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Issuer: Samurai 2K Aerosol Limited

Stock code: Y8E

Meeting details:

Date: 28 July 2021

Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Despite the COVID-19 pandemic, the group recognised 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 RM45.9 million 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.
- (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?

Q2. 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 finetuned 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?**

Q3. 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 AC 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?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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