



SAMURAI 2K AEROSOL LIMITED
Company Registration No. 201606168C

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE
HALF-YEAR ENDED 30 SEPTEMBER 2018**

Samurai 2K Aerosol Limited (the “Company”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 16 January 2017. The initial public offering (the “IPO”) of the Company was sponsored by UOB Kay Hian Private Limited (the “Sponsor”).

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of the 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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Background

The Company was incorporated in Singapore on 9 March 2016 under the Companies Act Chapter 50 of Singapore as a private limited company, under the name Samurai 2K Aerosol Pte. Ltd. On 16 December 2016, the Company was converted into a public limited company by shares and its name was changed to Samurai 2K Aerosol Limited. The Company and its subsidiaries (the “Group”) were formed pursuant to a restructuring exercise which was conducted to rationalise and streamline the Group structure and business activities (the “Restructuring Exercise”) prior to the Company’s initial public offering (“IPO”) and listed on Catalist of the SGX-ST. Please refer to the Company’s offer document dated 9 January 2017 for further details on the Restructuring Exercise.

The Group is a leading aerosol coating specialist with a focus on high performance coating solutions for the automotive refinishing and refurbishing industry. The Group is principally engaged in the manufacturing, distribution and marketing of its products under its own brands, including “Samurai”, “Kurobushi”, “Khameleon”, “Canbrush”, “Ninjutsu”, “Geigi”, “CanArt” and “Bushido”.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 30 September 2018 (“1H2019”) and 30 September 2017 (“1H2018”)

	Group		
	1H2019 RM'000 (Unaudited)	1H2018 RM'000 (Unaudited)	Increase/ (Decrease) %
Revenue	38,919	34,489	12.8
Cost of sales	(20,776)	(19,016)	9.3
Gross Profit	18,143	15,473	17.3
Other income/(expenses)	102	(376)	n.m.
Administrative expenses	(5,939)	(4,747)	25.1
Marketing and distribution expenses	(1,712)	(2,240)	(23.6)
Finance costs	(208)	(266)	(21.8)
Profit before tax	10,386	7,844	32.4
Income tax expense	(2,137)	(1,538)	38.9
Profit for the period	8,249	6,306	30.8
Other comprehensive income: <i>Items that are or may be reclassified subsequently to profit or loss</i>			
Currency translation difference arising from consolidation	(38)	(43)	n.m.
Total comprehensive income for the period	8,211	6,263	31.1
<u>Profit/(loss) for the period attributable to:</u>			
Equity holders of the Company	8,429	6,444	30.8
Non-controlling interests	(180)	(138)	30.4
	8,249	6,306	30.8

<u>Total comprehensive income/(loss) for the period attributable to:</u>			
Equity holders of the Company	8,388	6,403	31.0
Non-controlling interests	(177)	(140)	26.4
	8,211	6,263	31.1

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

	Group		
	1H2019 RM'000 (Unaudited)	1H2018 RM'000 (Unaudited)	Increase/ (Decrease) %
Profit for the period include the following charges/(credits):			
Interest income	(90)	(68)	32.4
Finance expenses:	208	266	(21.8)
- bank borrowings	201	255	(21.2)
- finance lease liabilities	7	11	(36.4)
Depreciation of property, plant and equipment	775	491	57.8
Amortisation of intangible assets	21	3	n.m
Rental expense	244	217	12.4
Foreign exchange (gain)/loss, net	(5)	551	n.m.
Personnel expenses	6,094	4,606	32.3
Tax expense:	2,137	1,538	38.9
- current income tax expense	1,890	1,822	3.7
- deferred income tax expense/(reversal)	247	(284)	n.m.

