



**SAMURAI 2K AEROSOL LIMITED**  
**Company Registration No. 201606168C**

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**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF-YEAR  
ENDED 30 SEPTEMBER 2019**

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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 Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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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**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 second quarter ended 30 September 2019 (“2Q 2020”) and 30 September 2018 (“2Q 2019”) and half-year ended 30 September 2019 (“1H 2020”) and 30 September 2018 (“1H 2019”)

	Group			Group		
	3 Months			6 Months		
	2Q 2020 RM'000 (Unaudited)	2Q 2019 RM'000 (Unaudited)	Increase/ (Decrease) %	1H2020 RM'000 (Unaudited)	1H2019 RM'000 (Unaudited)	Increase/ (Decrease) %
Revenue	16,552	32,578	(49.19)	28,443	38,376	(25.88)
Cost of sales	(8,737)	(17,078)	(48.84)	(15,190)	(20,776)	(26.89)
<b>Gross Profit</b>	<b>7,815</b>	<b>15,500</b>	<b>(49.58)</b>	<b>13,253</b>	<b>17,600</b>	<b>(24.70)</b>
Other income	181	59	n.m.	1,052	102	n.m.
Administrative expenses	(2,615)	(3,007)	(13.04)	(4,962)	(5,939)	(16.45)
Marketing and distribution expenses	(2,970)	(906)	n.m.	(5,072)	(1,712)	n.m.
Finance costs	(126)	(100)	26.0	(243)	(208)	16.83
<b>Profit before tax</b>	<b>2,285</b>	<b>11,546</b>	<b>(80.21)</b>	<b>4,028</b>	<b>9,843</b>	<b>(59.08)</b>
Income tax expense	(453)	(2,116)	(78.59)	(857)	(2,137)	(59.90)
<b>Profit for the period</b>	<b>1,832</b>	<b>9,430</b>	<b>(80.57)</b>	<b>3,171</b>	<b>7,706</b>	<b>(58.85)</b>
<b>Other comprehensive loss:</b> <i>Items that are or may be reclassified subsequently to profit or loss</i>						
Currency translation difference arising from consolidation	(19)	(17)	n.m.	(48)	(38)	26.32
<b>Total comprehensive income for the period</b>	<b>1,813</b>	<b>9,413</b>	<b>(80.74)</b>	<b>3,123</b>	<b>7,668</b>	<b>(59.27)</b>
<b><u>Profit/(loss) for the period attributable to:</u></b>						
Equity holders of the Company	1,851	9,562	(80.64)	3,204	7,886	(59.37)
Non-controlling interest	(19)	(132)	85.61	(33)	(180)	81.67
	<b>1,832</b>	<b>9,430</b>	<b>(80.57)</b>	<b>3,171</b>	<b>7,706</b>	<b>(58.85)</b>

<b><u>Total comprehensive income/(loss) for the period attributable to:</u></b>						
Equity holders of the Company	1,834	9,542	(80.79)	3,161	7,845	(59.71)
Non-controlling interest	(21)	(129)	83.72	(38)	(177)	78.53
	<b>1,813</b>	<b>9,413</b>	<b>(80.74)</b>	<b>3,123</b>	<b>7,668</b>	<b>(59.27)</b>

