurbishing industry under our own brands, including “Samurai”, “Kurobushi”, “Khameleon”, “Canbrush”, “Ninjutsu”, “Geiji”, “CanArt” and “Bushido”. We are principally engaged in the manufacturing, distribution, and marketing of our products under our own brands. Samurai 2K was listed in Catalist of the SGX-ST in 2017.

We have developed an aerosol container system with patented technology which allows the hardener and paints solution to be mixed together which is called “2K system” aerosol spray paint.

Our headquarters is located in Malaysia where our products are manufactured in our production facility located in Johor, and are distributed to countries including Malaysia, Indonesia, Thailand, Philippines, Vietnam, Cambodia, United Kingdom, United States of America and Singapore. There are more than 200 employees in Samurai 2K across the production facility and headquarters.

Our vision and strategy are built based on the ambitions outlined for ourselves. We are determined and motivated to sustain our long-term goals and drive a positive change across the industry.

Vision

Samurai 2K’s vision is to lead the change towards circular and renewable aerosol coating products while adapting to global evolution. We change aerosol, aerosol change the world.

Mission

I can’t believe the world without Samurai Paint.

Values



Innovation

We embark on a new journey of growth



Empower individuals

We believe in people and their dreams



Integrity

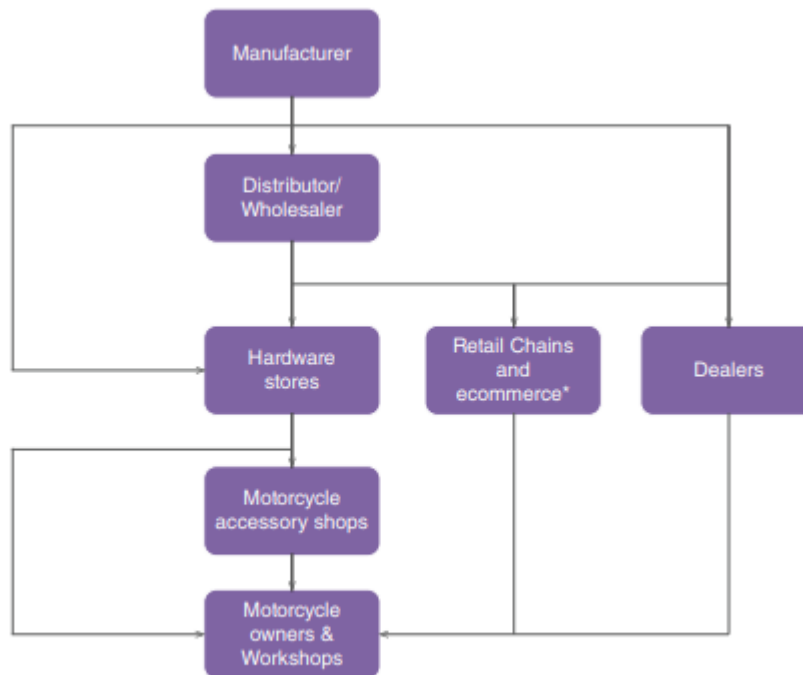
We practice with integrity and honesty



Communication

We practice open, real communication

Our Value Chain



Source: Frost & Sullivan

Note: *observed only in Malaysia

Samurai 2K manufactures innovative aerosol sprays with patented technology at a great price in a sustainable way. Our value chain describes the full sequence of processes involved in the production of all products, from production ideation to customer use and we are responsible to ensure this run both efficiently and effectively.