n.m. - not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at 30.09.18 RM'000 (Unaudited)	As at 31.03.18 RM'000 (Audited) <i>Restated</i> ⁽¹⁾	As at 30.09.18 RM'000 (Unaudited)	As at 31.03.18 RM'000 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	16,423	16,117	-	-
Intangible assets	384	168	-	-
Investment in subsidiaries		-	10,451	10,451
Deferred tax assets	73	74	-	-
	16,880	16,359	10,451	10,451
Current assets				
Inventories	9,091	8,263	-	-
Trade and other receivables	41,087	29,925	26,974	20,170
Cash and bank balances	31,418	39,290	18,512	28,454
	81,596	77,478	45,486	48,624
Total assets	98,476	93,837	55,937	59,075
EQUITY AND LIABILITIES				
Equity				
Share capital	52,653	52,653	52,653	52,653
Retained earnings	29,750	23,287	477	3,977
Foreign currency translation reserve	(277)	(236)	-	-
Merger reserves	(10,497)	(10,497)	-	-
Equity attributable to:				
Equity holders of the Company	71,629	65,207	53,130	56,630
Non-controlling interest	(19)	158	-	-
Total equity	71,610	65,365	53,130	56,630
LIABILITIES				
Current liabilities				
Trade and other payables	17,858	18,843	2,807	2,445
Contract liabilities	-	543	-	-
Borrowings	3,594	3,631	-	-
Tax payable	197	522	-	-
Total current liabilities	21,649	23,539	2,807	2,445

Non-current liabilities				
Borrowings	4,217	4,178	-	-
Deferred tax liabilities	730	483	-	-
Other payables	270	272	-	-
Total non-current liabilities	5,217	4,933	-	-
Total liabilities	26,866	28,472	2,807	2,445
Total equity and liabilities	98,476	93,837	55,937	59,075

- (1) The comparative figures as at 31 March 2018 have been restated to take into account the retrospective adjustment arising from the adoption of SFRS(I) 15 – Revenue contracts with customers as detailed in paragraph 5 of this announcement.

- 1(b)(ii) Aggregate amount of group’s borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:**

Amount repayable in one year or less, or on demand

As at 30.09.18 (Unaudited)		As at 31.03.18 (Audited)	
Secured RM’000	Unsecured RM’000	Secured RM’000	Unsecured RM’000
3,594	-	3,631	-

Amount repayable after one year

As at 30.09.18 (Unaudited)		As at 31.03.18 (Audited)	
Secured RM’000	Unsecured RM’000	Secured RM’000	Unsecured RM’000
4,217	-	4,178	-

Details of any collateral:

As at 30 September 2018, total borrowings included secured liabilities of RM 7,811,000 (31 March 2018: RM 7,809,000) for the Group. Secured bank borrowings amounting to RM 7,569,000 (31 March 2018: RM 7,501,000) are secured and/or guaranteed by one or several collaterals(s) including:

- (i) legal mortgage over our Group’s properties at No. 4, Jalan Dato Yunus 1, Taman Perindustrian Dato Yunus Sulaiman Lima Kedai, 81120 Skudai, Johor, Malaysia and No. 6 and 8, Jalan Dato Yunus 1, Kawasan Perindustrian Dato Yunus Sulaiman Lima Kedai, Gelang Patah, 81500 Johor, Malaysia;
- (ii) fixed deposits; and
- (iii) personal guarantees from our Chief Executive Officer, Mr. Ong Yoke En and Chief Operating Officer, Ms. Lim Lay Yong. In addition, the loan for Group’s properties at

No. 6 and 8, Jalan Dato Yunus 1, Kawasan Perindustrian Dato Yunus Sulaiman Lima Kedai, Gelang Patah, 81500 Johor, Malaysia is also covered by insurance purchased for loan coverage in the event of death of the two guarantors.

Finance lease liabilities of the Group amounting to RM 242,000 (31 March 2018: RM 308,000) are secured by the right to the leased motor vehicles, forklift and machineries.

- 1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	1H2019 RM'000 (Unaudited)	1H2018 RM'000 (Unaudited)
Cash flow from operating activities		
Profit before tax	10,386	7,844
Adjustments for:		
Depreciation of property, plant and equipment	775	491
Amortisation of intangible asset	21	3
Property, plant and equipment written off	2	13
Gain on disposal of property, plant and equipment	-	(11)
Interest expenses	208	263
Interest income	(90)	(68)
Operating cash flow before working capital changes	11,302	8,535
Working capital changes:		
Inventories	(819)	104
Trade and other receivables	(8,949)	(7,607)
Trade and other payables	(775)	5,717
Contract liabilities	(543)	-
Cash flow generated from operations	216	6,749
Income tax paid	(2,213)	(962)
Interest received	90	68
Interest paid	(208)	(263)
Net cash (used in)/generated from operating activities	(2,115)	5,592

