9. RISK FACTORS

YOU SHOULD EVALUATE AND CONSIDER CAREFULLY, ALONG WITH OTHER MATTERS IN THIS PROSPECTUS, THE RISKS (WHICH MAY NOT BE EXHAUSTIVE) BELOW. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY IN THE FUTURE HAVE A MATERIAL ADVERSE EFFECT ON US OR THE MARKET PRICES OF OUR SHARES

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 We are dependent on the continuous employment and performance of our Directors and key senior management personnel

We attribute our success to the continuous leadership of our Executive Directors and key senior management personnel. We believe that our continued success will depend on the abilities and continuous efforts of our existing Executive Directors and key senior management personnel. Further, due to the specialised and technical nature of nameplates manufacturing, we are also dependent on our key senior management personnel who possess the relevant technical knowledge to ensure timely completion and delivery of our products.

We rely, in particular, on the leadership and strategic guidance of our Executive Directors and our key senior management personnel for their respective expertise in contributing to the Group. Therefore, the loss of any of our Executive Directors and key senior management personnel could adversely affect our continued ability to manage the operations effectively and competitively.

9.1.2 We are dependent on our major customers and do not have any long-term contracts with our customers

For the FYE 2020, our top five (5) major customers in aggregate accounted for approximately 69.50% of our Group's total revenue as set out in Section 7.16 of this Prospectus.

Our future performance relies largely on us maintaining our status as an approved supplier/vendor with our major MNC customers. We do not have any long-term contracts with our customers. The absence of long-term contracts is an industry practice whereby end-user customers would purchase products by way of purchase order on project-to-project basis or as-needed basis. The MNC customers may also appoint additional companies as nameplate suppliers, and if that happens, our business volume may decrease and this in turn, could materially affect our Group's profitability. The loss of any major customers and/or the inability to secure new purchase orders from new customers may adversely impact our Group's operating results.

During the FYE 2017, two (2) plastic injection moulded parts related projects with one of our major customers, namely Fisher & Paykel Thailand were ceased. The projects were in relation to shelf parts for refrigerators and touch panels which were ceased as Fisher & Paykel Thailand streamlined their operations. The cessation had impacted our Group's revenue and PAT for the said financial year. Notwithstanding the cessation, Fisher & Paykel Thailand remained as our major customer for the Financial Years Under Review.

9.1.3 We are dependent on our ability to continuously and consistently meet customers' expectations

Our customers rely on us for quality products and services delivered in a timely manner. Any defect, error or delay in our products or services or any failure to meet customers' specifications or expectations could cause adverse customer reaction, negative publicity and claims by customers for damages against us which in turn, could result in loss of revenue, causing material adverse effect on our business and financial conditions.

9.1.4 We may be affected by the outcome of Tax Review by IRB on the tax filing of VNP

On 17 August 2020, IRB issued their preliminary findings on two (2) issues, i.e., (i) in relation to a loan given by VNP to VTT for YA 2013 to 2018 ("**Item 1**"); and (ii) disposal of a property and shares of a company in YA 2014 ("**Item 2**"). Kindly refer to Section 7.21.2 of this Prospectus for further details.

Based on the latest engagement with the IRB by the Tax Agent on 19 October 2020, the IRB had indicated that they will not pursue the issue on interest income arising from a loan given by VNP to VTT for YA 2013 to 2018.

In relation to Item 2, the financial impact to the Company is as follows: -

(i) in the event the assessment of the Transaction by the IRB falls under RPGT, the financial impact to the Company will be RM29,054.21 (representing 25% of the RPGT Payment), due to the Late Reporting. This amount has been provided in the books of VNP in FYE 2020; or

(ii) in the event the Transaction is deemed as a business source by the IRB (i.e subject to the corporate income tax of 25%), the financial impact arising is estimated to be RM0.73 million with estimated penalty of RM0.73 million (representing 100% of the tax chargeable), totalling RM1.46 million.

As at the LPD, IRB has yet to provide its final assessment on Item 1 and Item 2 in relation to the Tax Review.

As such, any additional payment and/or penalties arising therefrom may affect the Group's financial performance.

9.1.5 We may be exposed to fluctuation in our financial performance

As set out in Section 11.2.2 of this Prospectus, our Group's revenue is mainly derived from the manufacturing of nameplates, which amounted to 62.88%, 63.81% and 65.95% for the respective Financial Years Under Review. Due to the cost saving approach undertaken by one of our major customers for nameplates, there are changes in the sales mix from metal nameplates towards non-metal nameplates which has affected the Group's revenue and profitability. This is due to the selling price of non-metal nameplates which is lower by approximately 42.00% in average as compared to selling price of metal nameplates.

In addition, the decline in revenue for the plastic injection moulded parts in FYE 2019 was mainly attributable to the cessation of supply to Electrolux Thailand as they streamlined their operations. Electrolux Thailand has contributed RM1.29 million of revenue to the Group in FYE 2019 prior to the cessation of supply in August 2019 as compared to RM6.42 million in FYE 2018.

In this regard, we may not able to sustain our historical profitability margins for the reasons as stated above and other various reasons which may include the deterioration in the business conditions of our principal markets, intensification of competition, reducing orders from our customers, cessation of supply with customers and other unforeseen factors, which may reduce the sales orders awarded to us, and/or reduce our profitability.

9.1.6 We may be exposed to fluctuations in prices of raw materials

The raw materials used by our Group are mainly stainless steel, aluminium, thermoplastic sheets, adhesive film, resin and ink. Our raw materials are sourced from Malaysia and overseas including China, Hong Kong, Singapore and Thailand. The fluctuations in the market prices of raw material due to changes in global supply and demand conditions may cause our Group's financial performance to be adversely affected. Any rise in our raw material prices will result in lower operating margin to our Group if we are unable to reflect the increased cost in the selling price of our finished products. As part of our cost management initiatives, we continuously seek opportunities to minimise our cost of raw materials in order to maximise our profit.

9.1.7 We are exposed to fluctuations in exchange rates

We are exposed to foreign currency exchange rate fluctuations as part of our Group's revenue and purchases are denominated in foreign currencies such as USD, SGD and JPY and such fluctuations may affect our financial results.

For the past three (3) FYEs 2018 to 2020, we recorded losses in foreign exchange translation as follows: -

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Realised	-	-	-
Unrealised	193	395	417
Total	**193**	**395**	**417**

Any significant fluctuation in the abovementioned foreign exchange rates may have significant impact on our revenue and cost of sales as they are required to be stated in RM in our financial statements.

We have from time-to-time since 2007, entered into forward currency contracts to hedge our foreign currency exposure against the USD. As at the LPD, there is no outstanding forward currency contracts. However, there is no assurance that the hedging transaction may fully eliminate the risk associated with exchange rate fluctuations due to certain factors including the following: -

(a) any hedging transaction may reduce or eliminate upside potential in the event of a favourable movement in exchange rate;

(b) it may subject to imperfect matching between the duration of the hedge and the related liability;

(c) the counterparty may not fulfil its contractual obligations which could affect to the ability to sell or transfer the financial instrument; and

(d) it may incur losses due to the recognition of the financial instrument's fair value in accordance with the applicable accounting policies.

Please refer to Note 11 and Note 24(b)(iii) of the Accountants' Report included in Section 12 of this Prospectus for further information on the forward foreign exchange contracts and the sensitivity analysis for foreign currency risk for the Group.

9.1.8 Our business is exposed to sudden and unexpected equipment failures which may lead to production curtailments or shutdowns

Our Group's manufacturing activities are supported by the key equipment as stated in Section 7.10.3 of this Prospectus. These machineries and equipment may be out of service as a result of unanticipated failures or damages sustained during operations. These unexpected events may cause interruptions in, or prolonged suspension of, any substantial part of our manufacturing activities. In addition, as our manufacturing activities are dependent on continuous supply of electricity, any disruptions to the supply of electricity may result in interruptions in our operations.

However, there were no occurrence of disruptions to the supply of electricity and equipment failures which materially affected our operations. Any unexpected disruption of electricity supply may interrupt our business operations and will affect our production schedules and timely delivery of our products to our customers. This could have an adverse impact on our business, financial conditions and results of operations.

9.1.9 We rely on foreign workers in our manufacturing operations

We rely to a certain extent on foreign workers, particularly in our manufacturing operations. In FYE 2020, VNP employed an average of 53 foreign workers from Nepal and Vietnam, representing 36.81% of VNP's total workforce and VTT employed an average of 187 Thai workers, representing 98.42% of VTT's total workforce and three (3) Malaysian workers, representing 1.58% of VTT's total workforce. Currently, we obtain one-year work permits for our foreign workers, which are renewed on a yearly basis.

As the costs of living in Malaysia increases over time, we have found it increasingly difficult to hire local production workers for our manufacturing operations, and this difficulty may increase in the future. The rising cost of living are wide-ranging, from housing to food, childcare, healthcare and education. For the low-skilled labours in particular, limited income buffers will render them more vulnerable to increases in living costs due to their low pay. They also experienced relatively slower income growth. This is evidenced by the monthly income increase for bottom-40 households at RM311 were almost completely off set by the increase in monthly expenditure in 2016 at RM257, mainly for the purchase of necessities. *(Source: "Divergence of Economic Performance and Public Sentiments" Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2018, Bank Negara Malaysia)*

With regard to the above, unattractive level of wages are deemed to be the reason why locals are reluctant to undertake low-skilled jobs with the rising cost of living. Therefore, employers in labour intensive industries are dependent on low-skilled foreign workers due to the presence and abundance of cheaper alternatives.

If foreign worker permit or visa policies in Malaysia, or in the countries in which we employ our foreign workers from, were to change in any way resulting in difficulties for our Group to maintain a sufficient foreign labour workforce, our business, results of operations and financial condition would be materially and adversely affected. In addition, our Group's anticipated business growth is also subject to the expansion in our manufacturing operations, which would require a subsequent increase in foreign labour to meet increased manufacturing activities.

9.1.10 We do not retain the ownership of the moulds used for the manufacturing of our plastic injection moulded parts

For the manufacturing of plastic injection moulded parts, we procure and develop moulds based on the customers products specification for certain customers of which the customers will retain ownership of the moulds. Certain customers will also provide their own moulds for us to produce the plastic injection moulded parts of which the customer will also retain the ownership of the moulds. Our sales will be affected in the event our customers transfer the moulds to other plastic injection moulding manufacturers to produce their products.

9.1.11 We are subject to credit risks based on the credit periods granted to our customers

We grant our customers credit periods of between 30 to 120 days. As such, we are exposed to credit risks arising from our Group's trade receivables which may arise from events and circumstances beyond our Group's control. If our customers delay or default on payment, we will have to make allowance for impairment on uncollectible trade receivables or may be required to write-off uncollectible trade receivables as bad debts, which may in turn, adversely affect our financial performance.

For the Financial Years Under Review, there were no bad debts written off.

9.1.12 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary to our business to protect against various losses and liabilities. Although the Group reviews our insurance policies on a regular basis to ensure there is adequate insurance coverage on our assets, there can be no assurance that the said coverage would be sufficient for the replacement cost of our assets or from any consequential losses arising therefrom. In such event, this could have a material adverse effect on our business, financial condition and results of operations.

9.1.13 We are subject to risks relating to the economics, political, legal, regulatory or social environment in the markets in which we operate

Our business is subject to prevailing Malaysian and global economic, social, political and regulatory conditions as we derived a significant portion of our revenue from foreign markets, which accounted for 96.02%, 95.86% and 95.83% of our total revenue for the FYE 2018, FYE 2019 and FYE 2020 respectively. Any adverse developments or uncertainties including, amongst others, changes in political conditions, governmental policies and regulations, fiscal and monetary policies, import and export restrictions, duties and tariffs, foreign exchange, civil unrest, unemployment, inflation and outbreak of infectious diseases, could adversely impact our financial performance.

For instance, our manufacturing operations in Thailand via VTT has been granted a promotion certificate by the BOI which entitles us to tax exemption for a period of eight (8) years from 24 December 2008 to 23 December 2016 on its net profits, restricted to 100% of the investment capital of VTT (excluding cost of land and working capital) at THB49,293,353.40 or equivalent to RM6.64 million) as determined in the BOI's operation start-up certificate and received the IEAT's permission to own land for use for our operations. Upon expiry of the period of eight (8) years, the promotion certificate entitles VTT to a reduction of 50% of normal income tax rate for a further period of five (5) years from 24 December 2016 to 23 December 2021 of which there is no capped amount. There can be no assurance that such tax exemptions will not be prematurely terminated by the BOI. Should the tax exemption be prematurely terminated, our cash flows and after tax profitability may be adversely affected. VTT also received the IEAT's permission to own land for the use of our operations and the IEAT's permission to operate the manufacturing facility in the industrial estate. If the land ownership permit is revoked, VTT must dispose of the land within one (1) year from the date of revocation. In the event the IEAT operating permit is revoked or not renewed, VTT will not be able to operate the manufacturing activity. The revocation and non-renewal of the operating permit may occur if VTT does not comply with the IEAT regulations or requirements for manufacturing activities in the industrial estate. Please refer to Section 7.7 of the Prospectus for further details on the major licenses and permits held by the Group.

In addition, as stated in Section 9.1.9 of this Prospectus, our manufacturing processes are labour-intensive. There is no assurance that our profitability would not be affected by any governmental increase in the statutory minimum wages which in turn, would increase our labour costs. Our operations in Thailand via VTT is subject to Thailand's mandated minimum wage and as at the LPD, VTT has complied with these minimum wage requirements.

The recent outbreak of infectious disease (i.e., Covid-19) has also affected the world economies as a whole as numerous countries have imposed travel restrictions, social distancing and enforced prolonged closures of relevant workplaces. As our revenue are mainly derived from foreign markets, our financial position, profitability and cash flows may be affected by any material changes and developments in the global markets.

As we continue to expand our business in Malaysia and Thailand, there is no assurance that adverse political condition, change in the Malaysian and Thailand economy and regulatory changes which are beyond our control, will not adversely affect our Group's business.

9.1.14 We may be affected by an occurrence of force majeure events such as adverse weather, natural disasters and/or outbreak of infectious disease

Our business operations may be affected by the occurrence of adverse weather, natural disasters and/or outbreak of infectious disease which cause our production facility to be incapable of normal capacity and our employees being unable to conduct their work as usual. Any occurrence of force majeure events as mentioned may prohibit us from performing our operations and as a result, we may not be able to meet the specific timelines as agreed with our customers. The delay in completion of our products orders and products delivery to our customers may adversely impact our business reputation which in turn may have a negative impact on our business and financial performance.

Notwithstanding that we have to halt our operations during adverse weather conditions, natural disasters and/or outbreak of infectious disease, we would still have to incur certain fixed operating expenses such as labour costs. Our Group's operations and financial position may be affected should such events occur for a prolonged period of time. As such, there is no assurance that we will be able to record profits and have sufficient funds for our operations to recover from the damages caused by such events.

VNP was affected by the flood in Penang in 2017. The losses caused by the flood was approximately RM0.78 million and the Company has received the same amount of insurance compensation. It is deemed a one-off event since the incorporation of the Company.

In view of the recent global pandemic Covid-19, many countries have imposed mandatory movement and business operations restrictions in containing the spread of the virus, which has halted economic and business activities in countries affected, including the operations of VNP and VTT.

The quarantine in Wuhan city which was then extended to other cities in China and the extension of the Lunar New Year 2020 holiday in China due to the Covid-19 (e.g., from 23 January 2020 to 14 February 2020) caused a disruption to our operations resulting in VNP recording lesser orders due to the closure of one of our major customers', (namely HP) OEM in China and has also delayed the shipment of our nameplates products to them. The nameplates products were temporarily stored at our factory in Perai, Penang at no additional costs to VNP. As at 31 December 2020, we have completed the shipment of the nameplates products without any imposition of penalty by our customers on VNP for late delivery. Nevertheless, the disruption arising from the closure of HP's OEM in China due to lockdown in China has resulted in VNP recording lesser orders during the aforesaid period.

In Malaysia, the government has imposed a nationwide restriction on movements through the MCO effective from 18 March 2020 to curb the spread of Covid-19. The MCO has disrupted the operations of VNP under the restrictions imposed by MITI with, among others, the temporary closure of our operations and condition of reducing our employees to a minimum level for the operations or reducing approximately 50% of our workforce for the operations.

As a result of the above, the operations of VNP was halted from 18 March 2020 to 3 April 2020. With the approval from MITI dated 3 April 2020, we resumed operations of VNP at 50% of our workforce capacity on 6 April 2020 in compliance with the SOP required by MITI. Subsequently, following the announcement by MITI on 28 April 2020, VNP's operation resumed to full capacity on 30 April 2020.

The temporary full and partial closure during the MCO had affected the operations of VNP as follows: -

(i) Delay in the production of our nameplates products. The MCO halted most economic activities, hence there had been delays in production which led to delays in deliveries of our nameplates products. Since the full resumption of VNP's operation, VNP has fulfilled all backlog orders arising from the disruption due to the MCO. Other than during the disrupted period (i.e., 18 March 2020 - 29 April 2020) under the MCO, there is no further delays in our production progress from our initial production schedule. As at the LPD, there are no cancellation of orders.

(ii) Limitations in carrying out face-to-face communication with our customers to promote and market our Group's products and services. Nevertheless, our sales and marketing team had continued to provide quotations to our customers via telephone and electronic mail messages. Our sales and marketing team had also utilised our corporate websites for its marketing activities. With the assistance of our factory in Rayong, Thailand, we were able to manufacture sample products to be delivered directly from our factory in Rayong, Thailand to be submitted to our customers which were still operating during the lockdowns for approval.

In Thailand, the government has also declared a State of Emergency which provides the government with the authority to impose curfews, restrictions on movements of goods, livestock and persons, closures, suspension, or restrictions in operating hours of certain business activities, prohibition or restrictions on certain non-commercial activities, for the purpose of preventing the spread of communicable disease. This State of Emergency was announced and entered into effect on 26 March 2020, and has since been extended to 31 March 2021. Several rounds of easing measures were announced between 1 May 2020 and up until the LPD, whereby there have been several relaxations of prohibitions or limitations on conducting or carrying out certain activities. For the operations of VTT, the Ministry of Industry of Thailand has issued control measures for businesses to observe. However, it does not prohibit manufacturing facilities and offices to operate. Thus, the operations of VTT was not affected as manufacturing factories in Thailand are allowed to operate during the period of the State of Emergency while complying with the control measures issued by the Ministry of Industry of Thailand.

Notwithstanding the above, some of VTT's customers have implemented between one (1) to two (2) weeks of voluntary closure in April 2020 as precautionary measures. The closure of our customers' operations (i.e., 6 April 2020 - 17 April 2020) had led to delays in delivery of our finished products. These finished goods were temporarily stored at our factory in Rayong, Thailand. As at 31 December 2020, we have delivered the products and fulfilled the orders subsequent to the resumption of our customers operations. Nevertheless, the disruption arising from the voluntary closure of our customers in Thailand and a general decline in demand due to the Covid-19 pandemic has resulted in VTT recording lesser revenue.

As at the LPD, our Group has not experienced disruptions in the supply of raw materials or additional processes by our local subcontractors arising from the imposed mandatory movement and business operations restrictions due to Covid-19 as we have a buffer inventory of raw materials and materials from our subcontractors to support our production.

Please refer to Section 7.13 of this Prospectus for further information on the interruptions to our business and operations pursuant to Covid-19 pandemic.

In the event any of our employees is suspected of contracting the pandemic disease, we may need to quarantine some or all of our employees and disinfect the facilities used in our operations. In this regard, this could materially and adversely affect our sales.

As at 31 December 2020, our Group's cash and cash equivalents stood at RM8.44 million. As at the LPD, we are in a healthy financial position with zero gearing.