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

	Group			Group		
	3 Months			6 Months		
	2Q 2020 RM'000 (Unaudited)	2Q 2019 RM'000 (Unaudited)	Increase/ (Decrease) %	1H2020 RM'000 (Unaudited)	1H2019 RM'000 (Unaudited)	Increase/ (Decrease) %
Profit for the period include the following charges/(credits):						
Interest income	(20)	(86)	(76.74)	(26)	(90)	(71.11)
Finance expenses:	126	100	26.00	243	208	16.83
- bank borrowings	118	97	21.65	231	201	14.93
- lease liabilities	8	3	n.m.	12	7	n.m.
Depreciation of property, plant and equipment	483	400	20.75	951	775	22.71
Amortisation of intangible assets	20	16	25.00	40	21	90.48
Depreciation of right-of-use assets	47	-	n.m.	93	-	n.m.
Rental expense	83	75	10.67	147	244	(39.75)
Foreign exchange gain, net	(96)	(27)	n.m.	(927)	(5)	n.m.
Personnel expenses	2,295	3,411	(32.72)	4,567	6,094	(25.06)
Tax expense:	453	2,116	(78.59)	857	2,137	(59.90)
- current income tax expense	453	1,869	(75.76)	857	1,890	(54.66)
- deferred income tax expense	-	247	n.m.	-	247	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 30.09.19 RM'000 (Unaudited)	As at 31.03.19 RM'000 (Audited)	As at 30.09.19 RM'000 (Unaudited)	As at 31.03.19 RM'000 (Audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	24,473	23,085	-	-
Intangible assets	599	549	-	-
Right-of-use assets	340	-	-	-
Investment in subsidiaries	-	-	10,124	10,124
Deferred tax assets	556	542	-	-
	<b>25,968</b>	<b>24,176</b>	<b>10,124</b>	<b>10,124</b>
<b>Current assets</b>				
Inventories	6,860	8,088	-	-
Trade and other receivables	36,337	39,320	27,980	27,159
Tax Recoverable	2,380	1,556	-	-
Cash and bank balances	24,916	29,973	16,929	19,624
	<b>70,493</b>	<b>78,937</b>	<b>44,909</b>	<b>46,783</b>
<b>Total assets</b>	<b>96,461</b>	<b>103,113</b>	<b>55,033</b>	<b>56,907</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	52,653	52,653	52,653	52,653
Retained earnings	33,853	32,305	9	1,947
Foreign currency translation reserve	(297)	(254)	-	-
Merger reserves	(10,497)	(10,497)	-	-
Equity attributable to:				
<b>Equity holders of the Company</b>	<b>75,712</b>	<b>74,207</b>	<b>52,662</b>	<b>54,600</b>
Non-controlling interest	(179)	(141)	-	-
<b>Total equity</b>	<b>75,533</b>	<b>74,066</b>	<b>52,662</b>	<b>54,600</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	8,461	13,328	2,189	2,307
Borrowings	6,482	10,009	-	-

Tax payable	740	545	182	-
<b>Total current liabilities</b>	<b>15,683</b>	<b>23,882</b>	<b>2,371</b>	<b>2,307</b>
<b>Non-current liabilities</b>				
Borrowings	4,077	3,812	-	-
Deferred tax liabilities	1,074	1,074	-	-
Other payables	94	279	-	-
<b>Total non-current liabilities</b>	<b>5,245</b>	<b>5,165</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>20,928</b>	<b>29,047</b>	<b>2,371</b>	<b>2,307</b>
<b>Total equity and liabilities</b>	<b>96,461</b>	<b>103,113</b>	<b>55,033</b>	<b>56,907</b>

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 30.09.19 (Unaudited)		As at 31.03.19 (Audited)	
Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
6,482	-	10,009	-

**Amount repayable after one year**

As at 30.09.19 (Unaudited)		As at 31.03.19 (Audited)	
Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
4,077	-	3,812	-

**Details of any collateral:**

As at 30 September 2019, total borrowings included secured liabilities of RM 10,559,000 (31 March 2019: RM 13,821,000) for the Group. Secured bank borrowings amounting to RM 9,724,000 (31 March 2019: RM 13,629,000) 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, No. 6 and 8, Jalan Dato Yunus 1, Kawasan Perindustrian Dato Yunus Sulaiman Lima Kedai, Gelang Patah, 81500 Johor, Malaysia and No.14, Jalan Dato Yunus, Taman Perindustrian Dato Yunus Sulaiman Lima Kedai, 81120 Skudai, Johor, Malaysia;
- (ii) fixed deposits;
- (iii) corporate guarantee by Samurai 2K Aerosol Limited; and
- (iv) 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 and No.14, Jalan Dato Yunus 1, Taman Perindustrian Dato Yunus Sulaiman Lima Kedai, 81120 Skudai, Johor, Malaysia is also covered by insurance purchased for

loan coverage in the event of death of the key personnel, Chief Executive Office, Mr Ong Yoke En and Chief Operating Officer, Ms Lim Lay Yong

Other finance lease liabilities of the Group amounting to RM 835,000 (31 March 2019: RM 192,000) are secured by the right to the leased motor vehicles, forklift, machineries and right-of-use assets.

