



**SAMURAI 2K AEROSOL LIMITED**  
(Company Registration Number 201606168C)  
(Incorporated in the Republic of Singapore)

**RESPONSES TO QUESTION RECEIVED FOR ANNUAL GENERAL MEETING**

The Board of Directors (the "**Board**") of Samurai 2K Aerosol Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the following:

- (a) the annual report of the Company for the financial year ended 31 March 2021 ("**FY2021 AR**"); and
- (b) the notice of the annual general meeting ("**AGM**") issued on 12 July 2021.

The Company would like to thank shareholders for submitting their questions in advance in accordance to the deadline set out in the notice of AGM. The Company has received questions from shareholders and the Securities Investors Association (Singapore) in relation to the FY2021 AR and would like to set out in this announcement its responses.

**QUESTION 1:**

Despite the COVID-19 pandemic, the Group recognized a record revenue of RM110.6 million and net profit of RM17.5 million in FY2021. The 75.4% increase in revenue was attributed to higher demand from Malaysia and Indonesia. Total sales volume rose by 7.0 million cans to 17.3 million cans in FY2021. As shown in Note 27 (page 99 – Segment information), revenue from the premium paint segment more than doubled, from RM23.35 million to RM47.21 million in FY2021 while the increase in the standard paint segment was 61.2%, from RM39.1 million to RM63.0 million.

**(i) Can management help shareholders understand the underlying reasons for the increase in demand from end-users in both segments?**

In addition, revenue from Malaysia and Indonesia increased by 106% and 34.8% to RM45.9million and RM42.4 million respectively (Note 27 – page 101).

**(ii) Are there differences in the Group's operating model in Malaysia and Indonesia that could explain the differences in growth rates in the two countries?**

**(iii) What is the Group's estimated market share in Malaysia and Indonesia?**

The Group's sales by volume since FY2016 is as follows:

- FY2016: 5.49 million cans
- FY2017: 6.81 million cans
- FY2018: 15.8 million cans
- FY2019: 12.2 million cans
- FY2020: 10.3 million cans
- FY2021: 17.3 million cans

**(iv) How many production lines does the Group have and what is the current production capacity?** In the offer document dated 9 January 2017, the Company stated that its production capacity was dependent on the number of production lines and manpower. In FY2016, the Group had 4 production lines and a maximum production limit of 7.7 million cans.



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(v) Given that the Group was affected by the Movement Control Order in Malaysia, how did management overcome the challenges to scale up the production? Can management clarify if the Group's manufacturing was considered "essential" during the MCOs?

(vi) In the Company's press release on the Samuraian mobile application on 10 April 2021, the link to the app on Apple App Store appears to be incorrect (see below).

There are many more benefits through this application. Wait no more and quickly download the Samuraian Application at Google Play Store and Apple Store now!

More photos of the event :

Facebook : <https://www.facebook.com/samurai2kaerosol/posts/5281270061946404>

Click link below to Download 'Samuraian' application :

Google Play Store: <https://play.google.com/store/apps/details?id=com.samuraipaint.superfan>

Apple App Store: <https://play.google.com/store/apps/details?id=com.samuraipaint.superfan>

(Source: company announcement dated 10 April 2021)

**Can the Company provide an updated link to its Samuraian app on Apple App Store? How many downloads and active users are there on the Samuraian on both platforms?**

**COMPANY'S RESPONSE :-**

(i) The underlying reason for the increase in demand from end-users in both premium and standard paint is mainly due to the online marketing activities that we have been carrying out in social media platform especially during MCO, which end-users have more time to perform DIYs and refurbish their motorcycles when staying at home. Since FY2016, the Group has been aggressively transforming the business from offline marketing activities to online marketing activities in gaining more end-users loyalty.

(ii) The Group's operating model in Malaysia and Indonesia has no difference. However, the culture and the users' buying power have caused the difference in growth rate. The growth rate in Malaysia during FY2021 is due to an increase in demand from the end-users.

(iii) Due to the uncertainties and changes arising from the COVID-19 pandemic, the Group is not able to make any estimation on the Group's current market shares in Malaysia and Indonesia without a professional market survey.

(iv) The production line remains unchanged from the presentation slides announced on 25 July 2019. Currently, the Group has 7 production lines and production capacity of 24 million cans based on 8 man-hours per weekday shift and 6 man-hour per weekend shift.

(v) The Group's manufacturing business is not classified as "essential" during MCO, thus we faced a closure of 1.5 months since 18 March 2020 until 4 May 2020. After the MCO, the Group scaled up the production by employing additional manpower and productions has to run overtime to overcome those backlog sales orders and increasing demand.



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(vi) As at to-date, there are approximately 6,000 downloads and active users for Samuraian mobile application.

Apple app Store: <https://apps.apple.com/my/app/samuraian/id1504385319>

**QUESTION 2:**

The “allowance for expected credit losses of trade receivables” is a key audit matter (KAM) highlighted by the Independent Auditor in the Report on the Audit of the Financial Statements (page 52).

Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period. As mentioned in the KAM, as at 31 March 2021, the Group’s trade receivables amounted to RM14.4 million, or approximately 11% of the Group’s total assets.

As shown in Note 16 (page 82 – Trade and other receivables), trade receivables decreased from RM25.4 million as at 31 March 2020 to RM14.4 million as at 31 March 2021 even as revenue increased by 75.4% for the financial year.