Any adverse and prolonged development arising from the pandemic may significantly affect the economic, financial and political conditions across the world and the occurrence of unforeseen disruptive events regionally or globally that are beyond our Group's control.

Our Group will continue to monitor the ongoing developments of Covid-19 closely in order to pro-actively manage risk in our operations and will introduce additional precautionary measures as appropriate.

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9.2 RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

9.2.1 We face competition from existing industry players

Notwithstanding our competitive strengths, we continue to face competition from existing and prospective competitors who may offer similar or competitive products at lower cost.

Whilst we strive to remain competitive, there can be no assurance that any increase in competition in our business environment would not have a material and adverse impact on our business and financial performance.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 No prior market for our Shares

Prior to our IPO, there has been no prior market for our Shares. The listing of and quotation for our Shares on the ACE Market of Bursa Securities does not guarantee that an active market for the trading of our Shares will develop, or even if developed, that such market liquidity can be sustained. There is also no assurance as to the liquidity of our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There can be no assurance as to the price at which our Shares will be traded on the ACE Market of Bursa Securities upon or subsequent to our Listing will correspond to the IPO Price. There is also no assurance that the market price of our Shares will not trade below the IPO Price.

9.3.2 Our Share price may be volatile, which could result in substantial losses for investors subscribing for our Shares

The performance of Bursa Securities and investors' sentiment are, to a certain extent, dependent on external factors such as trade wars between major countries, the performance of the regional and global stock exchanges and the flows of foreign funds as well as internal factors such as economic and political conditions and the growth potential of the various sectors of the local economy. These external and internal factors constantly contribute to the volatility of trading volumes and prices on Bursa Securities and these add risks to the future volatility of the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

In addition, the market price of our Shares may fluctuate significantly in response to, amongst others, the following factors, some of which are beyond our control: -

(i) variations in our financial results and operations;

(ii) success or failure of our key senior management personnel in implementing business and growth strategies;

(iii) gain or loss of an important business relationship;

(iv) changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance;

(v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;

(vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(vii) additions or departures of our key senior management personnel;

(viii) fluctuation in stock market prices and volume; and

(ix) involvement in litigation.

There is no assurance that our Share price will not be subjected to volatility due to market sentiments.

9.3.3 There may be a delay in or abortion of our Listing

Below is a non-exhaustive list of possible occurrences or events which could cause a delay or termination of our Listing: -

(i) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations thereunder;

(ii) the identified investors fail to subscribe for the portion of the Offer Shares allotted to them;

(iii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or

(iv) we are unable to meet the public spread requirements of the Listing Requirements, i.e., at least 25% of our number of issued Shares for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of our Listing.

Where prior to the issuance and allotment of our IPO Shares: -

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company and the Offerors, shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications of our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares: -

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if such money is not repaid within 14 days of the date of the service of the stop order, the Company and the Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either: -

(a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

(b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

9.3.4 Our Promoters control a significant portion of our Shares which may result in our Promoters being able to influence the outcome of certain matters requiring the vote for shareholders

Upon completion of our IPO, our Promoters will collectively hold an aggregate of 105,000,000 Shares, representing approximately 63.64% of our enlarged number of issued Shares. As a result, these shareholders, acting together, will be likely to highly influence the outcome of any ordinary resolution (which requires a simple majority of 50% plus one (1) voting share) to be tabled at general meetings, unless they are required to abstain from voting by law and/or by the relevant authorities.

Nevertheless, our Company has formed the Audit and Risk Management Committee which will play an active role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arm's length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

9.3.5 We are an investment holding company and, as a result thereof, are dependent on the flow of dividends from our subsidiaries to meet our obligations and to provide funds for payment of dividends on our Shares

Our Company is an investment holding company and we conduct substantially all of our operations through our subsidiaries. Accordingly, an important source of our income, and consequently, deciding factor in the Group's profitability which determine our ability to pay dividends on our Shares, is the amount of dividends and other distributions from our subsidiaries. The ability of our subsidiaries to pay dividends or make other distributions to our Company in the future will depend upon their operating results, earnings, capital requirements, general financial condition and governmental laws, decrees, regulations or relevant legislations in other countries relating to the repatriation of capital or the remittance of profit by or to our Group. In addition, changes in accounting standards may also affect the ability of our subsidiaries, and consequently, our ability to pay dividends.

We have adopted a dividend policy proposing to pay dividends of at least 30.00% of our annual audited PAT to the shareholders of our Company. However, the dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

9.3.6 Forward Looking Statements

This Prospectus contains forward-looking statements, which are statements other than statements of historical facts. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this point in time, there can be no assurance that such expectations will prove to have been correct. The inclusion of a forward looking statement in this Prospectus is not to be regarded as a warranty by our Company that the plans and objectives of our Company will be achieved. Any deviations from the expectations contained in such forward-looking statements may have material effect on the future financial and business performance of our Group.

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10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

10.1 RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS

Pursuant to Rule 10.09 of the Listing Requirements, a listed issuer may seek its shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading in nature which are necessary for its day to day operations subject to, *inter-alia*, the following: -

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

(b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under the Listing Requirements;

(c) the circular to our shareholders for the shareholders' mandate shall include the information as may be prescribed by Bursa Securities; and

(d) in a meeting to obtain the shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Our Group may, in the ordinary course of our business, enter into transactions, including but not limited to the related party transactions, with persons who are considered "related parties" as defined in the Listing Requirements.

Due to the time-sensitive nature of commercial transactions, the shareholders' mandate will enable us, in our normal course of business, to enter into the categories of related party transactions, provided such recurrent related party transactions are made at arm's length and on normal commercial terms.

Upon Listing, our Audit and Risk Management Committee will supervise the terms of related party transactions and our Directors will report related party transactions, if any, annually in our Company's annual report. In the event there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the details of the nature and extent of his interest, including all matters in relation to the proposed related party transactions that he is aware or should reasonably be aware of, which is not in our best interests. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related-party transactions.

In the event there are any proposed related party transactions that require the prior approval of shareholders, the Directors, major shareholders and/or persons connected with a Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10.1.1 Recurrent related party transactions

There are no recurrent related party transactions, existing, proposed to be entered or to be entered into by our Group which involved the interest, direct or indirect, of our Directors and substantial shareholder, and/or person connected with them for the past three (3) FYE 2018 to FYE 2020.

10.1.2 Non-recurrent related party transactions

There are no non-recurrent related party transactions or other subsisting contracts or arrangement, existing or potential, entered or to be entered into by our Group which involved the interest, direct or indirect, of our Directors, substantial shareholders, key senior management personnel and/or persons connected with them for the past three (3) FYE 2018 to FYE 2020.

All future transactions which involve the interests of our Directors, substantial shareholders and/or persons connected with them will be transacted at arm's length, on our normal commercial terms which are not more favourable to the related parties than those generally available to the public, and which are not detrimental to the minority shareholders. The Audit and Risk Management Committee will supervise the terms of all related party transactions and our Directors will report such transactions, if any, in our annual reports.

10.1.3 Transaction that are unusual in nature or conditions

Our Board has confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or our subsidiary companies was a party in respect of FYE 2018 to FYE 2020.

10.1.4 Outstanding loans made for the benefit of the related parties

Our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) made by us or our subsidiary companies or any financial assistance made to or for the benefit of our related parties in respect of FYE 2018 to FYE 2020 and the subsequent financial period up to the LPD.

10.2 CONFLICTS OF INTEREST

10.2.1 Interest in similar business and businesses of our clients and our suppliers

As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in any businesses and corporations which are: -

(i) carrying on a similar or related trade as our Group; or

(ii) customers and/or suppliers of the Group,

which will give rise to a situation of conflict of interest with the Group's business.

10.2.2 Promotion of material assets

Save for the SSA as disclosed in Sections 6.4.1 and 6.6 of this Prospectus, none of the Directors or substantial shareholders of our Company had any interest, direct or indirect, in the promotion of, or in any material assets, which had been within the past three (3) FYE 2018 to FYE 2020 and up to the LPD, acquired or proposed to be acquired by, disposed of or proposed to be disposed of, or leased or proposed to be leased to us.

10.2.3 Declarations of conflict of interest by our advisers

(i) TA Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for the Listing.

(ii) Katherine Khaw & Associates has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for the Listing.

(iii) Baker Tilly has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for the Listing.

(iv) Smith Zander has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for the Listing.

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11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 2 February 2018. Volcano acquired the entire issued share capital of VNP on 2 March 2018 and the acquisition was completed on the same date. As such, the financial statements comprise the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the FYE 2018, FYE 2019 and FYE 2020.

The consolidated financial statements for the FYE 2018, FYE 2019 and FYE 2020 were prepared based on the audited financial statements of the Group for the FYE 2018, FYE 2019 and FYE 2020.

11.1.1 Historical statements of comprehensive income

The following table sets out the summary of our historical consolidated statements of comprehensive income for the FYE 2018, FYE 2019 and FYE 2020 which have been extracted from the Accountants' Report set out in Section 12 of this Prospectus. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 11.2 of this Prospectus and the Accountants' Report, together with its related notes as set out in Section 12 of this Prospectus.

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11. FINANCIAL INFORMATION *(cont'd)*

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Revenue	58,649	55,892	52,527
Cost of sales	(39,676)	(38,761)	(37,388)
GP	**18,973**	**17,131**	**15,139**
Other income	1,043	533	216
Administrative expenses	(10,735)	(10,641)	(10,575)
Distribution expenses	(599)	(542)	(522)
Operating profit	**8,682**	**6,481**	**4,258**
Finance costs	(1)	-	(1)
PBT	**8,681**	**6,481**	**4,257**
Taxation	(1,729)	(1,701)	(874)
PAT (i)	**6,952**	**4,780**	**3,383**
Other comprehensive income: -			
Foreign currency translation (ii)	733	2,784	(558)
Total comprehensive income for the financial years	**7,685**	**7,564**	**2,825**
Profit/(Loss) attributable to: -			
- Owners of the parent	6,952	4,780	3,383
- Non-controlling interest	-	-	-
	6,952	**4,780**	**3,383**
Total comprehensive income attributable to: -			
- Owners of the parent	7,685	7,564	2,825
- Non-controlling interest	-	-	-
	7,685	**7,564**	**2,825**
EBITDA (RM'000) (iii)	10,870	8,587	6,704
GP margin (%)	32.35	30.65	28.82
PBT margin (%)	14.80	11.60	8.10
PAT margin (%)	11.85	8.55	6.44
Basic EPS (sen) (iv)	4.97	3.41	2.42
Diluted EPS (sen) (v)	4.21	2.90	2.05

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Notes: -

(i) Inclusive of IPO expenses of approximately RM0.84 million, RM0.61 million and RM0.45 million which were incurred in the FYE 2018, FYE 2019 and FYE 2020 respectively. Without the IPO expenses, the PAT of our Group is RM7.79 million, RM5.39 million and RM3.83 million which translates to a PAT margin of 13.28%, 9.64% and 7.29% for FYE 2018, FYE 2019 and FYE 2020 respectively.

(ii) Foreign currency translation relates to exchange differences arising from translation of the financial statements of VTT.

(iii) EBITDA is computed based on the following: -

		FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
PBT		8,681	6,481	4,257
Add:	Finance costs	1	-	1
	Depreciation and amortisation	2,328	2,274	2,543
Minus:	Interest income	140	168	97
EBITDA		**10,870**	**8,587**	**6,704**

(iv) Basic EPS is computed based on PAT attributable to owners of our Company divided by our existing number of issued Shares of 140,000,000 Shares before the IPO.

(v) Diluted EPS is computed based on PAT attributable to owners of our Company divided by our enlarged number of issued Shares of 165,000,000 Shares after the IPO.

11.1.2 Historical statements of financial position

The following table sets out the historical consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020 which have been extracted from the Accountants' Report set out in Section 12 of this Prospectus. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 of this Prospectus and the Accountants' Report set out in Section 12 of this Prospectus.

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	27,200	29,073	28,892
Intangible assets	13	12	21
Deferred tax assets	1,037	700	631
TOTAL NON-CURRENT ASSETS	**28,250**	**29,785**	**29,544**
CURRENT ASSETS			
Inventories	15,304	14,889	16,500
Current tax assets	668	1,367	1,486
Trade and other receivables	11,921	10,500	14,022
Other investments	1,403	1,984	-
Derivative financial assets	42	45	-
Cash and short-term deposits	9,658	15,980	12,852
TOTAL CURRENT ASSETS	**38,996**	**44,765**	**44,860**
TOTAL ASSETS	**67,246**	**74,550**	**74,404**

11. FINANCIAL INFORMATION *(cont'd)*

	Audited		
	FYE 2018 (RM'000)	**FYE 2019 (RM'000)**	**FYE 2020 (RM'000)**
EQUITY AND LIABILITIES			
Equity attributable to owners of Volcano			
Share capital	70,000	70,000	70,000
Other reserves [(i)]	(62,024)	(59,240)	(59,798)
Retained earnings	54,106	56,886	57,170
TOTAL EQUITY	**62,082**	**67,646**	**67,372**
NON-CURRENT LIABILITIES			
Employee benefits	90	171	143
Deferred tax liabilities	359	758	642
TOTAL NON-CURRENT LIABILITIES	**449**	**929**	**785**
CURRENT LIABILITIES			
Trade and other payables	4,715	5,975	6,247
TOTAL CURRENT LIABILITIES	**4,715**	**5,975**	**6,247**
TOTAL LIABILITIES	**5,164**	**6,904**	**7,032**
TOTAL EQUITY AND LIABILITIES	**67,246**	**74,550**	**74,404**
NA (RM'000)	62,082	67,646	67,372
NA per Share (RM)	0.09 [(ii)]	0.10 [(ii)]	0.48 [(iii)]

Notes: -

(i) *Other reserves comprise of the following: -*

	Audited		
	FYE 2018 (RM'000)	**FYE 2019 (RM'000)**	**FYE 2020 (RM'000)**
Exchange reserve [(a)]	5,976	8,760	8,202
Reorganisation reserve [(b)]	(68,000)	(68,000)	(68,000)
TOTAL EQUITY	(62,024)	(59,240)	(59,798)

(a) The exchange reserve is in compliance with MFRS 121 The Effects of Changes in Foreign Exchange Rates.

(b) The reorganisation reserve is the difference between the cost of acquisition of VNP over the nominal value of share capital of the subsidiary acquired which is based on a generally accepted accounting practise which is the merger method of accounting.

(ii) *Computed based on NA divided by our existing number of issued Shares of 700,000,000 Shares before IPO and Share Consolidation.*

(iii) *Computed based on NA divided by our existing number of issued Shares of 140,000,000 Shares after Share Consolidation but before the IPO.*

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11.1.3 Historical statements of cash flows

The following table sets out the consolidated statements of cash flows for the FYE 2018, FYE 2019 and FYE 2020 which have been extracted from the Accountants' Report set out in Section 12 of this Prospectus. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 of this Prospectus and the Accountants' Report set out in Section 12 of this Prospectus.

	Audited		
	FYE 2018 (RM'000)	**FYE 2019 (RM'000)**	**FYE 2020 (RM'000)**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	**8,681**	**6,481**	**4,257**
Adjustments for: -			
Amortisation and depreciation of property, plant and equipment	2,313	2,138	2,388
Amortisation and depreciation of right-of-use assets	-	126	146
(Gain)/Loss on disposal of property, plant and equipment	41	(10)	(48)
Amortisation of intangible asset	15	10	9
Inventories written down	-	45	63
Net fair value loss/(gain) on derivatives	3	(3)	45
Interest income	(140)	(168)	(97)
Interest expense	1	-	1
Dividend income	(17)	(37)	(39)
Employee benefits	(55)	80	(28)
Property, plant and equipment written off	-	2	-
Unrealised loss/(gain) on foreign exchange	193	395	417
Operating profit before working capital changes	**11,035**	**9,059**	**7,114**
Changes in working capital: -			
Inventories	(2,353)	371	(1,674)
Receivables	559	1,378	(3,939)
Payables	(952)	2,375	272
Employee benefits	(66)	-	-
Net cash generated from operations	**8,223**	**13,183**	**1,772**
Income tax paid	(2,156)	(1,664)	(1,040)
NET CASH FROM OPERATING ACTIVITIES	**6,067**	**11,519**	**732**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(1,207)	(2,642)	(2,806)
Proceeds from disposal of property, plant and equipment	76	18	86
Purchase of intangible assets	(5)	(8)	(18)
Dividends received	17	37	39
Interests received	141	168	97
NET CASH USED IN INVESTING ACTIVITIES	**(978)**	**(2,427)**	**(2,602)**

11. FINANCIAL INFORMATION *(cont'd)*

	Audited		
	FYE 2018 (RM'000)	**FYE 2019 (RM'000)**	**FYE 2020 (RM'000)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	(4,000)	(2,000)	(3,100)
Change in pledged deposits	(279)	(96)	4
Interests paid	(1)	-	(1)
NET CASH USED IN FINANCING ACTIVITIES	**(4,280)**	**(2,096)**	**(3,097)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**809**	**6,996**	**(4,967)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	5,837	6,749	13,556
Effect of exchange rate changes on cash and cash equivalents	103	(189)	(149)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	**6,749**	**13,556**	**8,440**
ANALYSIS OF CASH AND CASH EQUIVALENTS: -			
Fixed deposits placed with licensed banks	4,761	5,004	5,023
Less: Pledged deposits [(i)]	(4,312)	(4,408)	(4,412)
	449	596	611
Short term investments	1,403	1,984	-
Cash and bank balances	4,897	10,976	7,829
	6,749	**13,556**	**8,440**

Note: -

(i) Pledged deposits are short-term deposit pledged to financial institution for bank guarantees and foreign currency forward contracts.

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11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion of our business, financial condition and results of operations for the Financial Years Under Review refers to the historical financial information of Volcano Group. The financial information has been prepared based on the assumption that the current structure of our Group has been in existence throughout the Financial Years Under Review.

The discussion of our business, financial condition and results of operations for the Financial Years Under Review should be read in conjunction with the Accountants' Report set out in Section 12 of this Prospectus.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Prospectus, particularly in the section entitled Risk Factors set out in Section 9 of this Prospectus.

11.2.1 Overview of our operations

(i) Principal activities

Our Group is principally involved in the manufacturing of parts and components used in the E&E and automotive industries, namely: -

(a) Manufacturing of nameplates; and

(b) Manufacturing of plastic injection moulded parts.

We produce nameplates and plastic injection moulded parts based on materials, sizes, designs and specifications requested by our customers.

We have two (2) manufacturing plants. Our head office cum factory is located in Perai, Penang and the second factory is in Rayong, Thailand.

Our operations in Perai, Penang is through our wholly-owned subsidiary, VNP. VNP is solely involved in the manufacturing of nameplates and is the main contributor to our financial performance. On the other hand, our operations in Thailand is through our wholly-owned subsidiary, VTT, which focuses more on the manufacturing of plastic injection moulded parts and is complemented by the manufacturing of nameplates.

The combined skills, experience and knowledge that we possess in both the manufacturing of nameplates and manufacturing of plastic injection moulded parts provide us the unique position in fulfilling customers' demand as a one-stop solution in these areas. For further details, please refer to Section 7 of this Prospectus.

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(ii) Revenue

Our Group's revenue is segmented to the two (2) principal products/activities as follows: -

(a) Nameplates

(1) Revenue generated from the nameplates segment consists mainly of sales of nameplates for brand recognition, product identification and instructional purposes. The nameplates that we manufacture are mainly used in E&E products such as laptops and home appliances.

(2) Other products with similar manufacturing processes consist of overlays, panels, spacer, insulators, die-cut parts, stamping parts, control panels and membrane switches.