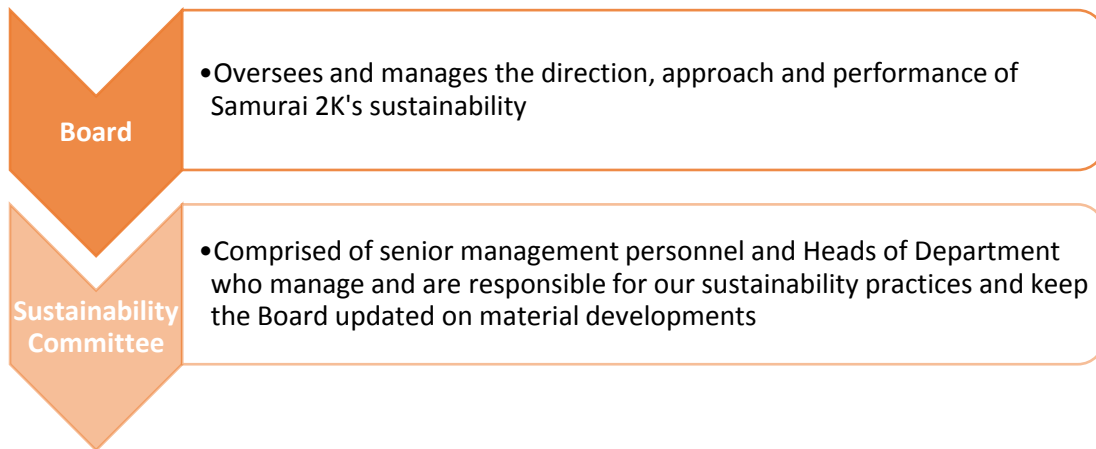
Our value chain does not operate in isolation and we run a vast network worldwide. Our products are distributed worldwide, which is connected to countless people, communities, ecosystems and other businesses around the world.

To continuously maximise our efficiency and impacts along our value chain, we need to tap on expansion opportunities across our business processes. We achieve this by leveraging on our market size and catalyse changes which will improve the operations of our existing value chain.

For many years, we have worked hard to forge strong, long-term relationships with our suppliers, distributors, and wholesalers who are crucial to our success. We have several suppliers who have supplied us for more than a decade and they underwent our stringent pre-selection assessments to ensure the quality of products supplied. Our sustainability efforts include sourcing for environmental-friendly suppliers, preferably based locally in Malaysia, to reduce any greenhouse gas emissions from transportation, and those that supply recycled materials.

Our Sustainability Approach

Sustainability Governance and Principles



At Samurai 2K, the sustainability governance structure is designed to identify and execute sustainability initiatives within our business processes. The Board together with relevant Heads of Department form the ESG Strategy Group.

The Board comprises Non-Executive Chairman, Executive Directors, Non-Executive Directors, and Independent Directors. They would evaluate key performance indicators, review long-term business and organisational goals and thus, provide strategic direction for Samurai 2K's sustainability practices. In formulating our sustainability strategy, we reviewed material ESG factors, collated and assessed data, goals, and targets and identified sustainability risks and opportunities.

The Sustainability Committee comprises senior management and Heads of Department who monitor and manage our sustainability practices and update the Board of material development.



Our Sustainability Approach

Stakeholders' Engagement

Our sustainability approach mirrors our business approach to balancing business growth and ensuring stability. In building sustainable value for our stakeholders, we consider their expectations through our regular engagements with them. Please refer to **Table I** for details of our approach to stakeholders' engagement.

Table I: Our Approach on Stakeholders' Engagement

Stakeholder	Mode of Engagement	Stakeholder Expectation
Customers	Face-to-face dialogue, customer service organization, social media platforms, workshops, and exhibitions	Good quality of services and products, after-sales services, fair purchasing practices
Suppliers	Close relations and constant dialogues with our business partners through our local presence with offices in all production locations, supplier management systems and supplier surveys	Compliance with terms and conditions of purchasing policies and procedures, maintain ethical standards
Workers employed in respective business entities	Orientation programs, employees training, and interviews	Foreign workers' rights, employers' placement, child workers' policy
Employees	Induction and orientation programs, staff appraisals, dialogue sessions with management, regular individual performance reviews, day-to-day leadership and teamwork	Staff rights and welfare, personal development, good working environment
Shareholders	Annual General Meeting, Annual reports, individual meetings and calls, external meetings, conference and circulars to shareholders	Profitability transparency, timely reporting, fair purchasing practices
Business Partners	Regular meetings and discussions	Partnership for opportunities and growth
Government and regulators	Discussions with government agencies and departments	Environmental-friendly business approach, compliance with regulations, timely reporting and resolution of issues

Our Sustainability Approach

Identifying Material Sustainability Topics

Through the respective modes of stakeholder engagement (see Table 1), we have collated and shortlisted ESG topics which have been identified as material to them. Five material ESG topics were identified and would be discussed further in this report. Details of the ESG topics would be provided in *Table 2: List of material ESG topics*.