Cash flow from investing activities		
Proceed from disposal of property, plant and equipment	-	26
Deposit for purchase of property, plant and equipment	(2,541)	(1,167)
Purchase of property, plant and equipment	(1,076)	(2,882)
Purchase of intangible assets	(237)	-
Net cash used in investing activities	(3,854)	(4,023)
Cash flow from financing activities		
Increase in fixed deposits pledged	(1)	-
Repayment of obligations under finance lease	(66)	(62)
Drawdown/(repayment) of bank borrowings	69	(550)
Dividend paid	(1,966)	-
Net cash used in financing activities	(1,964)	(612)
Net change in cash and cash equivalents	(7,933)	957
Cash and cash equivalents at beginning of financial period	38,068	18,739
Effect of exchange rate changes on cash and cash equivalents	61	(95)
Cash and cash equivalents at end of financial period (Note A)	30,196	19,601

Note A

	Group	
	1H2019 RM'000 (Unaudited)	1H2018 RM'000 (Unaudited)
Cash and bank balances as per statement of financial position	31,418	20,784
Less: Pledged bank deposits	(1,222)	(1,183)
Cash and cash equivalents as per consolidated cash flow statement	30,196	19,601

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY

Group	<----- Attributable to equity holders of the Company----->					Non-controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Currency translation reserve RM'000	Merger reserves RM'000	Retained earnings RM'000	Total RM'000		
1H2019 (Unaudited)							
Balance at 1 April 2018	52,653	54	(10,497)	23,540	65,750	158	65,908
Effects of adopting SFRS(I)1	-	(290)	-	290	-	-	-
Effects of adopting SFRS(I) 15	-	-	-	(543)	(543)	-	(543)
As restated at 1 April 2018	52,653	(236)	(10,497)	23,287	65,207	158	65,365
Profit/(loss) for the financial period	-	-	-	8,429	8,429	(180)	8,249
Other comprehensive income							
Currency translation differences on consolidation	-	(41)	-	-	(41)	3	(38)
Total comprehensive income/(loss) for the period	-	(41)	-	8,429	8,388	(177)	8,211
Dividend paid				(1,966)	(1,966)		(1,966)
Balance at 30 September 2018	52,653	(277)	(10,497)	29,750	71,629	(19)	71,610

Group	<----- Attributable to equity holders of the Company----->					Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Currency translation reserve RM'000	Merger reserves RM'000	Retained earnings RM'000	Total RM'000		
1H2018 (Unaudited)							
Balance at 1 April 2017	23,287	290	(11,345)	12,585	24,817	(38)	24,779
Effect of adopting SFRS(I) 1	-	(290)	-	290	-	-	-
As restated at 1 April 2017	23,287	-	(11,345)	12,875	24,817	(38)	24,779
Profit/(loss) for the financial period	-	-	-	6,444	6,444	(138)	6,306
Other comprehensive income							
Currency translation differences on consolidation	-	(41)	-	-	(41)	(2)	(43)
Total comprehensive income/(loss) for the period	-	(41)	-	6,444	6,403	(140)	6,263
Balance at 30 September 2017	23,287	(41)	(11,345)	19,319	31,220	(178)	31,042

Company	Share capital RM'000	Retained earnings RM'000	Total RM'000
1H2019 (Unaudited)			
Balance at 1 April 2018	52,653	3,977	56,630
Loss and total comprehensive loss for the period	-	(1,534)	(1,534)
Dividend paid	-	(1,966)	(1,966)
Balance at 30 September 2018	52,653	477	53,130
1H2018 (Unaudited)			
Balance at 1 April 2017	23,287	(4,939)	18,348
Loss and comprehensive loss for the period	-	(786)	(786)
Balance at 30 September 2017	23,287	(5,725)	17,562

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

SHARE CAPITAL

There was no change in the Company's share capital since the end of the previous period reported on (i.e. 31 March 2018).

The Company did not have any outstanding convertibles as at 30 September 2018 and 30 September 2017.

The Company did not have any treasury shares or subsidiary holdings as at 30 September 2018 and 30 September 2017.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 30.09.18	As at 31.03.18
Total number of issued shares (excluding treasury shares)	109,921,000	109,921,000

The Company did not have any treasury shares as at 30 September 2018 and 31 March 2018.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the Issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group and the Company have adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 March 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group's financial statements for the financial period beginning 1 April 2018 is prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)).

In adopting the new SFRS(I) framework from 1 April 2018, the Group is required to apply the specific transaction requirements in SFRS(I) *First-time Adoption of Singapore Financial Reporting Standards (International)*.