The nameplates segment which comprises of metal and non-metal nameplates is our main business which contributed an average of 64.16% of our Group's revenue for the Financial Years Under Review.

(b) Plastic injection

Revenue generated from the plastic injection segment consists mainly of sales of parts made of resin using the plastic injection moulding process. We manufacture plastic injection moulded parts used mainly for washing machines, refrigerators, power tools, microwave ovens, sewing machines, and automotive vehicles.

The plastic injection moulded parts segment contributed an average of 35.84% of our Group's revenue for the Financial Years Under Review.

(iii) Cost of sales

Our cost of sales mainly comprises the following key elements: -

(a) Manufacturing of nameplates

(1) Purchase of raw materials such as stainless steel, aluminium and thermoplastic, adhesive tape, ink, additional works on surface finishing of raw materials along with direct expenses including transportation charges (i.e. carriage inwards of raw materials) and other miscellaneous costs;

(2) Amortisation and depreciation on land and building, machines and equipment;

(3) Manpower costs related to the manufacturing process of nameplates; and

(4) Repair and maintenance of plant, machinery and tools.

(b) Manufacturing of plastic injection moulded parts and components

(1) Purchase of raw materials such as resins and direct expenses including freight charges, transportation charges and other miscellaneous costs;

(2) Depreciation on building, machines and equipment;

(3) Manpower costs related to the manufacturing process and sub-assembly of plastic injection moulded parts; and

(4) Repair and maintenance of plant, machinery and tools.

(iv) Other income

Other income includes primarily interest income, dividend income, gain on foreign exchange, gain on foreign currency forward contract and insurance compensation.

(v) Administrative expenses

Administrative expenses mainly comprise: -

(a) Costs incurred to maintain our business operations such as manpower costs, directors' remuneration, travelling expenses, utilities expenses, upkeep expenses, depreciation of property, plant and equipment; and

(b) Other operating expenses which are not directly related to our operations such as loss on foreign exchange, professional fees, bank charges, inventories written down and miscellaneous office expenses.

(vi) Distribution expenses

Distribution expenses mainly comprise expenses incurred for marketing and distribution of our products such as sales commission, transportation charges, travelling expenses and upkeep and depreciation of motor vehicles.

(vii) Finance costs

Our finance costs comprise interest expense incurred on invoice factoring and operating lease.

(viii) Recent developments

Save as disclosed below, there were no significant events during and subsequent to our Group's audited consolidated financial statements for FYE 2020.

(a) Covid-19 outbreak

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the MCO starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The quarantine in Wuhan city which was then extended to other cities in China in early 2020 and the MCO has disrupted the operations of VNP under the restrictions imposed by MITI with, among others, temporary suspension of operations, reducing our employees to a minimum level for the operations or reducing approximately 50% of our workforce for the operations and to adhere to social distancing measures. For VTT, the Ministry of Industry, Thailand has issued control measures for businesses to observe, however, it does not prohibit manufacturing facilities and offices to operate. Notwithstanding this, some of VTT's customers have implemented between one (1) to two (2) weeks of shut down in April 2020 as precautionary measures. Since then, there have been various control measures implemented in Malaysia and other countries to curb the Covid-19 pandemic.

For further details, please refer to Sections 7.13 and 9.1 of this Prospectus.

(b) On 18 May 2020, the ordinary shares of the Company was consolidated on a basis of five (5) existing ordinary shares to one (1) ordinary share.

As a result of the above, the total number of shares issued of Volcano of 700,000,000 had been consolidated to 140,000,000 ordinary shares.

(ix) Audit qualifications

Our audited financial statements for the Financial Years Under Review were not subject to any audit qualification.

(x) Accounting policies that are peculiar to our business

There are no accounting policies that are peculiar to our business as the nature of our business is manufacturing and does not require special accounting policies.

(xi) Significant factors affecting our business

Section 9 of this Prospectus details the risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect revenues and profits include the following: -

(a) Dependency on our major customers

We are dependent on our major customers and we do not have any long-term contract with our customers. Our major customers in aggregate contributed for approximately 69.50% of our total revenue for the FYE 2020. The loss of any major customers and/or the inability to secure new purchase orders may adversely impact our operating results.

(b) Dependency on third party suppliers

We are dependent on third party suppliers for raw materials, components and parts. Any unforeseen or sudden severance of the relationship with our major suppliers and/or any future disruption in the supply of raw materials, components and parts may negatively impact our Group's ability to supply our product to our customers.

(c) Ability to continuously or consistently meet customer expectations

We are dependent on our ability to continuously and consistently meet customer expectations. Should we fail to meet customers' specification or expectation, our business and financial conditions may be adversely affected.

(d) Fluctuation in prices of raw materials

We may be exposed to fluctuation in prices of raw materials as our raw materials are mainly commodity products which are subject to price fluctuation. Any rise in our raw materials prices will result in lower operating margin to our Group if we are unable to reflect the increased cost in the selling price of our finished products.

(e) Fluctuation in exchange rate

We are exposed to fluctuations in exchange rates as part of our Group's revenue and purchases are denominated in foreign currencies. Any significant fluctuations in exchange rates, particularly the USD and THB, may have a significant impact on our reported income as they are required to be stated in RM in our financial statements.

(f) Competition

Notwithstanding our competitive strengths, we continue to face competition from existing and prospective competitors which may be capable of offering similar products at lower cost.

Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

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11. FINANCIAL INFORMATION *(cont'd)*

11.2.2 Review of operations

(i) Revenue

The revenue segmentation of our Group by company, business segments and principal markets for the Financial Years Under Review is set out below.

Analysis of revenue by company and business segment (in figures)

	Audited								
	FYE 2018			FYE 2019			FYE 2020		
	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
VNP	32,342	-	32,342	29,605	-	29,605	25,743	-	25,743
VTT	4,537	21,770	26,307	6,061	20,226	26,287	8,901	17,883	26,784
Total	**36,879**	**21,770**	**58,649**	**35,666**	**20,226**	**55,892**	**34,644**	**17,883**	**52,527**

Analysis of revenue by company and business segment (in percentage)

	Audited								
	FYE 2018			FYE 2018			FYE 2020		
	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
VNP	55.15	-	55.15	52.97	-	52.97	49.01	-	49.01
VTT	7.73	37.12	44.85	10.84	36.19	47.03	16.95	34.04	50.99
Total	**62.88**	**37.12**	**100.00**	**63.81**	**36.19**	**100.00**	**65.96**	**34.04**	**100.00**

Analysis of revenue by geographical segment

	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Local						
- Malaysia	2,336	3.98	2,315	4.14	2,188	4.17
Overseas						
- Singapore	28,077	47.87	23,520	42.08	23,102	43.98
- Thailand	24,207	41.28	23,806	42.59	23,171	44.11
- USA	1,637	2.79	3,395	6.08	722	1.37
- China	1,049	1.79	911	1.63	1,051	2.00
- Germany	358	0.61	307	0.55	499	0.95
- Indonesia	508	0.87	984	1.76	1,324	2.52
- Others*	477	0.81	654	1.17	470	0.90
Total	**58,649**	**100.00**	**55,892**	**100.00**	**52,527**	**100.00**

Note: -

* *Others mainly includes countries such as, Denmark, Italy, Hong Kong, Japan, Netherlands, New Zealand, the Philippines, Puerto Rico, Switzerland, Taiwan, Cambodia and the United Kingdom.*

Commentary on revenue

Comparison by business segments

Comparison between FYE 2018 and FYE 2019

Our Group's revenue decreased by RM2.76 million or 4.71% from RM58.65 million in the FYE 2018 to RM55.89 million in the FYE 2019. The nameplates segment is our main business which contributed 63.81% of our Group's total revenue in FYE 2019.

Revenue from the nameplates segment decreased by RM1.21 million or 3.28% in FYE 2019 as a result of the change in sales mix towards non-metal nameplates which have lower average sales value compared to metal nameplates. The sales mix shift to non-metal nameplates was attributed by the lower demand of metal nameplates from one of our major customers as they seek for a cost saving approach as well as differentiation in business strategy whereby metal nameplates are used in their medium to high range products.

The decrease in revenue contribution from plastic injection moulded parts by RM1.54 million or 7.07% has also caused the decrease in overall revenue in FYE 2019. This was mainly due to the cessation of supply to one of our customers, namely Electrolux Thailand as they streamlined their operations. Electrolux Thailand has contributed RM1.29 million of revenue in FYE 2019 prior to the cessation of supply in August 2019 as compared to RM6.42 million in FYE 2018. The decrease was mainly offset by the increase in sales from four other customers in the E&E industry amounting to RM3.77 million.

Comparison between FYE 2019 and FYE 2020

Our Group's revenue decreased by RM3.36 million or 6.01% from RM55.89 million in the FYE 2019 to RM52.53 million in the FYE 2020. The nameplates segment is our main business which contributed 65.96% of our Group's total revenue in FYE 2020.

Revenue from the nameplates segment decreased by RM1.03 million or 2.89% from RM35.67 million in the FYE 2019 to RM34.64 million in the FYE 2020. This was mainly due to the disruption of operations caused by the outbreak of Covid-19 and MCO.

Revenue from plastic injection moulded parts segment also declined by RM2.35 million or 11.62% from RM20.23 million in the FYE 2019 to RM17.88 million in the FYE 2020 as a result of the decrease in demand caused by the outbreak of Covid-19.

Comparison by geographical markets

Our Group derives a major portion of our revenue from overseas. Singapore is the principal market for our nameplates product and have been our major export market contributing an average of 44.71% in terms of revenue for the Financial Years Under Review. The revenue contribution from Singapore decreased from RM28.08 million in FYE 2018 to RM23.10 million in FYE 2020. This was mainly due to decreasing orders from our customer from Singapore, namely HP in view of the changes in sales mix towards non-metal nameplates with lower average selling prices (in view of cost cutting measures, nameplates for middle and lower ranged products by HP) and disruption of operations caused by the outbreak of Covid-19 and MCO which resulted in sales loss due to the disruptions in our operations during the MCO under the restrictions imposed by MITI with, among others, temporary suspension of operations from 18 March 2020 to 3 April 2020, reducing our employees to a minimum level for the operations or reducing approximately 50% of our workforce for the operations from 6 April 2020 to 28 April 2020 and to adhere to social distancing measures. Nevertheless, the Group is working closely with HP to manufacture nameplates with improved features, and also to secure orders from other customers in Thailand, Indonesia and Vietnam to improve the Group's revenue in the future.

Our second largest revenue contributor is from Thailand and is the principal market for our plastic injection moulded parts. The average contribution from Thailand is approximately 43.06% in terms of revenue for the Financial Years Under Review. The contribution from Thailand increased from 41.28% in FYE 2018 to 42.59% in FYE 2019 and 44.11% in FYE 2020. These two (2) overseas markets contributed a total of 89.15%, 84.67% and 87.32% to our Group's revenue for each of the Financial Years Under Review.

For information, intercompany sales are negligible and are mainly on sales of raw materials based on arm's length price.

	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	(RM'000)	(%) [(i)]	(RM'000)	(%) [(i)]	(RM'000)	(%) [(i)]
Sales from VNP to VTT	177	0.30	225	0.40	1,135	2.16
Sales from VTT to VNP	6	0.01	9	0.02	19	0.04

Note: -

(i) As a percentage of total revenue for the respective Financial Years Under Review.

11. FINANCIAL INFORMATION *(cont'd)*

(ii) Cost of sales, GP and GP margin

(a) Cost of sales

The analysis of our cost of sales, GP and GP margin and the year-on-year commentary for the Financial Years Under Review is explained below.

Analysis of cost of sales by nature and company (in figures)

	Audited								
	FYE 2018			FYE 2019			FYE 2020		
	VNP	VTT	Total	VNP	VTT	Total	VNP	VTT	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Material and additional works	11,583	13,394	24,977	10,682	13,039	23,721	9,205	11,037	20,242
Labour cost	5,267	4,250	9,517	5,584	4,341	9,925	5,031	5,300	10,331
Overheads	1,577	3,605	5,182	1,528	3,587	5,115	1,999	4,816	6,815
Total	**18,427**	**21,249**	**39,676**	**17,794**	**20,967**	**38,761**	**16,235**	**21,153**	**37,388**

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11. FINANCIAL INFORMATION *(cont'd)*

Analysis of cost of sales by nature and business segment (in figures)

	Audited								
	FYE 2018			FYE 2019			FYE 2020		
	Nameplates	Plastic Injection	Total	Nameplates	Plastic Injection	Total	Nameplates	Plastic Injection	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Material and additional works	13,129	11,848	24,977	12,324	11,397	23,721	11,570	9,306	20,876
Labour cost	6,001	3,516	9,517	6,672	3,253	9,925	6,897	3,434	10,331
Overheads	2,038	3,144	5,182	2,487	2,628	5,115	3,522	2,659	6,181
Total	**21,168**	**18,508**	**39,676**	**21,483**	**17,278**	**38,761**	**21,989**	**15,399**	**37,388**

Analysis of cost of sales by company and business segment (in figures)

	Audited								
	FYE 2018			FYE 2019			FYE 2020		
	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
VNP	18,427	-	18,427	17,794	-	17,794	16,235	-	16,235
VTT	2,741	18,508	21,249	3,689	17,278	20,967	5,754	15,399	21,153
Total	**21,168**	**18,508**	**39,676**	**21,483**	**17,278**	**38,761**	**21,989**	**15,399**	**37,388**

11. FINANCIAL INFORMATION *(cont'd)*

Analysis of cost of sales by company and business segment (in percentage)

	Audited								
	FYE 2018			FYE 2019			FYE 2020		
	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
VNP	46.44	-	46.44	45.91	-	45.91	43.42	-	43.42
VTT	6.91	46.65	53.56	9.51	44.58	54.09	15.39	41.19	56.58
Total	**53.35**	**46.65**	**100.00**	**55.42**	**44.58**	**100.00**	**58.81**	**41.19**	**100.00**

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Commentary on cost of sales

Comparison between FYE 2018 and FYE 2019

Our Group's cost of sales decreased by RM0.92 million or 2.32% from RM39.68 million in the FYE 2018 to RM38.76 million in the FYE 2019. This was mainly due to decrease in the overall cost for plastic injection moulded parts.

Cost of sales for nameplates increased marginally by RM0.31 million or 1.46% from RM21.17 million in the FYE 2018 to RM21.48 million in the FYE 2019. This was mainly due to increase in labour cost of RM0.67 million attributed to the Minimum Wages Order which took effect on 1 January 2019 and annual salary increments.

Cost of sales for plastic injection moulded parts decreased by RM1.23 million or 6.65% from RM18.51 million in FYE 2018 to RM17.28 million in FYE 2019 which is in line with the decrease in sales of plastic injection moulded parts resulting from the cessation of supply to Electrolux Thailand. Electrolux Thailand has contributed RM1.29 million of revenue in FYE 2019 prior to the cessation of supply in August 2019.

Comparison between FYE 2019 and FYE 2020

Our Group's cost of sales decreased by RM1.37 million or 3.53% from RM38.76 million in the FYE 2019 to RM37.39 million in the FYE 2020. This was mainly due to the decrease in the sales of nameplates and plastic injection moulded parts.

Cost of sales for nameplates segment increased by RM0.51 million or 2.37% from RM21.48 million in the FYE 2019 to RM21.99 million in the FYE 2020 despite the decrease in sales. This was mainly due to the increase in overheads which was attributed by the upkeep of machinery of RM0.45 million as we have serviced and replaced certain parts of our machines and higher depreciation expenses of RM0.17 million due to a new laser cutting machine purchased in FYE 2020.

Cost of sales for plastic injection moulded parts segment dropped by RM1.88 million or 10.88% from RM17.28 million in the FYE 2019 to RM15.40 million in the FYE 2020. This was mainly due to lower material cost of RM2.09 million as a result of lower sales of plastic injection moulded parts during the FYE 2020.

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11. FINANCIAL INFORMATION *(cont'd)*

(b) GP and GP margin

Analysis of GP by company and business segment

	Audited								
	FYE 2018			FYE 2019			FYE 2020		
	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
VNP	13,915	-	13,915	11,811	-	11,811	9,508	-	9,508
VTT	1,796	3,262	5,058	2,372	2,948	5,320	3,147	2,484	5,631
Total	**15,711**	**3,262**	**18,973**	**14,183**	**2,948**	**17,131**	**12,655**	**2.484**	**15,139**

Analysis of GP margin by company and business segment

	Audited								
	FYE 2018			FYE 2019			FYE 2020		
	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total	Nameplates	Plastic injection	Total
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
VNP	43.02	-	43.02	39.90	-	39.90	36.93	-	36.93
VTT	39.59	14.98	19.23	39.14	14.58	20.24	35.36	13.89	21.02
Total	**42.60**	**14.98**	**32.35**	**39.77**	**14.58**	**30.65**	**36.53**	**13.89**	**28.82**

Commentary on GP and GP margin

Comparison between FYE 2018 and FYE 2019

Our Group's GP decreased by RM1.84 million or 9.70% from RM18.97 million in FYE 2018 to RM17.13 million in FYE 2019 due to the decline in GP for nameplates. In FYE 2019, the GP for nameplates decreased by RM1.53 million or 9.74% to RM14.18 million as compared to RM15.71 million in the FYE 2018.

This was mainly due to the decline in total revenue of nameplates by RM1.21 million or 3.28% in FYE 2019 and higher labour cost for nameplates of RM0. 67 million as a result of the Minimum Wages Order which took effect on 1 January 2019 and annual salary increments.

Our GP margin declined by 1.70% from 32.35% in FYE 2018 to 30.65% in FYE 2019 due to the decline in GP margin of nameplates. The GP margin of nameplates reduced by 2.83% from 42.60% in FYE 2018 to 39.77% in FYE 2019. The reduction was mainly attributable to the higher labour cost as mentioned above and certain overhead costs which are fixed in nature such as amortisation and depreciation.

Comparison between FYE 2019 and FYE 2020

Our Group's GP decreased by RM1.99 million or 11.62% from RM17.13 million in FYE 2019 to RM15.14 million in FYE 2020 due to the decline in GP for nameplates by RM1.53 million from RM14.18 million in FYE 2019 to RM12.66 million in FYE 2020.

The decreased was also mainly due to the decline in total revenue of nameplates by RM1.03 million or 2.89% in FYE 2020 and higher overheads for nameplates of RM1.04 million attributed to the higher upkeep of machinery of RM0.45 million as we have serviced and replaced certain parts for our machines and incurred higher depreciation expenses of RM0.17 million due to a new laser cutting machine purchased in FYE 2020.

Our GP margin declined by 1.83% from 30.65% in FYE 2019 to 28.82% in FYE 2020 due to the decline in GP margin of nameplates by 3.24% from 39.77% in FYE 2019 to 36.53% in FYE 2020. The reduction was mainly attributable to the higher overhead expenses incurred as explained above as well as lower operation efficiencies as a result of disruptions in our operations during the MCO under the restrictions imposed by MITI with, among others, temporary suspension of operations from 18 March 2020 to 3 April 2020, reducing our employees to a minimum level for the operations or reducing approximately 50% of our workforce for the operations from 6 April 2020 to 28 April 2020 and to adhere to social distancing measures. Please refer to Section 7.13 of this Prospectus for further information on the impact of the outbreak of Covid-19 and MCO on our business operations.

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(iii) Other income

Other income of our Group comprises mainly the following: -

	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Dividend income [(i)]	17	1.63	37	6.94	39	18.06
Interest income [(ii)]	140	13.42	168	31.52	97	44.91
Fair value gain on forward contract	-	-	3	0.56	-	-
Realised gain on foreign exchange	76	7.29	228	42.78	-	-
Gain on disposal of property, plant and equipment	-	-	10	1.88	48	22.22
Insurance compensation	655	62.80	-	-	-	-
Other income [(iii)]	155	14.86	87	16.32	32	14.81
Total	**1,043**	**100.00**	**533**	**100.00**	**216**	**100.00**

Notes: -

(i) Being dividend income received from cash management funds which are portfolios of investments managed by licensed financial institutions similar to unit trust portfolios.