- 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**

	<b>Group</b>		<b>Group</b>	
	<b>3 Months</b>		<b>6 Months</b>	
	<b>2Q 2020 RM'000 (Unaudited)</b>	<b>2Q 2019 RM'000 (Unaudited)</b>	<b>1H2020 RM'000 (Unaudited)</b>	<b>1H2019 RM'000 (Unaudited)</b>
<b>Cash flow from operating activities</b>				
Profit before tax	2,285	11,546	4,028	9,843
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	483	400	951	775
Amortisation of intangible asset	20	16	40	21
Depreciation right-of-use assets	47	-	93	-
Property, plant and equipment written off	-	-	-	2
Interest expenses	126	100	243	208
Interest income	(20)	(86)	(26)	(90)
<b>Operating cash flow before working capital changes</b>	<b>2,941</b>	<b>11,976</b>	<b>5,329</b>	<b>10,759</b>
Working capital changes:				
Inventories	2,499	1,755	1,232	(819)
Trade and other receivables	73	(8,884)	3,004	(8,949)
Trade and other payables	(972)	1,449	(5,152)	(775)
Cash flow generated from operations	4,541	6,296	4,413	216
Income tax paid	(785)	(865)	(1,492)	(2,213)
Interest received	20	86	26	90
Interest paid	(126)	(100)	(243)	(208)
<b>Net cash generated from/(used in) operating activities</b>	<b>3,650</b>	<b>5,417</b>	<b>2,704</b>	<b>(2,115)</b>

<b>Cash flow from investing activities</b>				
Deposit for purchase of property, plant and equipment	-	(2,541)	-	(2,541)
Purchase of property, plant and equipment	(1,455)	(473)	(1,978)	(1,076)
Purchase of intangible assets	(48)	122	(90)	(237)
<b>Net cash used in investing activities</b>	<b>(1,503)</b>	<b>(2,892)</b>	<b>(2,068)</b>	<b>(3,854)</b>
<b>Cash flow from financing activities</b>				
Increase in fixed deposits pledged	-	(25)	(604)	(1)
Repayment of lease liabilities	(78)	(32)	(149)	(66)
(Repayment)/Drawdown of bank borrowings	(2,044)	163	(3,905)	69
Dividend paid	(1,656)	(1,966)	(1,656)	(1,966)
<b>Net cash used in financing activities</b>	<b>(3,778)</b>	<b>(1,860)</b>	<b>(6,314)</b>	<b>(1,964)</b>
Net change in cash and cash equivalents	(1,631)	665	(5,678)	(7,933)
Cash and cash equivalents at beginning of financial period	24,811	29,508	28,849	38,068
Effect of exchange rate changes on cash and cash equivalents	8	23	17	61
<b>Cash and cash equivalents at end of financial period (Note A)</b>	<b>23,188</b>	<b>30,196</b>	<b>23,188</b>	<b>30,196</b>

**Note A**

	<b>Group</b>		<b>Group</b>	
	<b>3 Months</b>		<b>6 Months</b>	
	<b>2Q 2020 RM'000 (Unaudited)</b>	<b>2Q 2019 RM'000 (Unaudited)</b>	<b>1H2020 RM'000 (Unaudited)</b>	<b>1H2019 RM'000 (Unaudited)</b>
Cash and bank balances as per statement of financial position	24,916	32,418	24,916	31,418
Less: Pledged bank deposits	(1,728)	(1,222)	(1,728)	(1,222)
Cash and cash equivalents as per consolidated cash flow statement	23,188	30,196	23,188	30,196

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		
<b>1H2020 (Unaudited)</b>							
<b>Balance at 1 April 2019</b>	<b>52,653</b>	<b>(254)</b>	<b>(10,497)</b>	<b>32,305</b>	<b>74,207</b>	<b>(141)</b>	<b>74,066</b>
Profit/(loss) for the financial period	-	-	-	3,204	3,204	(33)	3,171
<b>Other comprehensive income</b>							
Currency translation differences on consolidation	-	(43)	-	-	(43)	(5)	(48)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(43)</b>	<b>-</b>	<b>3,204</b>	<b>3,161</b>	<b>(38)</b>	<b>3,123</b>
Dividend paid				(1,656)	(1,656)		(1,656)
<b>Balance at 30 September 2019</b>	<b>52,653</b>	<b>(297)</b>	<b>(10,497)</b>	<b>33,853</b>	<b>75,712</b>	<b>(179)</b>	<b>75,533</b>



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		
<b>1H2019 (Unaudited)</b>							
<b>Balance at 1 April 2018</b>	<b>52,653</b>	<b>(236)</b>	<b>(10,497)</b>	<b>23,287</b>	<b>65,207</b>	<b>158</b>	<b>65,365</b>
Profit for the financial period	-	-	-	7,886	7,886	(180)	7,706
<b>Other comprehensive income</b>							
Currency translation differences on consolidation	-	(41)	-	-	(41)	3	(38)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(41)</b>	<b>-</b>	<b>7,886</b>	<b>7,845</b>	<b>(177)</b>	<b>7,668</b>
Dividend paid				(1,966)	(1,966)		(1,966)
<b>Balance at 30 September 2018</b>	<b>52,653</b>	<b>(277)</b>	<b>(10,497)</b>	<b>29,207</b>	<b>71,086</b>	<b>(19)</b>	<b>71,067</b>