For future sustainability reporting, we will re-evaluate and review our material ESG topics with our stakeholders to ensure their relevance to us and Compliance with GRI.

Table 2: List of material ESG topics

No	GRI Standards	Topics	Description	Reference	Commitments & Targets
1	GRI 200: Economic	Economic Performance	Our economic performance, the value generated and distributed to communities where our business operates.	<ul style="list-style-type: none"> Annual Report 2018 – Operation & Financial Review Page 3 Sustainability Report 2018 Page 9 	To increase revenue and sales volume by increasing our range of innovative products in short to medium term.
2	GRI 200: Economic	Anti-corruption	Our practices to comply with anti-corruption law and regulations and to demonstrate our adherence to integrity, governance, and responsible business practices.	<ul style="list-style-type: none"> Sustainability Report 2018 Page 10 	Continue to comply with anti-corruption law and regulations
3	GRI 300: Environmental	Energy and Water Management	Apply to the production of aerosol container system which has a direct impact on the environment.	<ul style="list-style-type: none"> Sustainability Report 2018 Page 11 	Establish and maintain guidelines on energy and water conservation measures.
4	GRI 400: Social	Occupational Health and Safety	Our measures in place to ensure that our employees are in a safe and secure working environment.	<ul style="list-style-type: none"> Sustainability Report 2018 Page 12 	To maintain zero fatal accidents and responsible to monitor the workplace to provide a safe working environment for all employees.

Our Sustainability Approach

Identifying Material Sustainability Topics

No	GRI Standards	Topics	Description	Reference	Commitments & Targets
5	GRI 400: Social	Training and Education	Our approach ensuring all employees are trained and enhance their skillsets. Performance and career development reviews to facilitate continued employability are issues of interest to our stakeholders.	<ul style="list-style-type: none">Sustainability Report 2018 Page 13	To ensure all employees are regularly equipped and trained to understand the production processes of aerosol sprays

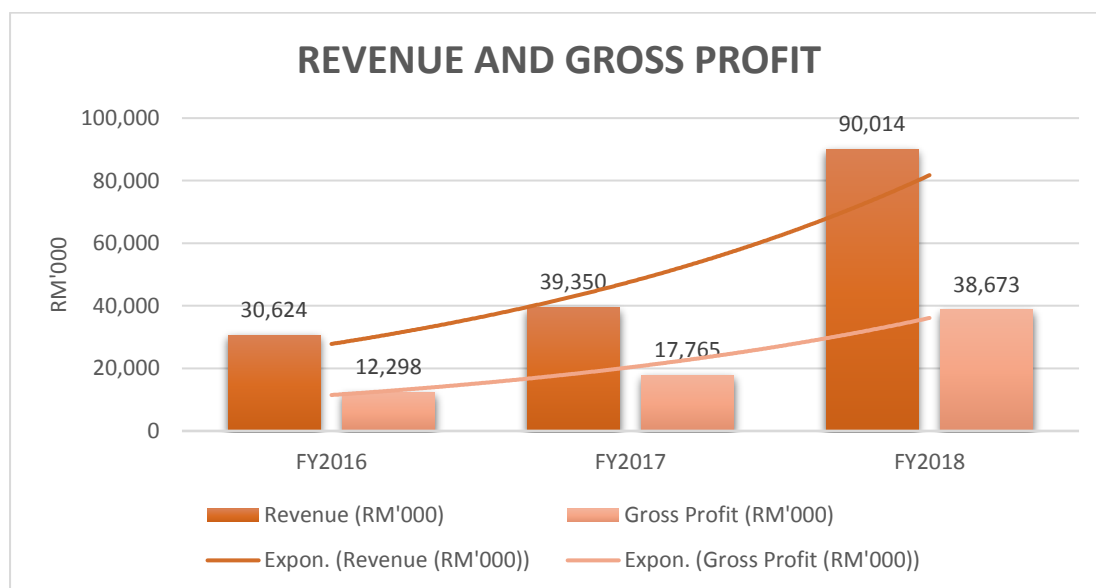
Material Sustainability Topics

Economic Performance

Samurai 2K believes that it is critical to focus on financial sustainability. Samurai 2K's basic principle is to bring forth long-term profitability and shareholder's value is ensured by taking into account the interest of all stakeholders such as employees, suppliers, and investors as a whole.