(ii) Being interest income from placement of fixed deposits with licensed banks.

(iii) Being other miscellaneous income such as refund of withholding tax, mould charges and other service charges from VTT. Other income in FYE 2019 includes scrap sales of RM111,842.

Comparison between FYE 2018 and FYE 2019

Our Group's other income slipped by approximately RM0.51 million or 49.04% from approximately RM1.04 million in the FYE 2018 to RM0.53 million in the FYE 2019. The higher other income in FYE 2018 was due to the one-off insurance compensation of RM0.66 million recorded in the previous financial year.

Dividend income increased marginally by RM0.02 million or from RM0.02 million in FYE 2018 to RM0.04 million FYE 2019 due to higher dividend received from the cash management funds.

Interest income increased marginally by RM0.03 million or from RM0.14 million in FYE 2018 to RM0.17 million FYE 2019 due to higher fixed deposit placement during FYE 2019.

Comparison between FYE 2019 and FYE 2020

Our Group's other income decreased by approximately RM0.31 million or 52.78% from approximately RM0.53 million in the FYE 2019 to RM0.22 million in the FYE 2020. The lower other income was mainly due to realised gain on foreign exchange recorded in the FYE 2019 but not in FYE 2020.

(iv) Operating expenses

The breakdown of our operating expenses for the Financial Years Under Review is as follows: -

	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
(A) Administrative expenses						
Salaries and staff related expenses	6,674	62.17	6,579	61.83	6,201	58.64
Utilities	1,109	10.33	1,123	10.55	1,073	10.15
Travelling	358	3.34	347	3.26	156	1.47
Depreciation	333	3.10	250	2.35	310	2.93
Professional fee	225	2.10	264	2.48	639	6.04
Miscellaneous duties and taxes	143	1.33	184	1.73	301	2.85
Printing, postage & stationery	119	1.11	121	1.14	133	1.26
Marketing expenses	115	1.07	160	1.51	96	0.91
Upkeep and maintenance	97	0.90	47	0.44	52	0.49
Rental	97	0.90	115	1.08	142	1.34
Insurance	95	0.88	81	0.76	65	0.61
Telecommunication	70	0.65	67	0.63	59	0.56
Bank charges	48	0.45	43	0.40	44	0.42
Net unrealised loss on foreign exchange	193	1.80	395	3.71	554	5.24
IPO related expenses	838	7.81	607	5.70	448	4.24
- Others [(i)]	221	2.06	258	2.43	302	2.86
Total	**10,735**	**100.00**	**10,641**	**100.00**	**10,575**	**100.00**

Note: -

(i) Other administrative expenses consist of licence fee, quit rent and assessment, penalty, postage and small value assets expenses.

Comparison between FYE 2018 and FYE 2019

Our Group's administrative expenses decreased by RM0.10 million or 0.93% from RM10.74 million in the FYE 2018 to RM10.64 million in the FYE 2019. The decrease was mainly due to lower IPO expenses by RM0.23 million or 27.38% and lower staff related expenses by RM0.16 million or 2.40%.

Comparison between FYE 2019 and FYE 2020

Our Group's administrative expenses decreased marginally by RM0.06 million or 0.56% from RM10.64 million in the FYE 2019 to RM10.58 million in the FYE 2020. The decrease was mainly due to lower salary and staff related expenses by RM0.38 million or 5.75% and lower travelling expenses by RM0.19 million or 55.04%.

	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
(B) Distribution expenses						
- Depreciation	255	42.57	191	35.24	212	40.61
- Travelling and transportation	200	33.39	262	48.34	243	46.55
- Commission	121	20.20	44	8.12	58	11.11
- Others [(i)]	23	3.84	45	8.30	9	1.73
Total	**599**	**100.00**	**542**	**100.00**	**522**	**100.00**

Note: -

(i) Other distribution expenses consist of upkeep of vehicles related to distribution and miscellaneous distribution expenses.

Comparison between FYE 2018 and FYE 2019

Our Group's distribution expenses decreased marginally by RM0.06 million or 10.00% from RM0.60 million in the FYE 2018 to RM0.54 million in the FYE 2019. The decrease was mainly due to lower commission payment as a result of lower sales.

Comparison between FYE 2019 and FYE 2020

Our Group's distribution expenses decreased marginally by RM0.02 million or 3.70% from RM0.54 million in the FYE 2019 to RM0.52 million in the FYE 2020. The decrease was mainly due to lower travelling and transportation expenses as a result of lower sales.

(v) Finance costs

The breakdown of our finance cost for the Financial Years Under Review is as follows: -

	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Interest expenses						
- Invoice factoring charges	1	100.00	-	-	-	-
- Other charges	-	-	-	-	1	100
Total	1	**100.00**	-	-	1	**100.00**

In FYE 2018, the finance cost was in relation to invoice factoring charges where the receivable was sold to financial institutions. Invoice factoring is a financing scheme arranged for one of our customers which allows us to collect our sales proceeds from a designated bank prior to the expiry of the credit term. The finance cost incurred in FYE 2020 was operating lease expenses for forklift.

(vi) PBT and PBT margin

	Audited		
	FYE 2018	FYE 2019	FYE 2020
PBT (RM'000)	8,681	6,481	4,257
PBT margin (%)	14.80	11.60	8.10

Comparison between FYE 2018 and FYE 2019

Our Group's PBT slipped by RM2.20 million or 25.35% from RM8.68 million in the FYE 2018 to RM6.48 million in the FYE 2019. The PBT margin also reduced by 3.20% from 14.80% in the FYE 2018 to 11.60% in the FYE 2019. The decline in PBT and PBT margins were mainly due to the decrease in GP and GP margin of nameplates and plastic injection moulded parts.

Comparison between FYE 2019 and FYE 2020

Our Group's PBT decreased by RM2.22 million or 34.26% from RM6.48 million in the FYE 2019 to RM4.26 million in the FYE 2020. The PBT margin also reduced by 3.50% from 11.60% in the FYE 2019 to 8.10% in the FYE 2020. The decline in PBT and PBT margins were mainly due to the decrease in GP and GP margin of nameplates and plastic injection moulded parts.

For illustration purpose, our Group's PBT and PBT margin without IPO expenses was set out as follows: -

	Audited		
	FYE 2018	FYE 2019	FYE 2020
PBT (RM'000)	8,681	6,481	4,257
Add: IPO expenses	838	607	448
PBT without IPO expenses	9,519	7,088	4,705
PBT margin without IPO expenses (%)	16.23	12.68	8.96

(vii) Taxation

Our tax expenses in the statements of profit or loss and other comprehensive income represent the aggregate amount of current tax and deferred tax.

Our taxation expense and effective tax rate for Financial Years Under Review are as follows: -

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
VNP			
- Income tax	1,635	900	831
- Deferred tax	(72)	399	-
	1,563	1,299	831
VTT (i)			
- Deferred tax	166	402	43
Total	**1,729**	**1,701**	**874**
Effective tax rate (%) (ii)			
- Group	19.92	26.25	20.53
- VNP	20.81	24.76	21.38
- VTT (iv)	8.27	4.79	5.92

	Audited		
	FYE 2018 (RM'000)	**FYE 2019 (RM'000)**	**FYE 2020 (RM'000)**
Statutory tax rate (%)			
- Malaysia	24.00	24.00	24.00
- Thailand	20.00	20.00	20.00

Notes: -

(i) VTT has been granted certain promotional privileges under the Investment Promotion Act B.E. 2520 of Thailand with 100% tax exemption on its statutory income for a period of 8 years (24 December 2008 to 23 December 2016) and 50% tax exemption on its statutory income for further 5 years (24 December 2016 to 23 December 2021).

(ii) Effective tax rate is computed based on current year tax expense divided by PBT.

(iii) VTT assumes responsibility for the withholding of taxes at the source, where required.

(iv) The effective tax rate of VTT for the Financial Years Under Review relates to deferred tax liabilities arising from provision for defined benefits plan.

Comparison between FYE 2018 and FYE 2019

Our Group's taxation decreased by RM0.03 million or 1.73% from RM1.73 million in the FYE 2018 to FYE RM1.70 million in the FYE 2019. This was mainly due to the decrease in PBT of VNP from RM7.51 million in the FYE 2018 to RM5.25 million in the FYE 2019.

VNP's effective tax rate of 24.76% for the FYE 2019 approximated to the statutory tax rate of 24.00%.

Comparison between FYE 2019 and FYE 2020

Our Group's taxation decreased by RM0.89 million or 52.35% from RM1.70 million in the FYE 2019 to RM0.87 million in the FYE 2020. This was mainly due to the decrease in PBT of VNP from RM5.25 million in the FYE 2019 to RM3.89 million in the FYE 2020.

VNP's effective tax rate of 21.38% for the FYE 2020 was slightly lower than the statutory tax rate of 24.00% mainly due to over provision of income tax of RM0.14 million in prior years.

For the Financial Years Under Review, VTT recorded lower effective tax rate in the range of 4.79% to 8.27% as a result of tax incentive granted to VTT.

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11.2.3 Review of financial position

(i) Assets

Our assets for the Financial Years Under Review comprise the following: -

	Audited		
	FYE 2018 (RM'000)	**FYE 2019 (RM'000)**	**FYE 2020 (RM'000)**
Non-current assets			
Property, plant and equipment	27,200	29,073	28,892
Intangible assets	13	12	21
Deferred tax assets	1,037	700	631
Total non-current assets	**28,250**	**29,785**	**29,544**
Current assets			
Inventories	15,304	14,889	16,500
Current tax assets	668	1,367	1,486
Trade and other receivables	11,921	10,500	14,022
Other investments	1,403	1,984	-
Derivative financial assets	42	45	-
Cash and short-term deposits	9,658	15,980	12,852
Total current assets	**38,996**	**44,765**	**44,860**
Total assets	**67,246**	**74,550**	**74,404**

Comparison between FYE 2018 and FYE 2019

Our Group's total assets increased by RM7.30 million or 10.86% from RM67.25 million in the FYE 2018 to RM74.55 million in the FYE 2019. The increase was mainly due to the increase in cash and short-term deposits by RM6.32 million or 65.42% from RM9.66 million in the FYE 2018 to RM15.98 million in the FYE 2019.

Comparison between FYE 2019 and FYE 2020

Our Group's total assets decreased by RM0.15 million or 0.20% from RM74.55 million in the FYE 2019 to RM74.40 million in the FYE 2020. The decrease was mainly due to the decrease in cash and short-term deposits by RM3.13 million which was mainly utilised for payment of dividend of RM3.10 million.

The trade and other receivables increased by RM3.52 million or 33.52% from RM10.50 million in the FYE 2019 to RM14.02 million in the FYE 2020 as a result of improved sales recorded towards year end which was due to the increase in orders of nameplates and plastic injection moulded parts by our customers. In addition, inventories increased by RM1.61 million or 10.82% from RM14.89 million in the FYE 2019 to RM16.50 million in the FYE 2020. The increase in raw materials such as thermoplastic and stainless steel is to ensure smooth production in case of any future disruption in supply as most of the raw materials are imported from China. In addition, the increase in work-in-progress and finished goods was in anticipation of shipment of finished goods to our customers in the first quarter of FYE 2021 based on purchase orders.

(ii) Liabilities

Our liabilities for the Financial Years Under Review comprise the following: -

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Non-current liabilities			
Employee benefits	90	171	143
Deferred tax liabilities	359	758	642
Total non-current liabilities	**449**	**929**	**785**
Current liabilities			
Trade and other payables	4,715	5,975	6,247
Total current liabilities	**4,715**	**5,975**	**6,247**
Total liabilities	**5,164**	**6,904**	**7,032**

Comparison between FYE 2018 and FYE 2019

Our Group's total liabilities increased by RM1.74 million or 33.72% from RM5.16 million in the FYE 2018 to RM6.90 million in the FYE 2019. This was mainly due to higher trade payables of RM0.86 million due to higher purchases made towards year end of FYE 2019 and the balance purchase sum for the acquisition of machinery of RM0.85 million.

Comparison between FYE 2019 and FYE 2020

Our Group's total liabilities increased by RM0.13 million or 1.88% from RM6.90 million in the FYE 2019 to RM7.03 million in the FYE 2020. Trade and other payables increased by RM0.27 million or 4.52% from RM5.98 million in FYE 2019 to RM6.25 million in FYE 2020. This was mainly due to higher purchases of inventories made towards year end of FYE 2020.

11.2.4 Review of cash flows

The following table sets out the summary of the audited statements of cash flows of our Group for the Financial Years Under Review, which have been extracted from the Accountants' Report set out in Section 12 of this Prospectus. It should be read in conjunction with the Accountants' Report set out in Section 12 of this Prospectus.

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Net cash from operating activities	6,067	11,519	732
Net cash used in investing activities	(978)	(2,427)	(2,602)
Net cash used in financing	(4,280)	(2,096)	(3,097)
Net changes in cash and cash equivalents	809	6,996	(4,967)
Cash and cash equivalents at the beginning of the financial year	5,837	6,749	13,556
Effect of exchange translation differences on cash and cash equivalents	103	(189)	(149)
Cash and cash equivalents at the end of the financial years	**6,749**	**13,556**	**8,440**

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Analysis of cash and cash equivalents			
Fixed deposits placed with licensed banks	4,761	5,004	5,023
Less: Pledged deposits [(i)]	(4,312)	(4,408)	(4,412)
	449	596	611
Short term highly liquid investment	1,403	1,984	-
Cash and bank balances	4,897	10,976	7,829
	6,749	**13,556**	**8,440**

Note: -

(i) Pledged deposits are short-term deposit pledged to financial institution for bank guarantees and foreign currency forward contracts.

Commentary of cash flows

<u>Comparison between FYE 2018 and FYE 2019</u>

For the FYE 2019, we had a net increase in cash and cash equivalents of RM7.00 million. This was due to the cash generated from operations of RM11.52 million. This was offset by net cash used in the investing activities of RM2.43 million and net cash used in financing activities of RM2.10 million.

Net cash from operating activities

Our Group generated a net cash from operating activities of RM11.52 million in FYE 2019, an increase of RM5.45 million or 89.79% from RM6.07 million in FYE 2018.

This was mainly due to a decrease in cash payment to suppliers and subcontractors amounting to RM5.95 million from RM34.85 million in FYE 2018 to RM 28.90 million in FYE 2019 which was in line with the decrease in purchases for inventories from RM27.48 million in the FYE 2018 to RM22.42 million in the FYE 2019. The increase of our trade payable turnover period from 28 days in FYE 2018 to 31 days in FYE 2019 was due to higher purchases made towards year end of FYE 2019.

Our Group recorded cash collected from customers of RM57.56 million in FYE 2019 as compared to RM58.98 million in FYE 2018, representing a decline of RM1.42 million or 2.41%. This was mainly due to a decrease in revenue of RM2.76 million or 4.71% from RM58.65 million in FYE 2018 to RM55.89 million in FYE 2019. Despite the decrease in revenue, there was an improvement in collection from customers as shown in the decrease in trade receivables turnover period from 69 days in FYE 2018 to 66 days in FYE 2019.

The increase in operating cash flows was also due to the decrease in payments to income tax of RM0.53 million from RM2.13 million in FYE 2018 to RM1.60 million in FYE 2019.

Net cash used in investing activities

Our Group's net cash used in investing activities was RM2.43 million in FYE 2019, an increase in net cash used of RM1.45 million or 147.96% from RM0.98 million in FYE 2018. This was mainly due to an increase in acquisition of property, plant and equipment of RM1.43 million from RM1.21 million in FYE 2018 to RM2.64 million in FYE 2019. We have acquired one (1) unit of photovoltaic system of RM0.50 million, two (2) units of laser cutting machines of RM0.94 million and one (1) unit of plastic injection machine with robotic arm of RM0.45 million during FYE 2019. The acquisition of the aforesaid system and machineries were aimed to enhance our automation and manufacturing efficiency.

Net cash used in financing activities

Our Group's net cash used in financing activities of RM2.10 million in FYE 2019, a decrease in net cash used of RM2.18 million or 50.93% from RM4.28 million in FYE 2018. This was mainly due to a decrease in dividends paid by VNP by RM2.00 million from RM4.00 million in FYE 2018 to RM2.00 million in FYE 2019.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, we had a net decrease in cash and cash equivalents of RM4.97 million. This was due to lower cash generated from operations of RM0.73 million in FYE 2020 as compared to RM11.52 million in FYE 2019, coupled with cash used in financing activities of RM3.10 million and investing activities of RM2.60 million.

Net cash from operating activities

Our Group generated a net cash from operating activities of RM0.73 million in FYE 2020, a decrease of RM10.79 million or 93.66% from RM11.52 million in FYE 2019. This was mainly due to cash collected from customers decreased by RM8.59 million or 14.92% from RM57.56 million in FYE 2019 to RM48.97 million in FYE 2020 coupled with the increase of our trade receivables turnover period from 66 days in FYE 2019 to 77 days in FYE 2020 as a result of higher sales towards year end due to the increase in orders of nameplates and plastic injection moulded parts by our customers.

The decrease in operating cash flows was also due to the increase in inventories by RM1.61 million or 10.82% from RM14.89 million in the FYE 2019 to RM16.50 million in the FYE 2020. The increase in inventories for FYE 2020 was in anticipation of shipment of finished goods to our customers in the first quarter of FYE 2021 based on purchase orders.

Net cash used in investing activities

Our Group's net cash used in investing activities was RM2.60 million in FYE 2020, an increase in net cash used of RM0.17 million or 7.00% from RM2.43 million in FYE 2019. This was mainly due to an increase in acquisition of property, plant and equipment of RM0.16 million in FYE 2020 which was used to acquire, amongst others, one (1) unit of laser cutting machine and one (1) unit of automatic die cutting machine.

Net cash used in financing activities

Our Group's net cash used in financing activities of RM3.10 million in FYE 2020, an increase in net cash used of RM1.00 million or 47.62% from RM2.10 million in FYE 2019. This was mainly due to an increase in dividends paid by VNP by RM1.10 million.

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11.3 CAPITALISATION AND INDEBTEDNESS

The following table summarises our proforma cash and cash equivalents, capitalisation and indebtedness as at FYE 2020 based on our proforma audited consolidated statements of financial position as at 31 December 2020 and as adjusted to show the effects of the Listing Scheme, the cash proceeds arising from the Public Issue, the utilisation of proceeds and granting of ESOS: -

		Proforma I	Proforma II	Proforma III
	Audited as at 31 December 2020 (RM'000)	After the Public Issue (RM'000)	After Proforma I and the Utilisation of Proceeds (RM'000)	After Proforma II and granting of ESOS (RM'000)
Cash and cash equivalents	**8,440**	**17,190**	**15,890**	**15,890**
Total indebtedness	-	-	-	-
Capitalisation				
Total shareholders' equity	67,372	76,122	74,672	74,672
Total capitalisation	**67,372**	**76,122**	**74,672**	**74,672**
Total capitalisation and indebtedness	**67,372**	**76,122**	**74,672**	**74,672**

The above table should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated statements of financial position as set out in Section 13 of this Prospectus.

11.4 LIQUIDITY AND CAPITAL RESOURCES

11.4.1 Working capital

Our primary sources of funds are mainly derived from the net cash generated internally from our operations and to a certain extent, external source of funds which comprises credit terms granted by our suppliers. The average credit terms granted to us ranges between 30 days to 90 days. We may raise additional capital or funds through debt or equity offerings in the future to part finance our expansion plans or to meet our financing requirements should the need arise.