Adoption of SFRS(I) 1

The Group has elected the option to reset its cumulative translation differences for foreign operations to nil as at 1 April 2017, the date of transition. As a result, cumulative translation losses of RM290,000 were reclassified from foreign currency translation reserve to retained earnings as at 1 April 2017.

Adoption of SFRS(I) 15

The Group previously recognised revenue from sale of goods at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. If revenue cannot be estimated reliably, the Group defers revenue recognition until the uncertainty is resolved. Such provisions for returns, trade discounts and volume rebates in the Group's contracts with customers give rise to variable considerations under SFRS(I) 15 which are required to be estimated at contract inception. Revenue is only recognised to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

With the adoption of SFRS(I) 15, the Group has recorded an adjustment to reduce revenue for the financial year ended 31 March 2018 by RM543,000, with a corresponding increase in contract liability on the statement of financial position as at 31 March 2018.

There is no significant impact on statement of comprehensive income and statement of cash flow for the financial period ended 30 September 2017.

Adoption of SFRS(I) 1 and SFRS(I) 15 have been accounted for retrospectively and the restatement of comparative financial position as at 31 March 2018:

The Group

	Group			As restated RM'000
	As previously reported RM'000	31 March 2018		
		Adoption of SFRS (I) 1 RM'000	Adoption of SFRS(I) 15 RM'000	
Contract liabilities (Current liabilities)	-	-	543	543
Retained Earnings (Equity)	23,540	290	(543)	23,287

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Half-year ended	
	30.09.18	30.09.17
Profit attributable to equity holders of the Company (RM'000)	8,429	6,444
Weighted average number of ordinary shares ('000)	109,921	100,000 ⁽¹⁾
Basic and diluted EPS based on actual number of shares (RM sens):	7.67	6.44

Note:

- (1) Computed based on the enlarged share capital of 100,000,000 shares, assuming that the Restructuring Exercise and the issuance of the 20,000,000 new shares pursuant to the IPO had been completed since 1 April 2017.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on; and (b) immediate preceding financial year**

	Group		Company	
	As at 30.09.18	As at 30.03.18 (Restated)	As at 30.09.18	As at 31.03.18
Net asset value (RM'000)	71,610	65,365	53,130	56,630
Number of ordinary shares in issue ('000)	109,921	109,921	109,921	109,921
Net asset value per ordinary share (RM sens)	65.15	59.47	48.33	51.52

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors;
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF THE GROUP'S PERFORMANCE

1H2019 as compared to 1H2018

Revenue

Revenue increased by approximately RM4.4 million or 12.8% from RM34.5 million in 1H2018 to RM38.9 million in 1H2019.

In terms of geographical segment, the revenue contribution is as follows:

RM' million	1H2018	1H2019	Change	% Change
Indonesia	19.8	20.4	0.6	3.0%
Malaysia	11.5	14.0	2.5	21.7%
Others (Thailand, Vietnam, Philippines, United Kingdom and Singapore)	3.2	4.5	1.3	40.6%
Total	34.5	38.9	4.4	12.8%

The increase in revenue was mainly due to (a) an increase in sales volume by 0.31 million cans or 5.1% from 6.07 million aerosol spray cans in 1H2018 to 6.38 million cans in 1H2019 as a result of higher demand from the Malaysia market and (b) an increase of 12% in average selling price across all range of products in the Indonesia and Malaysia markets.

Cost of Sales and Gross Profit

Gross profit increased by RM2.7 million or 17.3% while gross profit margin for 1H2019 and 1H2018 were 46.6% and 44.9% respectively. Gross profit margin increased mainly due to (i) an increase in revenue by RM7.2 million from RM13.1 million in 1H2018 to RM20.3 million in 1H2019, or 55.0% in the "Paint-Premium" segment which has a higher gross profit margin, (ii) an increase of 12.0% in the average selling price across all range of products in the Indonesia and Malaysia market; and (iii) appreciation in Ringgit Malaysia (MYR) against United State Dollar (USD) by approximately 7.5% between 1H2018 and 1H2019 which has caused the cost of imported purchase materials quoted in USD to be lower.

Cost of sales increased by RM1.8 million or 9.3% mainly due to (i) higher operational-related depreciation costs from the acquisition of property, plant and equipment for expansion purposes, as well as (ii) higher costs of the operational staff hired on contractual basis.