We are delighted to announce the revenue growth by approximately RM50.7 million from FY 2017 to FY2018. The revenue contribution in terms of the geographical segment was mainly from Indonesia and Malaysia of which grew by 223.5% and 35.9% respectively. In addition, an increase in the revenue was mainly due to increase in sales volume from our key markets namely, Indonesia, Malaysia, Thailand, Vietnam, and Philippines.

Strong corporate governance policies and practices and continuous support from the stakeholders creates business value that is sustainable in the long run. As one of the leading market players in the automotive refinishing and refurbishing industry with an established retail track record, we are working towards growing and expanding our presence regionally and globally. We are also looking forward to expand our product range and meet the challenging demand of our end-users. Samurai 2K will seek opportunities in the near future to expand our business locally and globally through acquisitions, joint ventures or strategic alliances. Such acquisitions could bring about greater economies of scales and product impetus for future growth.



For detailed financial results, please refer to the following sections in our FY2018 Annual Report:

- Operations and financial review, page 3
- Consolidated statement of profit or loss and other comprehensive income, page 46
- Statement of financial position, page 47
- Consolidated statement of changes in equity, page 48 – 50
- Consolidated statement of cash flows, page 51

Material Sustainability Topics

Anti-corruption



Samurai 2K is committed to uphold integrity and maintain high standards of business conduct to safeguard the interests of its stakeholders. Any malpractices of corruption and bribery are strictly prohibited within Samurai 2K and such cases will be identified and penalised. We maintain a strict policy and procedures towards corruption and dishonesty which are in compliance with anti-compliance and anti-fraud laws.

Samurai 2K has placed heavy emphasis on ethical business conduct on all employees and they are expected to conduct themselves in accordance with the expectations set out in the code of conduct. Samurai 2K will take a series of actions such as formal disciplinary proceedings in view of unethical conduct or malpractice in relation to corruption or fraud. This moral code will enhance our business relationships and our corporate social responsibility.

Whistleblowing Policy

Samurai 2K is committed to conducting business with high standards of corporate governance and professionalism. In line with this commitment, Samurai 2K has established a whistle-blowing policy which provides a channel for our employees/workers to report any suspicious incidents on corruption and/or any form of misconduct by any employees/workers to the Audit Committee, in good faith and in confidence. The Audit Committee reports to the Board on such matters at the Board meetings. Thereafter, the Audit Committee will make necessary arrangements for any investigation of matters raised and for any follow-up actions to be taken.

During FY2018, there was no whistleblowing report received against bribery and corruption in our business dealings with suppliers, dishonest practices or other improprieties in the workplace.

Moving forward, Samurai 2K seeks to continue adhering to the whistleblowing policy and code of conduct. We ensure that the directors, management, and employees refrain from involvement in corrupt activities such as acceptance or giving of bribes.

Material Sustainability Topics

“We are committed to minimising our environmental impact and to build a sustainable future.”

Energy Management

Environmental conservation such as reduction of energy used during our manufacturing processes forms an integral part of Samurai 2K’s sustainability journey. Samurai 2K introduced a formalised approach towards managing energy usage in our production plant located at Johor, Malaysia.

Throughout the years, Samurai 2K made efforts to spread awareness and encourage employees to adopt good energy saving habits such as reminders to ensure that lights and power points are switched off when they are not in use.

Going forward, we will organise talks to create awareness about going green and energy saving tips for all employees and workers in Samurai 2K. We are committed to identifying and implementing energy conservation measures to reduce energy use in the manufacturing of our products.