Our Board is of the opinion that, after taking into consideration the funds to be generated from our business operations, the internally generated funds to our Group as well as the proceeds to be raised from our Public Issue, our Group will have sufficient working capital for a period of twelve (12) months from the date of this Prospectus.

There are no legal, financial or economic restrictions on the ability of our subsidiary companies to transfer/receive funds to/from our Company in the form of cash dividends, loan or advances. In addition, our Group does not have any bank borrowings as at the FYE 2020. Therefore, we are confident that we can meet our cash obligations.

11.4.2 Borrowings

As at the FYE 2020, our Group does not have any bank borrowings.

11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, we do not utilise any other financial instruments except for bank guarantees issued in favour of Ketua Pengarah Kastam Malaysia of RM80,000. The notional principal amount of our outstanding forward exchange contracts as at 31 December 2020 is zero (31 December 2019: RM1.68 million and 31 December 2018: RM4.59 million).

There were no outstanding forward currency contracts as at the LPD.

Any unfavourable foreign currency difference arising from the settlement of the forward currency contract will have adverse impact on our financial performance. Please refer to Section 9.1.7 of this Prospectus for the details of the risk of forward currency contract and its financial impact to the Group.

11.6 MATERIAL CAPITAL COMMITMENTS, LITIGATION AND CONTINGENT LIABILITY

11.6.1 Material capital commitment

Save as disclosed below, we do not have any material commitments as at the LPD.

Description	Amount (RM'000)	Down payment (RM'000)	Balance (RM'000)
One (1) unit of laser cutting machine	398	119	279

All the material capital commitments are for the Perai, Penang factory and will be funded via internally generated funds.

As part of our continuous effort on automation to enhance production efficiency, we have committed to purchase one (1) unit of laser cutting machine for the production of nameplates products. The delivery of the machines will be by piecemeal basis and is expected to be fully delivered by the second quarter of FYE 2021.

11.6.2 Material litigation and contingent liability

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and do not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

As at the LPD, there are no contingent liabilities incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries.

11.7 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the Financial Years Under Review are as follows: -

	Audited		
	FYE 2018	FYE 2019	FYE 2020
Trade receivable turnover (days) (i)	69	66	77
Trade payable turnover (days) (ii)	28	31	39
Inventory turnover (days) (iii)	130	142	153
Current ratio (times) (iv)	8.27	7.49	7.18
Gearing ratio (times)	-	-	-

The trade receivable turnover period for the Financial Years Under Review ranged from 66 days to 77 days and were within the credit terms granted by us of between 30 to 120 days. The trade receivable turnover period was 69 days in FYE 2018 and subsequently decreased to 66 days in FYE 2019 and increased to 77 days in FYE 2020. The improved trade receivable turnover period for FYE 2019 was mainly due to the improvement in collection from customers especially with the cessation of supply to one of our customers with longer credit term, namely Electrolux Thailand. The outstanding amount from Electrolux Thailand as at FYE 31 December 2019 is RM0.11 million. As at the LPD, there is no outstanding amount from Electrolux Thailand. The increased in trade receivable turnover for FYE 2020 was mainly due to the improved sales recorded towards year end.

The credit terms granted to us by our suppliers are between 30 to 90 days. The trade payable turnover period increased from 28 days for FYE 2018 to 31 days in FYE 2019 and 39 days for FYE 2020. We practise prompt payment to our suppliers to secure better offer in terms of competitive purchase price of which the cost savings arising from the purchase price is between 0.5% to 3.0%. The increased trade payable turnover period for FYE 2020 was due to higher purchases towards year end in tandem with the increase in orders received by the Group for our nameplates and plastic injection moulded parts.

The inventory turnover period increased from 130 days to 142 days from FYE 2018 to FYE 2019 and increased to 153 days in FYE 2020. The increase was mainly due to higher raw materials were kept in anticipation of an increase in the prices of raw materials (e.g., stainless steel and aluminium) after taking into consideration factors such as supply, demand, price trend and currency exchange rates. The increase in inventory turnover for FYE 2019 was also due to slow moving of raw materials such as aluminium due to the shift of metal nameplates to non-metal nameplates. The increase in inventory turnover for FYE 2020 was attributed to higher level of raw materials stored such as thermoplastic and stainless steel to ensure smooth production in case of any future disruption in supply as most of the raw materials are imported from China. In addition, the increase in work-in-progress and finished goods was in anticipation of shipment of finished goods to our customers in the first quarter of FYE 2021 based on purchase orders.

Notes: -

(i) *Computed based on the average trade receivables as at the beginning and ending dates of the respective statement of financial position over revenue for each of the Financial Years Under Review multiplied by 365 days.*

(ii) *Computed based on the average trade payables as at the beginning and ending dates of the respective statement of financial position over cost of sales for each of the Financial Years Under Review multiplied by 365 days.*

(iii) *Computed based on the average inventories of the respective statement of financial position over cost of sales for each of the Financial Years Under Review multiplied by 365 days. The average inventories are calculated as follows: -*

	Audited		
	FYE 2018 (RM'000)	***FYE 2019 (RM000)***	***FYE 2020 (RM'000)***
Opening inventories	*12,951*	*15,304*	*14,889*
Closing inventories	*15,304*	*14,889*	*16,500*
Average inventories	*14,128*	*15,097*	*15,695*

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11. FINANCIAL INFORMATION *(cont'd)*

For information purposes, the breakdown of the total inventories held by the Group are as follows: -

	Audited		
	FYE 2018 (RM'000)	**FYE 2019 (RM000)**	**FYE 2020 (RM'000)**
Raw materials	9,555	10,044	10,381
Work-in-progress	1,564	767	1,237
Finished goods	4,185	4,078	4,882
Total	15,304	14,889	16,500

(iv) *Computed based on current assets over current liabilities for each of the Financial Years Under Review.*

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11. FINANCIAL INFORMATION *(cont'd)*

11.7.1 Trade receivables turnover

The ageing analysis of our trade receivables as at 31 December 2020 is as follows: -

	Audited					
	Trade receivables as at 31 December 2020		Amount collected subsequent to 31 December up to the LPD		Trade receivables net of subsequent collections	
	RM'000	% of trade receivables	RM'000	% collected	RM'000	% of trade receivables net of subsequent collections
	(a)	(a) / total of (a)	(b)	(b) / (a)	(c)	(c) / total of (c)
Neither past due nor impaired	11,527	89.62	5,974	51.83	5,553	98.23
Past due but not impaired: -						
- Less than 30 days	1,127	8.76	1,099	97.52	28	0.49
- 31 days to 60 days	134	1.04	99	73.88	35	0.62
- 61 days to 90 days	24	0.19	24	100.00	-	-
- 91 days to 120 days	15	0.12	13	86.67	2	0.04
- More than 120 days	35	0.27	-	-	35	0.62
Impaired	-	-	-	-	-	-
Total	**12,862**	**100.00**	**7,209**	**56.05**	**5,653**	**100.00**

There is no impairment of trade receivables made during the Financial Years Under Review.

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11.7.2 Trade payables turnover

The ageing analysis of our trade payables as at 31 December 2020 is as follows: -

	Trade payables as at 31 December 2020		Amount paid subsequent to 31 December 2020 up to the LPD		Trade payables net of subsequent payments	
	RM'000	% of trade payables	RM'000	% of payment	RM'000	% of trade payables
Within credit period	3,157	74.32	2,502	79.25	655	69.62
Exceeding credit period: -						
- Less than 30 days	717	16.88	639	89.12	78	8.26
- 31 to 60 days	85	2.00	40	47.06	45	4.75
- 61 to 90 days	30	0.70	30	100.00	-	-
- More than 90 days	259 (i)	6.10	96	37.07	163	17.37
	4,248	100.00	3,307	77.85	941	100.00

Note: -

(i) Comprise of one supplier whereby we were granted favourable payment terms due to bulk purchase wherein the repayment to this supplier shall be made on a monthly basis based on the usage of supplies used for the month. The outstanding balance will be fully paid by April 2021.

11.7.3 Current ratio

Our current ratio throughout the Financial Years Under Review ranged from 7.18 times to 8.27 times. Our current assets and current liabilities as at 31 December 2018 to 31 December 2020 are as follows: -

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Current assets	38,996	44,765	44,860
Current liabilities	4,715	5,975	6,247
Net current assets	34,281	39,790	38,613
Current ratio (times)	8.27	7.49	7.18

Our current ratios have decreased from FYE 2018 to FYE 2020 mainly due to the increase in trade and other payables arising from higher purchases towards year end.

11.7.4 Inventories

Our inventories mainly comprise raw materials such as stainless steel sheets, aluminium sheets, thermoplastic sheets, resins and other supplemental materials, work-in-progress and finished goods such as nameplates and plastic injection moulded parts. Resin, thermoplastic and ink do not have a specific shelf life. The lifetime is subject to storage conditions such as temperature and humidity. Adhesive tapes have a shelf life of two (2) years but it can be extended subject to the storage conditions such as temperature and humidity.

As at FYE 2020, the inventory ageing analysis is as follows: -

	0-6 months (RM'000)	7-12 months (RM'000)	13-18 months (RM'000)	19-24 months (RM'000)	More than 24 months (RM'000)	Total (RM'000)
Raw materials						
Stainless steel	521	482	427	287	107	1,824
Aluminium	620	670	277	212	125	1,904
Thermoplastic	1,088	625	123	129	122	2,087
Resin	1,090	230	191	27	388	1,926
Others[(i)]	1,992	374	123	14	137	2,640
Sub-total	5,311	2,381	1,141	669	879	10,381
Work-in-progress	1,123	114	-	-	-	1,237
Finished goods[(ii)]	3,607	623	296	178	178	4,882
	10,041	3,118	1,437	847	1,057	16,500

Notes: -

(i) *Consist of supplemental products such as parts for assembly, adhesive tapes, tools, inks, packing materials and labels.*

(ii) *Consist of nameplates and plastic injection moulded parts.*

In view of long-term business relationship with one of our major customers, the finished goods with ageing more than six (6) months are mainly due to the following working arrangements with the aforesaid major customer: -

(a) The products are produced based on order schedule which is a forecast production schedule prepared by the customer for a period of six (6) months and will be updated progressively from time to time. The customer will be updated on the status of work-in-progress and finished goods produced under order schedule via the weekly inventory report sent by us. The finished goods that are produced based on order schedule are followed through with a purchase order and all products produced under the order schedule are under the liability of the customer.

(b) In addition, the Group will also produce buffer inventories based on the order schedule to cater for any unexpected events and prevent interruption during the production process of the customer's final products. This is to also ensure that the customer is able to produce its products in respond to sudden surges in market demand and to maintain sufficient inventories available for service parts. These buffer inventories are expected to gradually reduce in line with the lifecycle of the products of the customer.

(c) We are bound to maintain the level of service parts placed by the customer and continue to supply all service parts based on the same type of materials and specifications for five (5) years from the last order date on which the service parts were sold to the said customer until further notice from them. In addition, we shall not discard the inventories including the reserved service parts together with the relevant die, jig or production apparatus used to manufacture that service parts without the customer's prior consent.

The Group reviews our slow moving/obsolete inventories of more than twelve (12)-month by adopting a specific identification approach which requires our management to consider the frequency of demand of our inventories to ensure a consistent supply of various raw materials to fulfil our orders from our customers. Any changes in the judgement of our management on the realisable value of the inventories will result in an impairment.

Raw materials more than twenty-four (24)-month comprise mainly of various types of stainless steel, aluminium, thermoplastic and resins which were purchased in bulk and is being used gradually by the Group. These materials do not have a specific shelf life and is subject to storage conditions such as temperature and humidity.

The Board is of the opinion that there are no material slow moving or obsolete inventories as at the LPD, premised on the following: -

(i) the raw materials are useable and long lasting;

(ii) the work-in-progress and finished goods comprise of nameplates and plastic injection moulded parts which are produced according to purchase orders and order schedule; and

(iii) there were no instances of damage to the inventory identified.

Our impairment of inventories for FYE 2019 and FYE 2020 are RM0.05 million and RM0.06 million respectively. There is no impairment of inventories for the FYE 2018. The inventories were impaired due to the following: -

(i) not useable raw materials;

(ii) rejected work-in-progress due to poor quality of products; and

(iii) obsolete finished goods due to change in model/specifications of products.

11.7.5 Gearing ratio

The gearing ratio of our Group is zero during the Financial Years Under Review as our Group does not have any bank borrowings.

The Group has been funding its business operations through internally generated funds from its operations as well as utilising the credit terms extended by its suppliers. The overall capital management objective of the Group is to optimise returns and benefits to stakeholders. In order to meet this objective, the Group strives to reduce the cost of capital while sustaining its business. However, we would consider and assess the funding of our purchases, working capital or acquisition of assets via borrowings on case-by-case basis taking into consideration various factors such as risk-reward analysis, company's cash flows requirements, future plan and level of distributable reserves.

11.8 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

The risks relating to government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 9 of this Prospectus.

There is no material impact of government, economic, fiscal or monetary policies or factors on our profitability and financial position during the Financial Years Under Review.

11.9 IMPACT OF INFLATION

There is no material impact of inflation on our financial results during the Financial Years Under Review. However, any material increase in inflation rates in the future may affect our operations and financial performance if we are not able to pass such increase in cost, especially the cost of raw materials, to our customers.

11.10 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES

11.10.1 Impact of foreign exchange rates

We may be exposed to foreign currency exchange risks from the dealings with our customers and suppliers as majority of our customers are located overseas. Any significant change in foreign exchange rates may affect our Group's financial results.

We practice a natural hedge against foreign exchange fluctuations in our daily operations by setting-off the Group's revenue in USD against the cost of purchase in USD. We also maintain foreign currency bank accounts in USD with our financial institutions to facilitate and support of our business operations.

Notwithstanding the above, we may also enter into derivative contracts available in the financial markets to hedge against foreign exchange risks should we deem fit to execute so. Further, our management closely monitors the movement of the USD in managing our foreign currency exchange risks. Our foreign currency total sales and purchases for the FYE 2020 are as follows: -

FYE 2020	USD (RM'000)	THB (RM'000)	Others (i) (RM'000)	Total (RM'000)	(%)
Sales	26,454	24,264	3	50,721	96.56 (ii)
Purchases	5,022	8,945	1,919	15,886	70.66 (iii)

Notes: -

(i) Other currencies include among others, JPY, RMB and EUR.
(ii) Computed based on total foreign currency sales over total sales for the FYE 2020.
(iii) Computed based on total foreign currency purchases over total purchases for the FYE 2020.

Details of the risk of forward currency contract and its financial impact to the Group have been set out in Section 9.1.7 of this Prospectus.

11.10.2 Impact of interest rates

Our Group's financial results for the Financial Years Under Review were not materially affected by fluctuations in interest rates as our Group does not have any bank borrowings as at FYE 2020 and as at the LPD.

11.10.3 Impact of commodity price

As set out in Section 7.18 of this Prospectus, our raw materials mainly consist of stainless steel, aluminium sheet, thermoplastics sheet and resin which are used for the manufacturing of nameplates and plastic injection moulded parts. As at the LPD, our Group did not experience any major fluctuations in prices of our raw materials that have materially affected our financial position.

We closely monitor the fluctuation of our raw materials prices, to minimise the impact of commodity prices. We practice bulk source of materials to optimise on competitive pricing or purchase in advance in anticipation of an increase in prices of raw materials. Further, we will pass the cost increases to our customers. However, there may be adverse impact on our financial performance in the event that we are unable to pass the cost increases to our customers.

11.11 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that: -

(i) Our revenue will remain sustainable with expected growth trend;

(ii) Our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our business strategies as stated in Sections 3.4 and 7.20.1 of this Prospectus; and

(iii) Our financial resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our business expansion should the need arises.

In addition to the above, our Board is not aware of any circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

11.12 TREND INFORMATION

As at the LPD, after making all reasonable enquiries and to the best of our Directors' knowledge and belief, save as disclosed in Sections 11.2, 11.4 and 11.14 of this Prospectus, our operations have not been and are not expected to be affected by any of the following: -

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations and capital resources;

(ii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations of our Group;

(iii) known events, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources; and

(iv) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of our future performance and position.

Our Board is positive about our future prospects, based on the outlook of the E&E and automotive industry as set out in the IMR Report in Section 8 of this Prospectus, in consideration of our competitive position as set out in Sections 3.3 and 7.19 of this Prospectus and our commitment towards the business strategies and prospects of our Group as set out in Sections 3.4 and 7.20 of this Prospectus.

11.13 SIGNIFICANT CHANGES

Save as disclosed in Sections 7.13, 9.1 and 11.2.1 of this Prospectus, there is no significant changes that has occurred which may have a material effect on the financial position and results of our Group subsequent to the Financial Years Under Review.

11.14 DIVIDEND POLICY

It is our Board's policy to recommend and distribute a dividend of at least 30% of our annual audited PAT to shareholders of our Company. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any distribution of the final dividends for the year is subject to our shareholders' approval.

Our ability to declare dividends or make other distributions to our shareholders in the future years will depend upon various factors, including but not limited to, our Group's cash flows requirements for operations, financing commitments and capital expenditure, availability of adequate distributable reserves, financial performance and any other factors considered relevant by our Board.

During the Financial Years Under Review, we have declared and paid the dividends to our shareholders as follows: -

	Audited		
	FYE 2018 (RM'000)	**FYE 2019 (RM'000)**	**FYE 2020 (RM'000)**
Dividends declared and paid	4,000	2,000	3,100
PAT	6,952	4,780	3,383
Dividend payout ratio (%)	57.54	41.84	91.63

Subsequent to the Financial Years Under Review and up to the LPD, there was no dividend declared or payable by our Group.

You should note that this dividend policy merely describes our Group's present intention and shall not constitute legally binding statements in respect of our Group's future dividends that are subject to modification at our Board's discretion.

11.15 ORDER BOOK

Generally, we do not have any long-term contracts with our customers as our sales are made based on confirmed orders. As at the LPD, our outstanding confirmed orders for nameplates and plastic injection moulded parts stood at approximately RM4.19 million and RM2.16 million respectively which are expected to be delivered within four (4) weeks. This is in line with our typical sales cycle, where the time taken from receipt of orders with standard designs to product delivery averages between two (2) to four (4) weeks. Any reschedule of delivery date indicated in the order schedule to a later date will prolong the inventory turnover in days as the inventories has been produced and ready for delivery based on the indicated delivery date in order schedule.

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2 March 2021

The Board of Directors
Volcano Berhad
No. 1411, Jalan Perusahaan
Kawasan Perusahaan Perai 1
13600 Perai
Penang

Dear Sirs,

Reporting Accountants' Opinion on the Financial Statements of Volcano Berhad

Opinion

We have audited the financial statements of Volcano Berhad ("Volcano" or the "Company") and its subsidiaries (the "Volcano Group"), which comprise the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Volcano Group for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and a summary of significant accounting policies and other explanatory notes as set out in pages 2 to 85. This historical consolidated financial statements has been prepared for the inclusion in the Prospectus of Volcano in connection with the proposed listing and quotation of the entire issued share capital of Volcano on the ACE Market of Bursa Malaysia Securities Berhad.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Volcano Group as at 31 December 2018, 31 December 2019 and 31 December 2020 and of its financial performance and cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Volcano Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

bakertilly

Registration No. 201801004790 (1266804-D)

Responsibilities of the Directors for the Financial Statements

The directors of Volcano are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors of Volcano are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of Volcano that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Volcano, the directors are responsible for assessing Volcano's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Volcano or to cease operations, or have no realistic alternative but to do so.

The directors of Volcano are responsible for overseeing Volcano's financial reporting process.