Other Income/(Expenses)

Other income comprised mainly interest income of RM0.09 million and gain on foreign exchange of RM0.01 million. Other income of RM0.1 million in 1H2019 as compared to other expenses of RM0.4 million was mainly due to the absence of foreign exchange loss incurred in 1H2018.

Administrative Expenses

Administrative expenses mainly comprised staff costs, professional fees, rental expenses, upkeep of office, depreciation, utilities, printing and stationery expenses and listing maintenance fees. The administrative cost increased approximately by RM1.2 million or 25.1%, mainly due to (i) increase in salaries of the executive directors (with effect from 1 July 2017 as per their service agreements dated 16 December 2016) by RM0.4 million; (ii) higher salaries and related costs paid for supporting staff of RM0.3 million due increase in headcount and annual increment by approximately 5.0% (iii) higher utility expenses of RM0.2 million (iv) higher depreciation of RM0.1 million in line with increase in property, plant and equipment (v) increase in the operation cost in Samurai 2K USA of approximately RM0.3 million; partly offset by decrease in service tax, container unloading costs and general expenses of RM0.1 million.

Marketing and Distribution Expenses

Marketing and distribution expenses decreased approximately by RM0.5 million or 23.6%, from RM2.2 million in 1H2018 to RM1.7 million in 1H2019 mainly due to (i) lower marketing cost on exhibition and samples amounting to RM0.7 million; partially offset by (ii) higher sales team's travelling expenses of RM0.1 million; (iii) higher salaries and commission paid to sales team amounting to RM0.2 million.

REVIEW OF THE GROUP'S FINANCIAL POSITION

As at 30 September 2018 as compared to 31 March 2018

Non-current assets

Non-current assets increased by RM0.5 million, or 3.2%, from RM16.4 million as at 31 March 2018 to RM16.9 million as at 30 September 2018.

Property, plant and equipment

Property, plant and equipment increased by RM0.3 million, or 1.9 % mainly due to plant upgrading and renovation works of the factory at No. 6, Jalan Dato Yunus 1, Kawasan Perindustrian Dato Yunus Sulaiman Lima Kedai, Gelang Patah, 81500 Johor, Malaysia.

Intangible Assets

Intangible Asset increased by RM0.2 million mainly due to the acquisition of a new enterprise resource planning system.

Current assets

Current assets increased by RM4.1 million, or 5.3%, from RM77.5 million as at 31 March 2018 to RM81.6 million as at 30 September 2018.

Inventories

Inventories increased by RM0.83 million, or 10.0% mainly due to increase in finished goods for delivery in the second half of the financial year ending 31 March 2019.

Trade and other receivables

As at 30 September 2018, trade and other receivables consisted of approximately RM32.6 million of trade receivables (31 March 2018: RM25.1 million) and approximately RM8.5 million of other receivables (31 March 2018: RM4.8 million).

Trade receivables increased by RM7.5 million mainly due to (a) increased sales volume and (b) slower repayment by a debtor. Other receivables increased by RM3.7 million mainly due

to (i) net increase of advance payment to suppliers by RM1.6 million; and (ii) increase in net goods and services tax receivable by RM2.1 million.

As at the date of this announcement, the Group has collected approximately RM5.5 million from the trade receivables in respect of the amounts due as at 30 September 2018.

Non-current liabilities

Non-current liabilities comprised the non-current portion of borrowings, deferred tax liabilities and other payables. Non-current liabilities increased by RM0.3 million, or 5.8%, from RM4.9 million as at 31 March 2018 to RM5.2 million as at 30 September 2018 mainly due to increase in deferred tax liabilities, and increase in non-current borrowings.

Current liabilities

Current liabilities comprised of the current portion of our borrowings, trade and other payables and tax payable.

Trade and other payables

As at 30 September 2018, trade and other payables consisted of approximately RM14.0 million of trade payables (31 March 2018: RM15.8 million) and approximately RM3.8 million of other payables (31 March 2018: RM3.0 million).

The decrease in trade payables by RM1.8 million, or 11.4% was mainly due to faster repayment to suppliers. The increase in other payables by RM0.8 million, or 26.7% was mainly due to accrual of variable performance bonus for the Executive Directors amounting to RM0.7 million.