Waste Management

Samurai 2K has research and development and manufacturing activities which involve the use of controlled hazardous materials namely, resins, pigments, additives, solvents, and propellants. We may produce hazardous byproducts as part of our production processes. As such, waste management is one of the key measures in preventing pollution of the environment.

We adopted environmentally friendly methods into our manufacturing processes. Our practice of recycling solvents reduces the waste produced and total waste will be disposed of through panel waste agents appointed by Iskandar Puteri City Council.

Samurai 2K has also diligently complied with the Environmental Quality (Prescribed Conveyance) (Scheduled Wastes) Order 2005 established by Malaysia Environmental Quality Council. In addition to compliance with Environmental Quality Regulation, we have strictly adhered to Malaysia’s environmental law. In FY2018, there is no reported incident of violation of any environmental laws.

Moving forward, our goal includes a continuous assessment of our waste management measures such as recycling our aerosol containers and target to maintain zero incident of violation of any environmental laws.

Material Sustainability Topics

Occupational Health and Safety

Our employees' safety and health at the workplace is one of our top priorities, and our ultimate goal is to ensure zero fatal accidents. We are committed to monitor and reduce any safety and health risks through effective risk mitigation management.

We have established a conducive and appropriate working environment for our employees at our principal place of business and are pleased to confirm that zero fatal accidents were reported in FY2018. The formation of a Health and Safety Committee in the principal place of business supervises and ensures that all workplace health and safety are strictly adhered to. The committee members performed their due diligence to report any hazardous activities to the head of the committee and ensuring the safety of the employees. The committee has conducted emergency evacuation exercises for all employees to raise their awareness and familiarise with emergency evacuation procedures.

Samurai 2K is in compliance with the requirements set out in the Malaysia Occupational Safe and Health Regulations 1996, implemented by the Department of Occupational Health and Safety (DOSH). This regulation sets out the general duties of the employees and liability of offenses committed by the body corporate and/or trade union. We understand that DOSH will conduct random inspections and financial penalties will be imposed on us for breaches and non-compliance. In FY2018, we have not received any penalty notice issued by Department of Occupational Safety and Health (DOSH), a department under Malaysia Ministry of Human Resources, in respect of non-compliance with the Occupational Safety and Health Administration (OSHA).

Our Health and Safety Committee is responsible for monitoring and ensuring a safe working environment in the operational department in the long run. There will be frequent meetings conducted within the committee to discuss matters such as workplace hazards and safe work practices. Operational training programs will be conducted on a regular basis, covering safety aspects related to a specific tasks. Safety briefings will be conducted every morning at the production facility located in Johor to refresh employees' knowledge on workplace safety and regular safety checks will be conducted before commencement.

Occupational Health and Safety measures include:



Conduct regular risk assessment on production of aerosol container system



Allocate safety supervisors to conduct regular workplace inspections as well as equipment checks



Improve the competency of our employees and cultivating good health and safety practices through proper training and effectively communicate health and safety matters to all employees

Moving forward, Samurai 2K will continue to work towards attaining zero workplace incidents and no penalties or fines on breaches and non-compliance by DOSH.

Material Sustainability Topics

Training and education

Samurai 2K believes that an engaged and motivated workforce is key to achieving cohesiveness and high performance from the employees. Hence, our Human Resource (“HR”) policies and training initiatives are in place to promote our employees’ professional development to stay relevant and competitive in this rapidly evolving market.

Samurai 2K ensures that performance expectations, as well as results, are clearly communicated through an annual formal performance appraisal process. Management also encourages supervisors to provide feedback to their subordinates on a regular basis such that any training and development needs can be identified and addressed in a timely manner.