Reporting Accountants' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of Volcano as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of Volcano, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Volcano's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Registration No. 201801004790 (1266804-D)

Reporting Accountants' Responsibilities for the Audit of Financial Statements (continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Volcano's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of Volcano or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Volcano to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of Volcano, including the disclosures, and whether the financial statements of Volcano represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Volcano to express an opinion on the financial statements of Volcano. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This report has been made solely to Volcano for inclusion in the prospectus to be issued in relation to the proposed offering of the shares of Volcano in connection with Volcano's listing on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2022 J
Chartered Accountant

Kuala Lumpur

Date: 2 March 2021

VOLCANO BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **DATUK CH'NG HUAT SENG** and **DATO' WONG TZE PENG**, being two of the directors of **Volcano Berhad**, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of Volcano Berhad as at 31 December 2018, 31 December 2019 and 31 December 2020 and of their financial performance and cash flows for the financial years then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
DATUK CH'NG HUAT SENG
Director

....
DATO' WONG TZE PENG
Director

Kuala Lumpur

Date: 02 MAR 2021

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VOLCANO BERHAD
Accountants' Report

STATEMENTS OF FINANCIAL POSITION

	Note	Consolidated As at 31 December 2018 RM'000	2019 RM'000	2020 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	**5**	27,200	29,073	28,892
Intangible assets	**6**	13	12	21
Deferred tax assets	**7**	1,037	700	631
Total non-current assets		**28,250**	**29,785**	**29,544**
Current assets				
Inventories	**8**	15,304	14,889	16,500
Current tax assets		668	1,367	1,486
Trade and other receivables	**9**	11,921	10,500	14,022
Other investments	**10**	1,403	1,984	-
Derivative financial assets	**11**	42	45	-
Cash and short-term deposits	**12**	9,658	15,980	12,852
Total current assets		**38,996**	**44,765**	**44,860**
TOTAL ASSETS		**67,246**	**74,550**	**74,404**
EQUITY AND LIABILITIES				
Equity attributable to owners				
Share capital	**13**	70,000	70,000	70,000
Other reserves	**14**	(62,024)	(59,240)	(59,798)
Retained earnings		54,106	56,886	57,170
TOTAL EQUITY		**62,082**	**67,646**	**67,372**

VOLCANO BERHAD
Accountants' Report

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		Consolidated		
		As at 31 December		
		2018	**2019**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities				
Employee benefits	**15**	90	171	143
Deferred tax liabilities	**7**	359	758	642
Total non-current liabilities		**449**	**929**	**785**
Current liabilities				
Trade and other payables	**16**	4,715	5,975	6,247
Total current liabilities		**4,715**	**5,975**	**6,247**
TOTAL LIABILITIES		**5,164**	**6,904**	**7,032**
TOTAL EQUITY AND LIABILITIES		**67,246**	**74,550**	**74,404**

VOLCANO BERHAD
Accountants' Report

STATEMENTS OF COMPREHENSIVE INCOME

		Consolidated		
		FYE 31 December		
		2018	2019	2020
	Note	**RM'000**	**RM'000**	**RM'000**
Revenue	**17**	58,649	55,892	52,527
Cost of sales		(39,676)	(38,761)	(37,388)
Gross profit		**18,973**	**17,131**	**15,139**
Other income	**18**	1,043	533	216
Admistrative expenses		(10,735)	(10,641)	(10,575)
Distribution expenses		(599)	(542)	(522)
Operating profit		**8,682**	**6,481**	**4,258**
Finance costs	**19**	(1)	-	(1)
Profit before tax	**20**	**8,681**	**6,481**	**4,257**
Income tax expense	**22**	(1,729)	(1,701)	(874)
Profit for the financial years		**6,952**	**4,780**	**3,383**
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		733	2,784	(558)
Total comprehensive income for the financial years		**7,685**	**7,564**	**2,825**

STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RM'000	Exchange reserve RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	Total equity RM'000
		|------- Attributable to the owners of Volcano Berhad			-------|	
At 1 January 2018		2,000	5,243	-	51,154	58,397
Total comprehensive income for the financial year						
Profit for the financial year		-	-	-	6,952	6,952
Other comprehensive income for the financial year		-	733	-	-	733
Total comprehensive income		-	733	-	6,952	7,685
Transaction with owners						
Issue of ordinary shares		70,000	-	-	-	70,000
Reorganisation		(2,000)	-	(68,000)	-	(70,000)
Dividends paid on shares	**23**	-	-	-	(4,000)	(4,000)
At 31 December 2018		70,000	5,976	(68,000)	54,106	62,082
Total comprehensive income for the financial year						
Profit for the financial year		-	-	-	4,780	4,780
Other comprehensive income for the financial year		-	2,784	-	-	2,784
Total comprehensive income		-	2,784	-	4,780	7,564
Transaction with owners						
Dividends paid on shares	**23**	-	-	-	(2,000)	(2,000)
At 31 December 2019		70,000	8,760	(68,000)	56,886	67,646
Total comprehensive income for the financial year						
Profit for the financial year		-	-	-	3,383	3,383
Other comprehensive income for the financial year		-	(558)	-	-	(558)
Total comprehensive income		-	(558)	-	3,383	2,825
Transaction with owners						
Dividends paid on shares	**23**	-	-	-	(3,100)	(3,100)
At 31 December 2020		70,000	8,202	(68,000)	57,169	67,371

VOLCANO BERHAD
Accountants' Report

STATEMENTS OF CASH FLOWS

		Consolidated		
		FYE 31 December		
		2018	**2019**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before tax		8,681	6,481	4,257
Adjustments for:				
Depreciation of property, plant and equipment		2,313	2,138	2,388
Depreciation of right-of-use assets		-	126	146
(Gain)/Loss on disposal of property, plant and equipment		41	(10)	(48)
Amortisation of intangible assets		15	10	9
Inventories written down		-	45	63
Net fair value loss/(gain) on derivatives		3	(3)	45
Interest income		(140)	(168)	(97)
Interest expense		1	-	1
Dividend income		(17)	(37)	(39)
Employee benefits		(55)	80	(28)
Property, plant and equipment written off		-	2	-
Unrealised loss/(gain) on foreign exchange		193	395	417
Operating profit before changes in working capital		**11,035**	**9,059**	**7,114**
Changes in working capital:				
Inventories		(2,353)	371	(1,674)
Receivables		559	1,378	(3,939)
Payables		(952)	2,375	272
Employee benefits		(66)	-	-
Net cash generated from operations		8,223	13,183	1,772
Income tax paid		(2,156)	(1,664)	(1,040)
Net cash from operating activities		6,067	11,519	732

VOLCANO BERHAD
Accountants' Report

STATEMENTS OF CASH FLOWS (CONTINUED)

		Consolidated FYE 31 December		
		2018	**2019**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,207)	(2,642)	(2,806)
Proceeds from disposal of property, plant and equipment		76	18	86
Purchase of intangible assets		(5)	(8)	(18)
Dividends received		17	37	39
Interests received		141	168	97
Net cash used in investing activities		(978)	(2,427)	(2,602)
Cash flows from financing activities	(a)			
Dividends paid		(4,000)	(2,000)	(3,100)
Change in pledged deposits		(279)	(96)	4
Interests paid		(1)	-	(1)
Net cash used in financing activities		(4,280)	(2,096)	(3,097)
Net decrease in cash and cash equivalent		809	6,996	(4,967)
Cash and cash equivalents at the beginning of the financial years		**5,837**	**6,749**	**13,556**
Effects of exchange rate changes on cash and cash equivalents		103	(189)	(149)
Cash and cash equivalents at the end of the financial years	**12**	**6,749**	**13,556**	**8,440**

(a) Changes in liabilities arising from financing activities comprise of the net cash flows from the amount owing to related companies. There are no non-cash changes in liabilities arising from financing activities.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Volcano is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 9-1, 9th Floor, Wisma Penang Garden, 42, Jalan Sultan Ahmad Shah, 10050 George Town, Penang. The principal place of business of the Company is located at No. 1411, Jalan Perusahaan, Kawasan Perusahaan Perai 1, 13600 Perai, Penang.

Volcano had on 2 March 2018 acquired the entire equity interest in Volcano Name Plate Sdn. Bhd.

The principal activity of Volcano is investment holdings. The details of the subsidiaries are as follows:

Company	Principal place of business/ country of incorporation	Principal activities
Subsidiary of Volcano		
Volcano Name Plate Sdn. Bhd.	Malaysia	Manufacturing of nameplates.
Subsidiary of Volcano Name Plate Sdn. Bhd.		
Volcano Tec. (Thailand) Co., Ltd	Thailand	Manufacturing of nameplates and plastic injection moulded parts.

There has been no significant change in the nature of these activities during the financial years under review.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 2 March 2021.

2. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires the directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and contingent liabilities. The directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Consolidated financial statements for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020

The consolidated financial statements for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 of Volcano had been prepared in accordance with MFRSs and IFRSs.

During the financial year ended 31 December 2018, Volcano applied the merger method of accounting on a retrospective basis arising from the acquisition of the entire equity interest of Volcano Name Plate Sdn. Bhd. and Volcano Tec. (Thailand) Co., Ltd. in business combinations under common control.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve or reorganisation deficit.

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, Volcano is a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of Volcano;
- the equity structure, however, reflects the equity structure of Volcano and the difference arising from the change in equity structure of Volcano will be accounted for in reorganisation reserve/deficit.

The accounting policies applied by Volcano are consistently applied for all the financial years presented in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Statement of compliance

The consolidated financial statements of Volcano have been prepared as a general-purpose financial statements and prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS").

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

Volcano has adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosure
MFRS 9	Financial Instruments
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the consolidated financial statements of Volcano and did not result in significant changes to Volcano's existing accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

Volcano has not adopted the following new MFRSs, amendment/improvements to MFRSs, new IC Int and amendments of IC Int that have been issued, but not yet effective

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2021/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2022/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022 ^

^ *The Annual Improvements to MFRSs 2018-2020*
\# *Amendments as to the consequence of MFRS 17 Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

2.3.1 Volcano plans to adopt the above applicable new MFRSs and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs and amendments/improvements to MFRSs are summarised below.

Annual Improvements to MFRSs 2018-2020

Annual Improvements to MFRSs 2018-2020 covers amendments to:

- MFRS 1 *First-time Adoption of MFRSs* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parents in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarified the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes the requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those other MFRSs.

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by MASB in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

2.3.1 (continued)

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts, and MFRS 16 Leases

The Interest Rate Benchmark Reform—Phase 2 amends some specific requirements in MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, with respect to issues that affect financial reporting during the reform of an interest rate benchmark.

The amendments provides a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

2.3.2 Volcano is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The individual financial statements of each entity in Volcano are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also Volcano's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements of Volcano have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying Volcano's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the consolidated financial statements of Volcano.

3.1 Basis of consolidation

The consolidated financial statements of Volcano comprise the financial statements of Volcano, Volcano Name Plate Sdn. Bhd. and Volcano Tec. (Thailand) Co., Ltd. The financial statements of the subsidiaries used in the preparation of the consolidated financial statement are prepared for the same reporting date as Volcano. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiaries are entities (including structured entities) over which Volcano is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The acquisitions of Volcano Name Plate Sdn. Bhd. and Volcano Tec. (Thailand) Co., Ltd. have been accounted for as a business combination amongst entities under common control. Accordingly, the financial statements of Volcano have been consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements and consolidated financial statements. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency of accounting policies with those of the Group.

(a) Subsidiary and business combination

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquires until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation (consolidated)

(a) Subsidiary and business combination (continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisitions-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is archived in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combinations occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiary and business combination (continued)

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an AFS financial asset or held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiary not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated financial statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the loses exceed the non-controlling interests.

(c) Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of Volcano entities at the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of initial transactions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions and operations (continued)

(a) Translation of foreign currency transactions (continued)

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of Volcano's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, Volcano becomes a party to the contract provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which Volcano has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which Volcano has applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as FVTPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

Volcano categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Volcano reclassifies financial assets when and only when its business models for managing those assets change.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

Volcano categorises the financial instruments as follows:

(i) Financial assets (continued)

Debt instruments
Subsequent measurement of debt instruments depends on Volcano's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which Volcano classifies its debt instruments:

- **Amortised cost**
Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**
Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss (FVPL)**
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

(i) Financial assets (continued)

Equity instruments

Volcano subsequently measures all equity investments at fair value. Upon initial recognition, Volcano can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when Volcano benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

Volcano classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. Volcano has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost
Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Volcano categorises the financial instruments as follows:

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date Volcano commits itself to purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) Volcano has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) Volcano has transferred substantially all the risks and rewards of the asset; or (b) Volcano has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(d) Derecognition (continued)

Volcano evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Volcano continues to recognise the transferred asset to the extent of their continuing involvement. In that case, Volcano also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Volcano has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Volcano could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

(f) Derivatives

Volcano uses interest swap contracts to hedge the exposure of floating interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(g) Hedge accounting

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, Volcano formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Volcano will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Volcano actually hedges and the quantity of the hedging instrument that Volcano actually uses to hedge that quantity of hedged item.

Fair value hedge

The change in the fair value of a hedging instrument is recognised in the profit or loss as other expense (or other comprehensive income, if the hedging instrument hedges an equity instruments for which Volcano has elected to present changes in fair value in other comprehensive income). The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the profit or loss as other expense. If the hedged item is an equity instrument for which Volcano has elected to present changes in fair value in other comprehensive income, those amounts remain in other comprehensive income.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ("EIR") method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The amortisation is based on a recalculated effective interest rate at the date of amortisation begins.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(g) Hedge accounting (continued)

Fair value hedge (continued)

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedge

In a cash flow hedge, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above.

Hedge of a net investment

In a net investment hedge, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

The cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to Volcano and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Leasehold land	25 – 68
Buildings	50
Factory equipment, plant and machinery	2 – 20
Electrical installation	10
Motor vehicles	5
Office equipment, furniture and fittings	3 – 10
Computer equipment	2.5
Renovations	5 – 10

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5 Leases

At inception of a contract, Volcano assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Volcano assesses whether:

- the contract involves the use of an identified asset;
- Volcano has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Volcano has the right to direct the use of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

At the lease commencement date, Volcano recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Volcano uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Volcano remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

Volcano has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

Volcano has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. Volcano recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, Volcano does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When Volcano is the intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.5(a), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, Volcano applies MFRS 15 to allocate the consideration under the contract to each component

3.6 Intangible assets

(a) Computer software

Computer software that are acquired by Volcano, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

(b) Amortisation

The amortisation methods used and the estimated useful lives are as follows:

	Method	Useful lives (years)
Computer software	Straight-line	3

The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in-first out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

3.8 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Impairment of assets

(a) Impairment an uncollectibility of financial assets

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

Volcano measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment an uncollectibility of financial assets (continued)

For trade receivables, contract assets and lease receivables, Volcano applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, Volcano considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Volcano's historical experience and informed credit assessment and including forward-looking information.

Volcano assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Volcano considers a financial asset to be in default when:
- the borrower is unable to pay its credit obligations to Volcano in full, without taking into account any credit enhancements held by Volcano; or
- the contractual payment of the financial asset is more than 120 days past due unless Volcano has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which Volcano is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment an uncollectibility of financial assets (continued)

At each reporting date, Volcano assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, Volcano makes an estimate of the assets' recoverable amounts.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU of groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit of groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there have been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.10 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of Volcano after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to Volcano.

(b) Defined contribution plans

As required by law, Volcano contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits (continued)

(c) Defined benefit plans

Volcano operates defined benefit pension plans (funded) to employees as provided in the employment agreements between the companies in Volcano and their employees.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds in Thailand from the Thai Bond Market Association that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) and the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

The plan benefit is unfunded and the plan liability is recognised in the statement of financial position.

The net interest is calculated by applying the discount to the net balance of the defined benefit obligation and fair value of plan assets.

Volcano recognises the following costs in profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

3.12 Provisions

Provisions are recognised when Volcano has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income

Volcano recognises revenue that depict the transfer of promised goods to customers in an amount that reflects the consideration to which Volcano expects to be entitled in exchange for those goods.

Volcano measures revenue from sale of good at its transaction price, being the amount of consideration to which Volcano expects to be entitled in exchange for transferring promised good to a customer, excluding amounts collected on behalf of third parties such as goods and service tax.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, Volcano estimates it by using the costs plus margin approach.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. Volcano has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components
Volcano has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if Volcano expects that the period between the transfer of the promised goods to the customer and payment by the customer will be one year or less.

(a) Sale of goods – manufacturing

Volcano manufactures and distributes name plates and plastic injection products. Revenue from sale of manufactured goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term of 30 days to 120 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract.

Where consideration is collected from customer in advance for sale of manufactured good, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of manufactured goods to the customer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (continued)

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established

3.14 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial years, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where Volcano is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax (continued)

(c) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously

3.15 Earnings per share

Volcano presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of Volcano by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.16 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director of Volcano, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, Volcano uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that Volcano can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Volcano recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of Volcano.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:
(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SUMMARY OF ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial years include the following:

4.1 Determining the functional currency

A subsidiary of Volcano operates in overseas jurisdictions but conducts sales, purchases and other transactions in multiple currencies. Judgement is applied in determining the functional currency wherever the indications are mixed. Volcano uses, in a hierarchy, sale indicators as the primary basis, followed by purchase and operating expense indicators, and in the event that those indicators are not conclusive, the currency in which borrowings and other funds are raised for financing the operations.

4.2 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4, Volcano reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of Volcano's property, plant and equipment are disclosed in Note 5.

4.3 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The information on the fair value measurements of financial assets and liabilities are disclosed in Note 24(c).

4.4 Impairment of financial assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. Volcano uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on Volcano's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

Volcano uses a provision matrix to calculate expected credit losses for trade receivable and contract assets. The provision rate depends on the number of days that a trade receivable is past due. Volcano uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SUMMARY OF ACCOUNTING ESTIMATES AND JUDGEMENTS

4.4 Impairment of financial assets (continued)

The assessment of the correlation between historical observed default rates, forward-looking estimate and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and of forecast economic over the expected lives of the financial assets and contract assets. Volcano's historical credit loss experience and forecast of the economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on Volcano's financial assets are disclosed in Note 26(a).

4.5 Measurement of income taxes

Volcano operates in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining Volcano's estimation for current and deferred taxes. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. Volcano will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise. The income tax expenses of Volcano are disclosed in Note 22.

4.6 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance and taxable profits of the subsidiary.

The carrying amount of Volcano's recognised deferred tax assets is disclosed in Note 7.

4.7 Write-down of obsolete or slow moving inventories

Volcano writes down its obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of Volcano's inventories are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SUMMARY OF ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.8 Impairment of non-financial assets

Volcano assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. Volcano uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of Volcano.

4.9 Defined benefit liabilities

Volcano has defined benefit plans for their employees. The measurement of the present value of defined benefit obligations is based on a number of assumptions and factors that are determined on an actuarial basis. The assumptions used in the measurement of the defined benefit costs and the related liabilities or assets include projected employee salaries, employee turnover, inflation, interest cost and an appropriate discount rate using yields of high qualify corporate bonds in each jurisdiction. Any changes in these assumptions will have an impact on the carrying amount of the defined benefit obligations.

The carrying amount of Volcano's employee benefits and the details of these actuarial assumptions and the sensitivity of the changes in key assumptions are disclosed in Note 21.

4.10 Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Volcano uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Any changes in these assumptions will have an impact on the carrying amounts of the derivatives and other financial instruments.