Current borrowings

Short term borrowings decreased by RM0.04 million or 0.001% due to repayment of finance leases.

Tax payable

Tax payable decreased by RM0.3 million, or 62.3% mainly due to higher tax paid against provision of tax expenses for the current period.

REVIEW OF THE GROUP'S CASH FLOW STATEMENT

Net cash used in operating activities

In 1H2019, net cash used in operating activities of approximately RM2.1 million, arising from operating cash flow before changes in working capital of RM11.3 million offset by changes in net working capital outflow of RM11.1 million, net interest payment of approximately RM0.1 million and income tax payment of approximately RM2.2 million.

The working capital outflow was mainly due to increase in trade and other receivables and inventories by approximately RM8.9 million and RM0.8 million respectively, and the decrease in trade and other payables and contract liabilities of RM0.8 million and RM0.5 million respectively.

Net cash used in investing activities

In 1H2019, we recorded a net cash outflow from investing activities of approximately RM3.9 million mainly due to deposit paid for purchase of a new factory and plant and machineries, as well as the cost of upgrading and renovation of factory to expand our Group's production capacity.

Net cash used in financing activities

In 1H2019, we recorded a net cash outflow from financing activities of approximately RM2.0 million mainly due to dividend paid in August 2018.

As at 30 September 2018, the Group maintained a cash and cash equivalents balance excluding pledged bank deposits of RM30.2 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Board of Director of the Company expects the Group's operating environment and condition to be challenging for the next 12 months given the geopolitical uncertainty that could adversely impact global trade. However, the Group will continue its efforts to expand sales, tighten cost controls and develop new and innovative products to maintain its market competitiveness.

The Group is currently exploring expansion into the India market which is still an untapped market for aerosol spray paint. Every day there are 20 million new registered motorcycles on the road. The India market is about 5 times bigger than Indonesia market ⁽¹⁾. The Company will make the necessary announcement on SGXnet as and when there are any material updates.

Note:

⁽¹⁾ Source: Malaysia Sin Chew Jit Poh daily newspaper reported on 15 August 2018

11. Dividend

If a decision regarding dividend has been made:-

(a) Whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared or recommended for 1H2019.

(b) Amount per share (sen) and previous corresponding period (sen).

No dividend has been declared or recommended for 1H2018.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfer receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for 1H2019.

13. If the group has obtained a general mandate from shareholders for interested person transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from its shareholders for IPT. There were no IPTs that exceeded S\$100,000 during the financial period under review.

14. Use of IPO and Placement Proceeds

Pursuant to the Company’s IPO and the placement exercise completed on 15 December 2017 (“**Placement**”), the Company received net proceeds from the IPO and Placement of approximately S\$ 2.35 million and S\$ 9.60 million respectively (the “**Net Proceeds**”). Please refer to the Offer Document and announcement on the Placement dated 27 November 2017 for further details. As at the date of this announcement, the Net Proceeds have been utilised as follows:

Use of Proceeds	Estimated amount allocated (\$'000)	Amount utilised as at the date of this announcement (\$'000)	Balance as at the date of this announcement (\$'000)
<u>Net IPO Proceeds</u>			
Expansion of production facilities	1,200	(1,200) ⁽¹⁾	-
General working capital	1,150	(487) ⁽²⁾	663
<u>Net Placement Proceeds</u>			
Business development and expansion	9,600	(898)	8,702
Total	11,950	(2,585)	9,365

Note

(1) Fully utilised for purchase of machineries.

(2) Utilised for the payment of operating expenses incurred by the Company’s wholly-owned subsidiary, Samurai 2K USA Inc.

The above utilisations of proceeds are in line with the intended use of proceeds as set out in the Offer Document dated 9 January 2017 and the placement announcement dated 27 November 2017.

15. Confirmation pursuant to Rule 720(1) of the Catalist Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720(1) of the Catalist Listing Manual.

16. Confirmation pursuant to Rule 705(5) of the Catalist Listing Manual

We, Lim Siang Kai and Ong Yoke En, being two of the directors of the Company, hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the unaudited financial statements of the Company and the Group for the half-year ended 30 September 2018 to be false or misleading in any material aspect.

On behalf of the Board,

LIM SIANG KAI
Non-Executive Chairman
and Lead Independent
Director

ONG YOKE EN
Executive Director and
Chief Executive Officer

9 November 2018