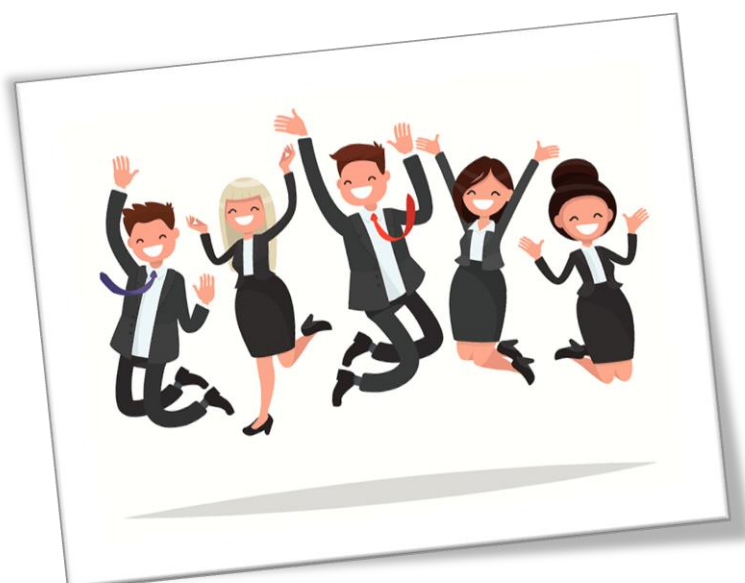
Management will regularly send their employees for trainings which are in line with their core competencies such as technical skills, business organisations and/or communication.

In FY2018, we have clocked over 806 hours in training and development for all employees, this translates to an average of 6.44 training hours per employee.

In FY2019, Samurai 2K will introduce more training programs prepared by well-known speakers, new business showcases and short courses. We target to clock in more than 8 training hours per employee in order to keep abreast of the latest industry developments.

Average training hours per employee by gender	FY2018	FY2017
Male	6.54	8.62
Female	6.37	5.94

Average training hours by employee category in	FY2018	FY2017
Staff (e.g. associate)	6.06	6.83
Middle Management	7.70	-
Senior management	6.06	-



GRI Content Index

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
102-1 Name of the organisation	1
102-2 Activities, brands, products, and services	3
102-3 Location of headquarters	3
102-4 Location of operations	3
102-5 Ownership and legal form	3
102-6 Markets served	3
102-7 Scale of the organisation	3
102-8 Information on employees and other workers	3
102-9 Supply chain	4
102-10 Significant changes to the organisation and its supply chain	Not Applicable
102-11 Precautionary principle or approach	5
102-12 External initiatives	Not Applicable
102-13 Membership of associations	Not Applicable
102-14 Statement from senior decision maker	1
102-16 Values, principles, standards, and norms of behaviour	3
102-18 Governance structure	5
102-40 List of stakeholder groups	6
102-41 Collective bargaining agreements	Not Applicable
102-42 Identifying and selecting stakeholders	6
102-43 Approach to stakeholder engagement	6
102-44 Key topics and concerns raised	7
102-45 Entities included in the consolidated financial statements	Annual Report 2018: Page 46-51
102-46 Defining report content and topic boundaries	2
102-47 List of material topics	7-8
102-48 Restatements of information	Not applicable as it is our first SR
102-49 Changes in reporting	Not applicable as it is our first SR
102-50 Reporting period	2
102-51 Date of most recent report	Not applicable as it is our first SR
102-52 Reporting cycle	2
102-53 Contact point for questions regarding the report	2
102-54 Claims of reporting in accordance with the GRI Standards	2
102-55 GRI content index	14 & 15
102-56 External assurance	2
103-1 Explanation of the material topics and its Boundary	7-8
103-2 The management approach and its components	9-13
103-3 Evaluation of the management approach	9-13
201-1 Direct economic value generated and distributed	9 Annual Report 2018: Page 3 and 46-51
205-1 Operations assessed for risks related to corruption	10
205-2 Communication and training about anti-corruption policies and procedures	10
205-3 Confirmed incidents of corruption and actions taken	10
307-1 Non-compliance with environmental laws and regulations	11
403-1 Workers representation in formal joint management-worker health and safety committees	12
404-1 Average hours of training per year per employee	13

GRI Content Index

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
404-2 Programs for upgrading employee skills and transition assistance programs	13
404-3 Percentage of employees receiving regular performance and career development reviews	13

SAMURAI[®]

くろぶし 黒武士

SAMURAI 2K is not only selling paint, but more importantly we introduce a living lifestyle that is more unique, creative and enjoyable

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