The carrying amounts of the derivatives and other financial instruments are disclosed in Note 24(c).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

2018

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Factory equipment, plant and machinery RM'000	Electrical installation RM'000	Motor vehicles RM'000	Office equipments, furniture and fittings RM'000	Computer equipment RM'000	Renovations RM'000	Total RM'000
Cost										
At 1 January 2018	2,255	1,072	18,396	19,939	1,033	1,408	2,643	455	2,389	49,590
Additions	-	-	-	968	3	-	63	50	123	1,207
Disposals	-	-	-	(76)	-	(352)	(4)	-	-	(432)
Exchange differences	50	-	317	211	-	20	30	-	25	653
At 31 December 2018	2,305	1,072	18,713	21,042	1,036	1,076	2,732	505	2,537	51,018
Accumulated amortisation/depreciation										
At 1 January 2018	-	266	2,743	12,080	762	953	2,278	423	2,091	21,596
Amortisation/depreciation for the financial year	-	21	392	1,404	57	121	128	36	154	2,313
Disposals	-	-	-	(69)	-	(243)	-	(4)	-	(316)
Exchange differences	-	-	40	122	-	13	27	-	23	225
At 31 December 2018	-	287	3,175	13,537	819	844	2,433	455	2,268	23,818
Net carrying amount										
At 1 January 2018	2,255	806	15,653	7,859	271	455	365	32	298	27,994
At 31 December 2018	2,305	785	15,538	7,505	217	232	299	50	269	27,200

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Factory equipment, plant and machinery RM'000	Electrical installation RM'000	Motor vehicles RM'000	Office equipments, furniture and fittings RM'000	Computer equipment RM'000	Renovations RM'000	Right-of-use assets RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2019, as previously reported	2,305	1,072	18,713	21,042	1,036	1,076	2,732	505	2,537	-	-	51,018
Effect of adoption of MFRS 16	-	(1,072)	(4,189)	-	-	-	-	-	-	5,261	-	-
Adjusted balance at 1 January 2019	2,305	-	14,524	21,042	1,036	1,076	2,732	505	2,537	5,261	-	51,018
Additions	-	-	-	1,646	505	16	133	30	278	-	34	2,642
Disposals	-	-	-	(28)	-	(11)	-	-	-	-	-	(39)
Written off	-	-	-	(1)	-	-	(4)	-	-	-	-	(5)
Exchange differences	180	-	1,135	811	-	58	114	-	102	-	1	2,401
At 31 December 2019	2,485	-	15,659	23,470	1,541	1,139	2,975	535	2,917	5,261	35	56,017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019 (continued)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Factory equipment, plant and machinery RM'000	Electrical installation RM'000	Motor vehicles RM'000	Office equipments, furniture and fittings RM'000	Computer equipment RM'000	Renovations RM'000	Right-of-use assets RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated amortisation/depreciation												
At 1 January 2019	-	287	3,175	13,537	819	844	2,433	455	2,268	-	-	23,818
Effect of adoption of MFRS 16	-	(287)	(1,214)	-	-	-	-	-	-	1,501	-	-
Adjusted balance at 1 January 2019	-	-	1,961	13,537	819	844	2,433	455	2,268	1,501	-	23,818
Amortisation/depreciation for the financial year	-	-	302	1,485	61	38	117	37	98	126	-	2,264
Disposals	-	-	-	(20)	-	(11)	-	-	-	-	-	(31)
Written off	-	-	-	(1)	-	-	(2)	-	-	-	-	(3)
Exchange differences	-	-	164	501	-	41	102	-	88	-	-	896
At 31 December 2019	-	-	2,427	15,502	880	912	2,650	492	2,454	1,627	-	26,944
Net carrying amount												
At 1 January 2019 (adjusted)	2,305	-	12,563	7,505	217	232	299	50	269	3,760	-	27,200
At 31 December 2019	2,485	-	13,232	7,968	661	227	325	43	463	3,634	35	29,073

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2020

	Land RM'000	Leasehold land RM'000	Buildings RM'000	Factory equipment, plant and machinery RM'000	Electrical installation RM'000	Motor vehicles RM'000	Office equipments, furniture and fittings RM'000	Computer equipment RM'000	Renovations RM'000	Right-of-use assets RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2020	2,485	-	15,659	23,470	1,541	1,139	2,975	535	2,917	5,261	35	56,017
Additions	-	-	-	1,216	13	-	147	15	339	119	957	2,806
Disposals	-	-	-	(383)	-	-	(2)	-	-	-	-	(385)
Transfers from/(to)	-	-	-	-	-	-	-	-	34	-	(34)	-
Exchange difference	(50)	-	(311)	(235)	-	(16)	(34)	-	(34)	-	(10)	(690)
At 31 December 2020	2,435	-	15,348	24,068	1,554	1,123	3,086	550	3,256	5,380	948	57,748
Accumulated amortisation/depreciation												
At 1 January 2020	-	-	2,427	15,502	880	912	2,650	492	2,454	1,627	-	26,944
Amortisation/depreciation for the financial year	-	-	310	1,644	101	32	130	29	142	146	-	2,534
Disposals	-	-	-	(345)	-	-	(2)	-	-	-	-	(347)
Exchange difference	-	-	(51)	(157)	-	(12)	(34)	5	(26)	-	-	(275)
At 31 December 2020	-	-	2,686	16,643	980	932	2,744	526	2,570	1,773	-	28,856
Net carrying amount												
At 1 January 2020	2,485	-	13,232	7,967	661	227	325	43	463	3,634	35	29,073
At 31 December 2020	2,435	-	12,662	7,424	574	191	342	24	686	3,607	948	28,892

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets

Volcano leases leasehold land and buildings.

Information about leases for which Volcano is a lessee is presented below:

	Leasehold land RM'000	Buildings RM'000	Forklifts RM'000	Total RM'000
Cost				
At 1 January/31 December 2019	1,072	4,189	-	5,261
Accumulated amortisation/ depreciation				
At 1 January 2019	288	1,213	-	1,501
Amortisation/depreication for the financial year	22	104	-	126
At 31 December 2019	310	1,317	-	1,627
Net carrying amount				
1 January 2019 (adjusted)	784	2,976	-	3,760
At 31 December 2019	762	2,872	-	3,634
Cost				
At 1 January 2020	1,072	4,189	-	5,261
Additions	-	-	119	119
At 31 December 2020	1,072	4,189	119	5,380
Accumulated amortisation/ depreciation				
At 1 January 2020	310	1,317	-	1,627
Amortisation/depreication for the financial year	22	104	20	146
At 31 December 2020	332	1,421	20	1,773
Net carrying amount				
At 1 January 2020	762	2,872	-	3,634
At 31 December 2020	740	2,768	99	3,607

Volcano leases leasehold land and buildings as their office space, factory and forklifts. The lease of office space, factory and forklifts generally have a lease term of between 2 to 68 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INTANGIBLE ASSETS

	Consolidated		
	As at 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Software licenses			
Cost			
At 1 January	140	144	152
Additions	5	8	18
Disposal	(1)	-	-
At 31 December	144	152	170
Accumulated amortisation			
At 1 January	118	131	140
Amortisation charge for the financial year	15	10	9
Disposal	(1)	-	-
Exchange differences	(1)	(1)	*
At 31 December	131	140	149
Net carrying amount	**13**	**12**	**21**

* *RM334*

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DEFERRED TAX ASSETS/(LIABILITIES)

	Consolidated As at 31 December		
	2018 RM'000	**2019 RM'000**	**2020 RM'000**
Deferred tax assets			
Unused tax losses			
At 1 January	1,177	1,037	700
Recognised in:			
- profit or loss	(166)	(402)	(43)
- other comprehensive income	-	-	(12)
- exchange differences	26	65	(14)
At 31 December	1,037	700	631
Deferred tax liabilities			
Property, plant and equipment			
At 1 January	(431)	(359)	(758)
Recognised in profit or loss	72	(399)	116
At 31 December	(359)	(758)	(642)
	678	(58)	(11)

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 11 of Act 812, a special provision relating to Section 43 & 44 of the Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward from the year of assessment 2019 for a maximum of 7 consecutive years of assessment (ie. years of assessment 2020 to 2026).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVENTORIES

	Consolidated As at 31 December 2018 RM'000	2019 RM'000	2020 RM'000
At the lower of cost and net realisable value:			
Raw materials	9,555	10,044	10,270
Work in progress	1,564	767	1,237
Finished goods	4,185	4,078	4,882
Raw materials in transit	-	-	111
	15,304	14,889	16,500

(a) The cost of inventories of Volcano recognised as expense RM20,876,574 (31.12.2018: RM25,895,609 and 31.12.2019: RM22,451,126).

(b) The cost of inventories of Volcano recognised as an expense in cost of sales during the financial years in respect of write-down of inventories to net realisable value was RM62,775 (31.12.2018: RM Nil and 31.12.2019: RM45,575).

9. TRADE AND OTHER RECEIVABLES

	Consolidated As at 31 December 2018 RM'000	2019 RM'000	2020 RM'000
Trade			
Trade receivables	10,974	9,307	12,862
Non-trade			
Other receivables	609	728	523
Deposits	135	116	129
Prepayments	203	349	508
	947	**1,193**	**1,160**
Total trade and other receivables	**11,921**	**10,500**	**14,022**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are non-interest bearing and normal credit terms offered by Volcano ranges from 30 to 120 days from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

Volcano maintains an ageing analysis in respect of trade receivables only. The ageing analysis of Volcano's trade receivables are as follows:

	Consolidated		
	As at 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Neither past due nor impaired	9,690	8,163	11,527
Past due but not impaired	1,284	1,144	1,335
1-30 days past due not impaired	1,024	820	1,127
31-60 days past due not impaired	205	176	134
61-90 days past due not impaired	27	89	24
91-120 days past due not impaired	16	59	15
More than 121 days past due not impaired	12	-	35
	10,974	9,307	12,862

10. OTHER INVESTMENTS

	Consolidated		
	As at 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Financial assets at FVTPL			
- Investment in unit trust, quoted in Malaysia	1,403	1,984	-
Market value of quoted unit trust	1,403	1,984	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DERIVATIVE FINANCIAL (LIABILITIES)/ASSETS

	Consolidated		
	As at 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Derivative used for hedging:			
Forward foreign exchange contracts	42	45	-

Forward exchange contracts are used to manage foreign currency exposures arising from Volcano's receivables and payables denominated in currencies other than the functional currencies of Volcano entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity. The notional principal amounts of Volcano's outstanding forward foreign exchange contract as at 31 December 2020 were RM Nil (31.12.2018: RM4,589,145, and 31.12.2019: RM1,681,155).

12. CASH AND SHORT-TERM DEPOSITS

	Consolidated		
	As at 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Short-term deposits placed with licensed banks	4,761	5,004	5,023
Cash and bank balances	4,897	10,976	7,829
	9,658	15,980	12,852

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

	Consolidated		
	As at 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Short-term deposits placed with licensed banks	4,761	5,004	5,023
Less: Pledged deposits	(4,312)	(4,408)	(4,412)
	449	596	611
Short-term investments	1,403	1,984	-
Cash and bank balances	4,897	10,976	7,829
	6,749	13,556	8,440

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

The fixed deposits placed with licensed banks have maturity dates ranging from 1 month to 12 months (2018 and 2019: 1 month to 12 months), which bear interest at rates ranging from 1.00% to 2.95% (31.12.2018: 1.00% to 3.35% and 31.12.2019: 1.00% to 2.95%).

Included in short-term deposits placed with licensed banks is an amount of RM4,412,280 (31.12.2018: RM4,311,864, 31.12.2019: RM4,408,134) which have been pledged to licensed banks to secure bank guarantees and foreign currency forward contracts facilities granted to Volcano Name Plate Sdn. Bhd.

Short-term investments represent investments in money market fund which can be redeemed within a period of 30 days. The market value of short-term investments as at the reporting date is RMNil (31.12.2018: RM1,403,231 and 31.12.2019: RM1,984,236).

13. SHARE CAPITAL

	Consolidated		
	As at 31 December		
	2018	**2019**	**2020**
	Unit'000	**Unit'000**	**Unit'000**
Issued and fully paid up:			
At 31 December	700,000	700,000	700,000
Consolidation of shares	-	-	(560,000)
	700,000	700,000	140,000

	Consolidated		
	As at 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Issued and fully paid up:			
At 31 December	70,000	70,000	70,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. SHARE CAPITAL (CONTINUED)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Volcano. All ordinary shares rank equally with regards to Volcano's residual assets.

On 18 May 2020, the ordinary shares of Volcano are consolidated on a basis of 5 existing ordinary shares to 1 ordinary share.

As a result of the above, the total number of shares issued of Volcano of 700,000,000 had been consolidated to 140,000,000 ordinary shares.

14. OTHER RESERVES

	Consolidated		
	As at 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Exchange reserve	5,976	8,760	8,203
Reorganisation reserve	(68,000)	(68,000)	(68,000)
	(62,024)	(59,240)	(59,797)

(a) Exchange reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of Volcano's presentation currency.

(b) Reorganisation reserve

The reorganisation reserve resulted from the difference between the carrying value of the investment in a subsidiary and the nominal value of shares of the subsidiary upon consolidation under the reorganisation scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. EMPLOYEE BENEFITS

	Consolidated		
	As at 31 December		
	2018 RM'000	**2019 RM'000**	**2020 RM'000**
Liability:			
Defined benefit plan	90	171	143
Profit or loss - included in operating profit for (Note 21):			
Defined benefit plan	(55)	70	(24)

(a) Defined benefit plan

Defined benefit plan arose from the Thailand operating entity. In Thailand, companies are required to provide legal severance pay benefit for their employees upon termination of employment. This benefit is payable on retirement at a fixed retirement age and involuntary leaving service.

The provision requirements are based on the actuarial measurement framework set out in accordance to the legal severance pay benefits prescribed under chapter 11 in section 118 of Thai Labour Protection Act 1998 (Revised 2010). Employees are not required to contribute to the plans.

Movement in the net defined benefit liability
The following table illustrates a reconciliation of the net defined benefit liability and its components:

	Consolidated		
	As at 31 December		
	2018 RM'000	**2019 RM'000**	**2020 RM'000**
At 1 January	208	90	171
Included in profit or loss			
Current service cost	35	59	(24)
Interest expense	4	2	-
Post-service cost from change in defined benefit plan	-	9	-
Reversal of provision	(94)	-	-
	(55)	70	(24)
Others			
Effects of changes in foreign currency exchange rates	3	11	(4)
Benefits payment	(66)	-	-
Actuarial gains			
At 31 December	90	171	143

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. EMPLOYEE BENEFITS (CONTINUED)

Significant actuarial assumptions

The significant actuarial assumptions applied in the measurement of defined benefit pension plan are as follows:

	Consolidated		
	As at 31 December		
	2018 Thailand %	2019 Thailand %	2020 Thailand %
Discount rate	1.7	1.7	1.5
Future salary growth	5.0	5.0	5.0

Assumptions on future mortality are determined based on the published past statistics and actual experience in each jurisdiction. The measurements assume an average life expectancy of 29 years for an employee retiring at age 60.

Sensitivity analysis

The sensitivity of the defined benefit obligation to the significant actuarial assumptions at the end of reporting period are shown below:

	Reasonably possible change in assumption %	Effect on defined benefit obligation RM
31.12.2018		
Discount rate	1.0	(6)
Future salary growth	1.0	8
31.12.2019		
Discount rate	1.0	(12)
Future salary growth	1.0	16
31.12.2020		
Discount rate	1.0	(16)
Future salary growth	1.0	19

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in significant actuarial assumptions occurring at the end of reporting period.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. TRADE AND OTHER PAYABLES

	Note	Consolidated As at 31 December 2018 RM'000	2019 RM'000	2020 RM'000
Trade				
Trade payables	(a)	2,907	3,764	4,248
		2,907	3,764	4,248
Non-trade				
Other payables		763	1,473	1,315
Accruals		922	628	584
Deposits		123	110	100
		1,808	**2,211**	**1,999**
Total trade and other payables		**4,715**	**5,975**	**6,247**

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to Volcano ranges from 30 to 90 days.

For explanations on Volcano's liquidity risk management processes, refer to Note 24(b)(ii).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. REVENUE

	Consolidated FYE 31 December 2018 RM'000	2019 RM'000	2020 RM'000
Sale of goods	58,649	55,892	52,527
Timing of revenue recognition:			
At a point in time	58,649	55,892	52,527

18. OTHER INCOME

	Consolidated FYE 31 December 2018 RM'000	2019 RM'000	2020 RM'000
Dividend income	17	37	39
Net fair value gain on derivatives	-	3	-
Gain on disposal of property, plant and equipment	-	10	48
Interest income	140	168	97
Realised gain on foreign exchange	76	228	-
Insurance compensation	655	-	-
Others	155	87	32
	1,043	533	216

19. FINANCE COSTS

	Consolidated FYE 31 December 2018 RM'000	2019 RM'000	2020 RM'000
Interest expenses on:			
Factoring charges	1	-	-
Other charges	-	-	1
	1	-	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:

		Consolidated		
		FYE 31 December		
		2018	2019	2020
	Note	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment		2,313	2,138	2,388
Depreciation of right-of-use assets		-	126	146
Amortisation of intangible assets		15	10	9
Auditors' remuneration				
- Malaysian operation				
- current year		37	45	46
- Overseas operation				
- current year		30	49	27
- overprovision in prior year		-	-	(18)
Employees benefits expense	21	13,047	13,642	13,824
Expenses relating to short-term lease		-	34	51
Inventories written down		-	45	63
Loss on disposal of property, plant and equipment		41	-	-
Net fair value loss on derivatives		3	-	-
Net realised loss on foreign exchange		-	-	99
Net unrealised loss on foreign exchange		193	395	417
Property, plant and equipment written off		-	2	-
Rental expenses		24	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. EMPLOYEE BENEFITS EXPENSE

	Consolidated		
	FYE 31 December		
	2018	2019	2020
	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	11,731	12,387	12,720
Defined contribution plans	906	854	774
Defined benefit plans	70	71	39
Other staff related expenses	340	330	291
	13,047	13,642	13,824
Included in employee benefits expenses are:			
Directors' other emoluments	3,711	3,109	2,607
	3,711	3,109	2,607

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 are as follow:

	Consolidated FYE 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Statements of comprehensive income			
Current income tax:			
Taxation in Malaysia			
- Current income tax charge	1,635	900	948
Deferred tax:			
Origination/(Reversal) of temporary differences	94	801	(73)
Income tax expense recognised in profit or loss	1,729	1,701	874

Domestic income tax is calculated at the Malaysian statutory rate of 24% of the estimated assessable profit for the financial years.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE (CONTINUED)

The reconciliation from the tax amount at the statutory income tax rate to Volcano's tax expenses are as follows:

	Consolidated		
	FYE 31 December		
	2018	2019	2020
	RM'000	RM'000	RM'000
Profit before tax	8,681	6,481	4,257
Tax at Malaysian statutory income tax rate of 24%	2,083	1,555	1,022
Different tax rates in other country	(101)	(126)	(29)
Adjustments:			
Income not subject to tax	(4)	(9)	(17)
Non-deductible expenses	679	401	249
Under/(Over)provision of income tax in prior years	(270)	429	(175)
Utilisation of previously unrecognised tax losses	(155)	(238)	(68)
Tax incentive	(503)	(311)	(108)
	1,729	1,701	874

(a) The subsidiary has been granted certain promotional privileges under the Investment Promotion Act B.E. 2520 of Thailand with 100% tax exemption on its statutory income for a period of 8 years and 50% tax exemption on its statutory income for further 5 years commencing 7 January 2009.

(b) Tax investigation on Volcano Name Plate Sdn. Bhd.