<b>Company</b>	<b>Share capital RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b>1H2020 (Unaudited)</b>			
<b>Balance at 1 April 2019</b>	<b>52,653</b>	<b>1,947</b>	<b>54,600</b>
Loss and total comprehensive loss for the period	-	(282)	(282)
Dividend paid	-	(1,656)	(1,656)
<b>Balance at 30 September 2019</b>	<b>52,653</b>	<b>9</b>	<b>52,662</b>
<b>1H2019 (Unaudited)</b>			
<b>Balance at 1 April 2018</b>	<b>52,653</b>	<b>3,977</b>	<b>56,630</b>
Loss and comprehensive loss for the period	-	(1,534)	(1,534)
Dividend paid	-	(1,966)	(1,966)
<b>Balance at 30 September 2018</b>	<b>52,653</b>	<b>477</b>	<b>53,130</b>

- 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. 30 June 2019).

The Company did not have any outstanding convertibles as at 30 September 2019 and 30 September 2018, except for the employees share options ("Options") grant on 196,000 ordinary shares during the financial year.

The Company did not have any treasury shares or subsidiary holdings as at 30 September 2019 and 30 September 2018.

- 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.**

	<b>As at 30.09.19</b>	<b>As at 31.03.19</b>
Total number of issued shares (excluding treasury shares)	<u>109,921,000</u>	<u>109,921,000</u>

The Company did not have any treasury shares as at 30 September 2019 and 31 March 2019.

- 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 2019.

**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.**

On 1<sup>st</sup> April 2019, the Group and the Company adopted all the new and revised SFRS(I) and INT SFRS(I)s that are relevant to its operations and which take effect on annual periods beginning on or after 1<sup>st</sup> January 2019.

The adoption of new and revised SFRS(I) and INT SFRS(I)s did not have any significant impact on the performance or position of the Group except for the following:

Adoption of SFRS(I) 16 Leases

The Group has applied SFRS(I) 16 from its mandatory adoption date of 1<sup>st</sup> April 2019 and have applied the simplified transition approach; no restatement were made on the comparative amounts for the prior periods. With the adoption of SFRS(I) 16, an asset (the right to use the lease item) and a financial liability to pay rental are recognised.

Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

**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		Group	
	3 Months		6 Months	
	2Q 2020	2Q 2019	30.09.19	30.09.18
Profit attributable to equity holders of the Company (RM'000)	1,851	9,562	3,204	7,886
Weighted average number of ordinary shares ('000)	109,921	109,921	109,921	109,921
Basic and diluted EPS based on actual number of shares (RM sens)	1.68 <sup>(1)</sup>	8.70	2.91 <sup>(1)</sup>	7.17

Note (1):

The diluted EPS for 2Q2020 and six months ended 30 September 2019 are the same as the basic EPS as the exercise period for the Options will only start from 3 June 2022.

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 30.09.19	As at 31.03.19	As at 30.09.19	As at 31.03.19
Net asset value (RM'000)	75,533	74,066	52,662	54,600
Number of ordinary shares in issue ('000)	109,921	109,921	109,921	109,921
Net asset value per ordinary share (RM sens)	68.71	67.38	47.91	49.67

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

##### 2Q 2020 vs 2Q 2019 and 1H 2020 vs 1H2019

###### Revenue

2Q 2020 revenue decreased by 49.2% from RM32.6 million in 2Q 2019 to RM16.6 million in 2Q 2020. This drop in revenue was mainly due to a decrease in total sales volume of 50.0% from 5.4 million cans in 2Q 2019 to 2.7 million cans in 2Q 2020 due to lower demand from our key markets.

1H 2020 revenue also fell but to a lesser extent, by 26%, from RM38.4 million in 1H 2019 to RM28.4 million in 1H 2020 as total sales volume dipped 28% from 6.4 million cans to 4.6 million cans respectively. 1H 2020 revenue did not fall as severely because of higher revenue recognised in first quarter of financial year 2020 ("1Q 2020) as compared to first quarter of financial year 2019 ("1Q 2019").