**(i) Can the Board/management help shareholders understand if it has fine-tuned its credit policies and stepped up on its collections as it grew its business? Have the credit terms changed?**

While cash and bank balances have increased to RM76.4 million as at 31 March 2021, banker’s acceptance has increased from RM4.7 million to RM15.1 million. This can be seen from the consolidated statement of cash flows in which proceeds from bank borrowings amounted to RM10.4 million for FY2021.

**(ii) Has the Board evaluated the working capital management/capital structure? What are the reasons for the increase in banker’s acceptance?**

In addition, on page 90, it is shown that the Group has RM25.1 million denominated in USD (and RM3.6 million in SGD) as cash and bank balances. The Group recognised foreign exchange gains of RM1.49 million in FY2021, while recognising a loss of RM(1.48) in the previous financial year. In the sensitivity analysis, if the USD exchange rate against RM strengthened/weakened by 10%, with all other variables held constant, the Group’s profit after tax will be higher/lower by RM2.3 million.

**(iii) What is the board’s approach to manage the Group’s foreign currency risks?**

**COMPANY’S RESPONSE :-**

(i) There is no change in the Group’s credit policies and credit terms. The management has taken stringent action on the collection especially on Indonesia customers whose credit term has been overdue.

(ii) The Board has evaluated the working capital management/capital structure of the Group. The reasons for the increase in banker’s acceptance are a) the cost of borrowing is relatively low and b) the Group would like to retain liquidity for business development and expansion and for other working capital.



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(iii) The Group works closely with the financial institution on foreign currency hedging in order to minimise foreign currency risk.

**QUESTION 3:**

As disclosed in the annual report, the Company outsources its internal audit function to Nexia TS Risk Advisory Pte Ltd, an external professional firm, to perform the review and test of controls of the Group's processes.

On page 42, the audit and risk committee (ARC) has stated that it is satisfied that the internal audit function is sufficiently independent to carry out its role; conducted effectively as management has provided full co-operation to enable the IA to perform its function; adequately resourced to perform the work for the Group; and has the appropriate standing within the company.

**(i) Can the ARC elaborate further on the scope of the internal audit plans in FY2021?**

**(ii) Were the Group's foreign subsidiaries covered by the internal audit in FY2021?**

**(iii) What were the key findings by the internal auditor?**

**(iv) Did the internal auditor make any recommendations to the ARC? If so, what are the recommendations? Have the recommendations been implemented?**

**COMPANY'S RESPONSE :-**

(i) The scope of internal audit plans in FY2021 included identification of key risks and evaluation of design effectiveness of corresponding internal controls for the cycles for the areas of review. The areas of review in FY2021 were as follows:-

S/N	Area of Review
1	Procurement, payables and payment
2	Production management
3	Human Resource and Payroll
4	General IT controls
5	Follow up on Previous Report Finding(s)

The procedures of review included:-

- reviewing key management/corporate information such as organisation charts, policies and procedures, systems and authorisation limits;
- interviewing key process owners (managers and employees) on the operating processes and controls;
- performing walkthrough of processes to understand key controls in place;
- carrying out control testing through verification and reviewing of relevant documents; and
- reviewing employee job functions and responsibilities to assess whether incompatible duties were properly segregated.

(ii) The internal audit in FY2021 covered the Group's key subsidiary in Malaysia.



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(iii) and (iv) There was no high risk findings noted by the internal auditors in FY2021. The recommendations made by the internal auditors relate to enhancement on process documentation and policies and procedures. All the recommendations have been implemented.

**QUESTION 4:**

The Company's business is getting better and revenue has improved. The current proposed dividend of S\$0.02, does it apply to current number of shares held by shareholders or before the share split.

**COMPANY'S RESPONSE :-**

The proposed final one-tier tax exempt dividend of S\$0.02 per share is on a pre-split basis. Based on the current number of shares after the share split, the proposed final one-tier tax exempt dividend is S\$0.00667 per Share. Please refer to the corrigendum and the revised notice of AGM as announced on 23 July 2021.

**QUESTION 5:**

As the Company's business is getting better and better, will the Company pay more dividends in the future?

**COMPANY'S RESPONSE :-**

The Group currently does not have a fixed dividend policy. The Board will consider factors including the Group's profit, cash flow and cash position, and the current and future cash flow management to make the best decision on any dividend declaration.

**QUESTION 6:**

For shareholders who attend this AGM, do you have plans to offer a door gift?

**COMPANY'S RESPONSE :-**

Unfortunately, no door gift will be offered for this AGM. We will take this into consideration for future AGM.

**QUESTION 7:**

What are your short-term (3 years) & long-term (10 years) plans?

**COMPANY'S RESPONSE :-**

The Group's short-term plans are the expansion of production facilities to cater with the increasing market demand and the launching of new technology in FY2022 which allows the users to DIY to mix and match their preferred colour anytime and anywhere.

For the long-term plans, the Group is looking to expand the research and development department to invent innovative products and to patent these products, as well as to transform the Group's traditional business model into a digital model through O2O, E-Commerce and Blockchain development to create a business ecosystem as a whole.



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By Order of the Board

Ong Yoke En  
Executive Director and Chief Executive Officer  
27 July 2021

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*This announcement has been prepared by Samurai 2K Aerosol Limited (the “**Company**”) and its contents have been reviewed by UOB Kay Hian Private Limited (the “**Sponsor**”) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst.*

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

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