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

RM' million	2Q 2020	2Q 2019	Change	% Change	1H2020	1H2019	Change	% Change
Indonesia	8.4	19.1	10.7	(56.0%)	13.3	20.4	7.1	(34.8%)
Malaysia	5.1	10.0	4.9	(49.0%)	10.7	13.5	2.8	(20.7%)
Others(7 countries including India)	3	3.5	0.5	(14.3%)	4.4	4.5	0.1	(2.2%)
<b>Total</b>	<b>16.5</b>	<b>32.6</b>	<b>16.1</b>	<b>(49.4%)</b>	<b>28.4</b>	<b>38.4</b>	<b>10.0</b>	<b>(26.0%)</b>

###### Cost of Sales and Gross Profit

The decline in cost of sales is in line with the fall in revenue for both 2Q 2020 as well as 1H 2020 compared to the preceding financial year.

2Q 2020 gross profit was, therefore lower by 49.6%, down from RM15.5 million in 2Q 2019 to RM7.8 million in 2Q 2020, in line with the weaker quarterly revenue. Gross profit for 1H 2020 also fell but by only 24.7% underpinned by a stronger performance during 1Q 2020.

Gross profit margins for 2Q 2020 and 2Q 2019 were relatively stable, at 47.2% and 47.6% respectively while gross profit margins were marginally firmer for 1H 2020 at 46.6% compared to 45.9% of 1H 2019.

#### Other Income

Other income comprised mainly of rental income which amounted to RM0.01million and gains on foreign exchange of RM0.1 million in 2Q 2020.

Other income for 1H 2020 rose to RM1.1 million, from RM0.1 million largely due to gain on foreign exchange of RM0.9 million.

#### Administrative Expenses

Administrative expenses comprised mainly of staff costs, professional fees, rental expenses, upkeep of office, depreciation, utilities, printing and stationery expenses and listing expenses. The 2Q 2020 administrative cost decreased approximately by RM0.4 million or 13.0% due mainly to (i) lower in staff salaries and allowances of RM0.1 million (ii) a decrease in upkeep and other administration costs of RM0.3 million.

Administrative expenses decreased from RM5.9 million in 1H 2019 to RM5.0 million in 1H 2020 due to lower staff salaries and allowances of RM 0.8 million and decrease in upkeep and other administration costs of RM0.1 million.

#### Marketing and Distribution Expenses

Marketing and distribution expenses increased approximately by RM2.1 million or 227.8%, from RM0.9 million in 2Q 2019 to RM3.0 million in 2Q 2020 due to more marketing activities carried out during the period under review.

Marketing and distribution expenses rose from RM1.7 million in 1H 2019 to RM5.1 million in 1H 2020 mainly due to higher marketing expenditure.

## **REVIEW OF THE GROUP'S FINANCIAL POSITION**

### **30 September 2019 as compared to 31 March 2019**

#### Non-current assets

Non-current assets rose by RM1.8 million, or 7.4%, from RM24.2 million as at 31 March 2019 to RM26.0 million as at 30 September 2019.

#### *Property, plant and equipment*

Property, plant and equipment increased by RM1.4 million, or 6.0 % mainly due to factory upgrades and renovation works of RM1.1 million and the addition of motor vehicle amounting to RM0.3 million.

#### *Right-of-use assets*

Right-of-use assets increased by RM0.4 million mainly due to the adoption of SFRS(I)16 which resulted in the recognition of the leased warehouse as an asset of the Group.

#### Current assets

Current assets saw a decrease of RM8.4 million, or 10.7%, from RM78.9 million as at 31 March 2019 to RM70.5 million as at 30 September 2019.

#### *Inventories*

Inventories fell by RM1.2 million, or 15.2% attributable to lower raw material level of RM0.6 million, packing material of RM0.4 million, and work in progress by RM0.1 million as well as an allowance for obsolete inventories amount to RM0.1 million

#### *Trade and other receivables*

As at 30 September 2019, trade and other receivables consisted of approximately RM33.3 million of trade receivables (31 March 2019: RM35.6 million) and approximately RM3.0 million of other receivables (31 March 2019: RM3.7 million).

Trade receivables fell by RM2.3 million mainly due to improved collection from debtors while other receivable decreased by RM0.7 million mainly due to refund of GST.

As at the date of this announcement, the Group has collected approximately RM11.3 million or 33.9% from the trade receivables in respect of the amounts due as at 30 September 2019.

#### Non-current liabilities

Non-current liabilities which comprised of the non-current portion of borrowings, deferred tax liabilities and other payables increased marginally by RM0.1 million, or 1.9%, from RM5.2million as at 31 March 2019 to RM5.3 million as at 30 September 2019. This increase was mainly due to higher hire purchase loan of RM0.2 million and additional lease liabilities of RM0.2 million but partially offset by a decrease in term loan of RM0.1 million as well as a drop in provision of employee entitlement of RM0.2 million.

#### Current liabilities

Current liabilities which comprised of the current portion of our borrowings, trade and other payables and tax payable, saw an overall decline of 33.9% from RM23.9 million as at 31 March 2019 to RM15.7 million as at 30 September 2019

#### *Trade and other payables*

As at 30 September 2019, trade and other payables consisted of approximately RM5.9 million of trade payables (31 March 2019: RM10.9 million) and approximately RM2.6 million of other payables (31 March 2019: RM2.4 million).

The decrease in trade payables by RM5.0 million, or 46.1% was mainly due to lower level of purchases which is in line with the decrease in cost of sales. The increase in other payables by RM0.2 million, or 8.3% was mainly due to accrued expenses of employees' provident fund contribution.

#### *Current borrowings*

Short term borrowings decreased by RM3.5 million or 35.1% following a repayment of banker's acceptance totalling RM3.7 million and partially offset by increase in lease liability of RM0.2 million.

#### *Tax payable*

Tax payable increased by RM0.2 million, or 35.9% was mainly due to higher provision of tax expenses for the current period.

## **REVIEW OF THE GROUP'S CASH FLOW STATEMENT**

#### Net cash used in operating activities

In 2Q 2020, net cash generated from operating activities amounting to RM3.6 million, arising from (a) operating cash flow inflow before changes in working capital of RM2.9 million (b) changes in net working capital inflow of RM1.6 million and (c) offset by outflows in net interest payment amounting to RM0.1 million and income tax payment of RM0.8 million.

The net working capital inflow of RM1.6 million in 2Q 2020 comprised of lower level of inventories of RM2.5 million coupled with lower trade and other receivables by another RM0.1 million but offset by the repayment of trade and other payables of RM1.0 million.

Unlike 1H 2019 which saw an outflow of RM2.1 million from operation, 1H 2020 generated an inflow of RM2.7 million in net cash from operating activities due to tighter working capital management.

#### Net cash used in investing activities

In 2Q 2020, a net cash outflow from investing activities of RM1.5 million was recorded mainly due to additional investment channelled to upgrade and renovate our manufacturing facility. These factory upgrades and renovations also formed a large proportion of the RM2.1 million in net cash outflow from investing activities during 1H 2020.

#### Net cash used in financing activities

In 2Q 2020, we recorded a net cash outflow from financing activities of RM3.8 million due mainly to dividend payment of RM1.7 million in August 2019 coupled with a repayment in bank borrowings totalling RM 2.0 million.

1H 2020 also recorded a net cash outflow of RM6.3 million from financing activities due largely to the RM1.7 million payment in dividend as well as repayment of bank borrowings which amounted to RM3.9 million for 1H 2020.

As at 30 September 2019, the Group maintained a cash and cash equivalents balance excluding pledged bank deposits of RM23.2 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 due to trade barriers and its pending impact on global trade. Nevertheless, the Group will continue to make efforts to explore new market opportunity, tighten cost and develop more innovative products to maintain its competitiveness and to enhance the Group's market position strategically.

**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 2Q2020.

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

No dividend has been declared or recommended for 2Q2019.

**(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 and reason(s) for the decision.**

No dividend has been declared or recommended for 2Q2020. The Company does not have a formal dividend policy and in view of the uncertainty in the market outlook and business environment, the Board deems it prudent to defer any decision on dividends till the end of financial year.

**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 initial public offering (“**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 Company’s offer document dated 9<sup>th</sup> January 2017 (“**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:

<b>Use of Proceeds</b>	<b>Estimated amount allocated (\$'000)</b>	<b>Amount utilised as at the date of this announcement (\$'000)</b>	<b>Balance as at the date of this announcement (\$'000)</b>
<u>Net IPO Proceeds</u>			
Expansion of production facilities	1,200	(1,200)	-
General working capital	1,150	(838) <sup>(1)</sup>	312
<u>Net Placement Proceeds</u>			
Business development and expansion	9,600	(5,267)	4,333
Total	11,950	(7,305)	4,645

**Note**

(1) 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 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 2019 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

14 November 2019