Pursuant to the letter of initial findings by the Inland Revenue Board ("IRB") dated 17 August 2020, the IRB has highlighted the following matters:

(i) Interest-free inter-company advances from Volcano Name Plate Sdn. Bhd. to Volcano Tec. (Thailand) Co., Ltd should have been charged interests based on the Base Lending Rate; and

(ii) The gain on disposal of a property by Volcano Name Plate Sdn. Bhd. was not disclosed to the IRB in the year of assessment 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE (CONTINUED)

(b) (continued)

The directors of Volcano, through the tax agent, are in the midst of addressing the above matters with the IRB.

In respect of item (i), the directors of Volcano are of the view that the current treatment of these interest-free advances does not fall under the provisions of the Income Tax Act, 1967 in Malaysia as any interest charged would be exempt as it is a foreign source income.

In respect of item (ii), the directors have recognised the corresponding real property gains tax and any penalty thereupon amounting to RM175,564 and RM43,892 respectively, in accordance with the provisions of the Real Property Gains Tax Act, 1976. The IRB had engaged Volcano for further discussions on the basis of the disposal of the property. The directors of Volcano are of the view that the treatment are in line with the provisions of the Real Property Gains Tax Act, 1976.

23. DIVIDENDS

	Consolidated FYE 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Recognised during the financial years			
- Single tier dividend for the FYE 31 December 2018: - RM1.03135 per ordinary share paid on 30 September 2018	4,000	-	-
- Single tier dividend for the FYE 31 December 2019: - RM0.00285714 per ordinary share paid on 22 January 2019	-	2,000	-
- Single tier dividend for the FYE 31 December 2020: - RM0.00314286 per ordinary share paid on 10 February 2020	-	-	2,200
- Single tier dividend for the FYE 31 December 2020: - RM0.0012857 per ordinary share paid on 30 December 2020	-	-	900
	4,000	2,000	3,100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised costs
(ii) Designated as fair value through profit or loss ("DFVPL")

	Note	Carrying amount RM'000	Amortised cost RM'000	DFVPL RM'000
At 31 December 2018				
Financial assets				
Trade and other receivables, less prepayments	**9**	11,718	11,718	-
Other investments	**10**	1,403	-	1,403
Derivative financial assets	**11**	42	-	42
Cash and short-term deposits	**12**	9,658	9,658	-
		22,821	21,376	1,445
Financial liabilities				
Trade and other payables	**16**	(4,715)	(4,715)	-
		(4,715)	(4,715)	-
At 31 December 2019				
Financial assets				
Trade and other receivables, less prepayments	**9**	10,151	10,151	-
Other investments	**10**	1,984	-	1,984
Derivative financial assets	**11**	45	-	45
Cash and short-term deposits	**12**	15,980	15,980	-
		28,160	26,131	2,029
Financial liabilities				
Trade and other payables	**16**	(5,975)	(5,975)	-
		(5,975)	(5,975)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	Amortised cost RM'000	DFVPL RM'000
At 31 December 2020				
Financial assets				
Trade and other receivables, less prepayments	**9**	13,514	13,514	-
Cash and short-term deposits	**12**	12,852	12,852	-
		26,366	26,366	-
Financial liabilities				
Trade and other payables	**16**	(6,247)	(6,247)	-
		(6,247)	(6,247)	-

(b) Financial risk management

Volcano's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. Volcano's overall financial risk management objective is to optimise value for its shareholders. Volcano do not trade in financial instruments.

The Board of Directors of Volcano reviews and agrees to policies and procedures for the management of these risks, which are executed by Volcano's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to Volcano that may arise on outstanding financial instruments should a counterparty default on its obligations. Volcano are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Volcano have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables is not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, Volcano consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. Volcano have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

Volcano has a significant concentration of credit risk in the form of three (3) (31.12.2018: five (5), and 31.12.2019: three (3)) trade receivables, representing approximately 69% (31.12.2018: 84% and 31.12.2019: 55%) of Volcano's trade receivables.

Volcano apply the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Credit risk concentration profile (continued)

The information about the credit risk exposure on Volcano's trade receivables using a provision matrix are as follows:

	Trade receivables						
	Current RM'000	1 to 30 days past due RM'000	> 30 days past due RM'000	> 60 days past due RM'000	> 90 days past due RM'000	> 120 days past due RM'000	Total RM'000
At 31 December 2018							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	9,690	1,024	205	27	16	12	10,974
Expected credit loss	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued)

(i) Credit risk (continued)

Credit risk concentration profile (continued)

	Trade receivables						
	Current RM'000	1 to 30 days past due RM'000	> 30 days past due RM'000	> 60 days past due RM'000	> 90 days past due RM'000	> 90 days past due RM'000	Total RM'000
At 31 December 2019							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	8,163	820	176	89	59	-	9,307
Expected credit loss	-	-	-	-	-	-	-
At 31 December 2020							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	11,527	1,127	134	24	15	35	12,862
Expected credit loss	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

For other receivables and other financial assets (including investment securities, cash and cash equivalents and derivatives), Volcano minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, Volcano's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Volcano considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk Volcano compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Intercompany loans between entities within Volcano are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, Volcano will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.9(a) for Volcano's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that Volcano will encounter difficulty in meeting financial obligations when they fall due. Volcano's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. Volcano's exposure to liquidity risk arises principally from trade and other payable.

Volcano's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. Volcano maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. Volcano uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment. Volcano's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis

The maturity analysis of Volcano's financial liabilities by their relevant maturity at the reporting date is based on contractual undiscounted repayment obligations are as follows:

		|------- Contractual cash flows -------|		
	Carrying amount RM'000	On demand or within one year RM'000	More than one year RM'000	Total RM'000
At 31 December 2018				
Trade and other payables	4,715	4,715	-	4,715
At 31 December 2019				
Trade and other payables	5,975	5,975	-	5,975
At 31 December 2020				
Trade and other payables	6,247	6,247	-	6,247

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) **Financial risk management (continued)**

(iii) **Foreign currency risk**

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. Volcano's exposure to the risk of changes in foreign exchange rates relates primarily to Volcano's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency) and Volcano's net investment in foreign subsidiaries.

The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EUR"), Japanese Yen ("JPY"), Chinese Yuan ("CNY") and Swiss Franc ("CHF").

Volcano's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	|--------- As at 31 December ---------|		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Financial assets and liabilities not held in functional currencies:			
Trade receivables			
USD	5,761	4,103	6,294
SGD	1	-	1
EUR	-	38	38
	5,762	4,141	6,333
Cash and bank balances			
USD	1,610	2,982	3,446
SGD	237	242	244
JPY	61	61	63
CNY	-	-	41
	1,908	3,285	3,794

VOLCANO BERHAD
Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

	As at 31 December 2018 RM'000	2019 RM'000	2020 RM'000
Trade payables			
USD	(595)	(804)	(722)
JPY	(268)	(168)	-
CNY	-	-	(67)
CHF	-	-	(10)
	(863)	(972)	(799)

Sensitivity analysis for foreign currency risk

Volcano's principal foreign currency exposure relates mainly to USD, SGD, EUR, JPY, CNY and CHF.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, SGD, EUR, JPY, CNY and CHF, with all other variables held constant on Volcano's total equity and profit for the financial years.

	Changes in rate	Effect on profit for the financial years RM'000	Effect on equity RM'000
31 December 2018			
USD	+5%	257	257
	-5%	(257)	(257)
SGD	+5%	9	9
	-5%	(9)	(9)
JPY	+5%	(8)	(8)
	-5%	8	8

VOLCANO BERHAD
Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)

	Changes in rate	Effect on profit for the financial years RM'000	Effect on equity RM'000
31 December 2019			
USD	+5%	239	239
	-5%	(239)	(239)
SGD	+5%	9	9
	-5%	(9)	(9)
EUR	+5%	1	1
	-5%	(1)	(1)
JPY	+5%	(4)	(4)
	-5%	4	4
31 December 2020			
USD	+5%	343	343
	-5%	(343)	(343)
SGD	+5%	9	9
	-5%	(9)	(9)
EUR	+5%	1	1
	-5%	(1)	(1)
JPY	+5%	2	2
	-5%	(2)	(2)
CNY	+5%	(1)	(1)
	-5%	1	1
CHF	+5%	(0)	(0)
	-5%	0	0

Volcano uses forward exchange contracts to manage foreign currency exposures arising from Volcano's receivables denominated in currencies other than the functional currency of Volcano. All of the forward exchange contracts have maturities of less than one year after the end of the reporting period. When necessary, the forward contracts are rolled over at maturity.

VOLCANO BERHAD
Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial years end (31.12.2018 and 31.12.2019: no transfer in either directions).

25. CAPITAL COMMITMENTS

Volcano has made commitments for the following capital expenditures:

	Consolidated		
	As at 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Property, plant and equipment	2,809	900	536

26. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to Volcano if Volcano has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where Volcano and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of Volcano include:

(i) Related companies; and
(ii) Key management personnel of the company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

VOLCANO BERHAD
Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions

There is no significant related party transaction other than disclosed elsewhere in the financial statements.

(c) Compensation of key management personnel

	Consolidated		
	FYE 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Salaries, allowances and bonuses	3,491	3,010	2,370
Defined contribution plan	567	516	437
Directors' other emoluments	3	8	3
Other staff related benefits	-	-	1
	4,061	3,534	2,811

27. EARNINGS PER SHARE

Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of Volcano and the weighted average number of ordinary shares outstanding during the financial years, calculated as follows:

	As at 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Profit attributable to the owners owners of the Company	6,952	4,780	3,448
Weighted average number of ordinary shares for basic earnings per share ('000)	634,836	700,000	352,110
Basic earnings per ordinary share (sen)	1.10	0.68	0.98

VOLCANO BERHAD
Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per ordinary shares

Diluted earnings per share are based on the profit for the financial year attributable to the owners of Volcano and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary share that would be issued on initial public offering of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	As at 31 December		
	2018 RM'000	2019 RM'000	2020 RM'000
Profit attributable to the owners of the Company, being profit used to determinediluted earnings per ordinary share	6,952	4,780	3,448
Weighted average number of ordinary shares for diluted earnings per share ('000)	634,836	700,000	352,110
Effect from dilution from shares issued from initial public offering ('000)	125,000	25,000	25,000
	759,836	725,000	377,110
Diluted earnings per ordinary share (sen)	0.91	0.66	0.91

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. CAPITAL MANAGEMENT

The primary objective of Volcano's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. Volcano manages their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Volcano may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years under reviews.

Volcano monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by equity attributable to the owners of Volcano. The gearing ratio at 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

		Consolidated		
		As at 31 December		
		2018	**2019**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**
Trade and other payables	**16**	4,715	5,975	6,247
Derivative financial liabilities	**11**	-	-	-
Total debts		4,715	5,975	6,247
Total equity		62,082	67,646	67,372
Gearing ratio		0.08	0.09	0.09

There were no changes in Volcano's approach to capital management during the financial years under review.

Volcano is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS

COVID-19 outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown, and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and Thailand in which Volcano operates.

Volcano has performed an assessment of the overall impact of the situation on Volcano's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurements of assets and liabilities, and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 December 2020.

Given the fluidity of the situation, Volcano's will continuously monitor the impact of COVID-19 and take appropriate and timely measures to minimise the impact of the outbreak on Volcano's operations.

30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no events subsequent to the end of the financial year which required adjustments of or disclosure in the financial statements or notes thereto.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SEGMENT INFORMATION

Volcano prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of Volcano's strategic business units which are regularly reviewed by Volcano's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The two reportable segments are as follows:

Segments	**Products**
Name plate	Manufacturing of nameplates.
Plastic injection	Manufacturing and trading of plastic injection moulded parts

There is no inter-segment pricing.

Factors used to identify reportable segments

Volcano is organised into business units based on its business segment purposes.

Segment profit

Segment performance is used to measure performance as Volcano's CEO believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on the operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segment assets is measured based on all assets of a segment, as included in the internal reports that are reviewed by Volcano's CEO.

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by Volcano's CEO, hence no disclosures are made on segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

	Name plate RM'000	Plastic injection RM'000	Total RM'000
31 December 2018			
Revenue:			
Revenue from external customers	36,879	21,770	58,649
Results:			
Included in the measure of segment profit are (Unallocated corporated expenses):			
Interest income	-	-	140
Dividend income	-	-	17
Interest expenses	-	-	(1)
Depreciation and amortisation	-	-	(2,328)
Rental expenses	-	-	(24)
Employee benefits expense	-	-	(13,047)
Segment profit	-	-	**8,681**
Income tax expenses	-	-	(1,729)
Profit for the financial year	-	-	**6,952**
Assets:			
Additions to non-current assets	-	-	1,207
Segment assets	-	-	**67,246**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

	Name plate RM'000	Plastic injection RM'000	Total RM'000
31 December 2019			
Revenue:			
Revenue from external customers	35,666	20,226	55,892
Results:			
Included in the measure of segment profit are (Unallocated corporated expenses):			
Interest income	-	-	168
Dividend income	-	-	37
Depreciation and amortisation	-	-	(2,274)
Expenses relating to short-term lease	-	-	(34)
Employee benefits expense	-	-	(13,642)
Segment profit	**-**	**-**	**6,481**
Income tax expenses	-	-	(1,701)
Profit for the financial year	-	-	**4,780**
Assets:			
Additions to non-current assets	-	-	2,642
Segment assets	**-**	**-**	**74,550**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

	Name plate RM'000	Plastic injection RM'000	Total RM'000
31 December 2020			
Revenue:			
Revenue from external customers	34,644	17,883	52,527
Results:			
Included in the measure of segment profit are (Unallocated corporated expenses):			
Interest income	-	-	97
Dividend income	-	-	39
Depreciation and amortisation	-	-	(2,543)
Employee benefits expense	-	-	(13,824)
Segment profit	**-**	**-**	**4,257**
Income tax expenses	-	-	(874)
Profit for the financial year	-	-	**3,383**
Assets:			
Additions to non-current assets	-	-	2,806
Segment assets	**-**	**-**	**74,404**

VOLCANO BERHAD
Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

Geographical information

	Revenue RM'000	Non-current assets RM'000
31 December 2018		
Singapore	28,077	-
Thailand	24,207	20,455
Malaysia	2,336	7,795
United States of America	1,637	-
China	1,049	-
Germany	358	-
Other countries	985	-
	58,649	28,250
31 December 2019		
Singapore	23,520	-
Thailand	23,806	20,638
Malaysia	2,316	8,435
United States of America	3,395	-
China	911	-
Germany	307	-
Other countries	1,637	-
	55,892	29,073
31 December 2020		
Singapore	22,350	-
Thailand	23,923	20,724
Malaysia	2,188	8,168
United States of America	722	-
China	1,051	-
Indonesia	1,324	-
Germany	499	-
Other countries	470	-
	52,527	28,892

Information about major customers

For the sales segment, revenue from three customers contributed approximately RM31,345,000 (31.12.2018: RM37,094,000 and 31.12.2019: RM31,112,000) to Volcano's total revenue.

13. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

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2 March 2021

The Board of Directors
Volcano Berhad
No. 1411, Jalan Perusahan
Kawasan Perusahaan Perai 1
13600 Perai
Penang

Dear Sirs,

VOLCANO BERHAD AND ITS SUBSIDIARIES

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION INCLUDED IN A PROSPECTUS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of Volcano Berhad ("Volcano" or the "Company") and its subsidiaries (collectively hereinafter referred to as the "Volcano Group") for which the directors of Volcano are solely responsible. The pro forma consolidated statement of financial position as at 31 December 2020 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Volcano have compiled the pro forma consolidated statement of financial position are as described in Note 3 to the pro forma consolidated statement of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma consolidated statement of financial position of the Volcano Group has been compiled by the directors of Volcano, for illustrative purposes only, for inclusion in the prospectus of Volcano ("Prospectus") in connection with the proposed listing of and quotation for the entire issued and enlarged share capital of Volcano on the ACE Market of Bursa Malaysia Securities Berhad (the "Listing"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated financial position of Volcano Group as at 31 December 2020 the public issue, the utilisation of proceeds and the granting of the ESOS Options as described in Notes 1.2, 3.2.2 and 1.4.

As part of this process, information about Volcano Group's pro forma consolidated financial position have been extracted by the directors of Volcano from the audited consolidated financial statements of Volcano for the financial year ended 31 December 2020.

The audited financial statements of the proposed subsidiary for the financial year ended 31 December 2020 were reported by the auditors to its members without any modifications.

Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The directors of Volcano are responsible for compiling the pro forma consolidated statement of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institutes of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the directors of Volcano based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Statement of Financial Position Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of Volcano have compiled, in all material respects, the pro forma consolidated statement of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical statement of financial position used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the statement of financial position used in compiling the pro forma consolidated statement of financial position.

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Reporting Accountants' Responsibilities

The purpose of the pro forma consolidated statement of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted statement of financial position of the Volcano Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the Listing would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Volcano in the compilation of the pro forma consolidated statement of financial position of the Volcano Group provide a reasonable basis for presenting the significant effects directly attributable to the Listing as described in Note 2 to the pro forma consolidated statement of financial position, and to obtain sufficient appropriate evidence about whether:

(a) the pro forma consolidated statement of financial position of the Volcano Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statement of financial position, based on the audited consolidated statement of financial position of Volcano as at 31 December 2020, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Volcano Group in the preparation of its audited financial statements for the financial year ended 31 December 2020, which had been adopted by Volcano as its group accounting policies; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statement of financial position is appropriate for the purpose of preparing the pro forma consolidated statement of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the Listing in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

VOLCANO BERHAD
Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Financial Information included in a Prospectus
for the Financial Year Ended 31 December 2020

Our opinion

In our opinion:

(a) the pro forma consolidated statement of financial position of the Volcano Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statement of financial position, based on the audited financial statements of Volcano for the financial year ended 31 December 2020 and its accountants' report for the financial year ended 31 December 2020, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Volcano in the preparation of its accountants' report for the financial year ended 31 December 2020, which had been adopted by Volcano as its group accounting policies; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statement of financial position of the Volcano Group is appropriate for the purpose of preparing the pro forma consolidated statement of financial position.

Other matters

This report has been prepared for inclusion in the Prospectus of Volcano in connection with the Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2022 J
Chartered Accountant

VOLCANO BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. **INTRODUCTION**

The pro forma consolidated statement of financial position of Volcano Berhad ("Volcano" or the "Company") and its subsidiaries (hereinafter collectively referred to as "Volcano Group") has been compiled by the directors of Volcano, for illustrative purposes only, for inclusion in the prospectus of Volcano in connection with the proposed listing of and quotation for the entire issued and enlarged share capital of Volcano on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Listing").

1.1 Volcano is undertaking a proposed listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Securities. The Listing comprises the following:

1.2 **Public Issue**

The public issue of 25,000,000 new ordinary shares in Volcano ("Share(s)"), at the issue price of RM0.35 for each IPO share, representing approximately 15.15% of the enlarged share capital of Volcano, to be allotted in the following manner:

(i) 8,250,000 new Shares available for application by the Malaysian public.

(ii) 8,250,000 new Shares available for application by the eligible directors, key senior management personnel, employees and business associates/persons who have contributed to the success of Volcano Group.

(iii) 8,500,000 new Shares by way of private placement to identified investors.

(Collectively hereinafter referred to as "Public Issue")

1.3 **Offer For Sale**

The offer for sale of 35,000,000 Shares ("Offer Shares") at the issue price of RM0.35 for each IPO share, representing approximately 21.21% of the enlarged share capital of Volcano, to be allotted in the following manner:

(i) 14,375,000 Offer Shares by way of private placement to identified investors.

(ii) 20,625,000 Offer Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry.

1.4 **Employee Share Option Scheme ("ESOS")**

Upon successful listing of and quotation of its entire issued and enlarged share capital, Volcano intends to grant ESOS Options to eligible persons of up to thirty percent (30%) of the total number of the entire issued and enlarged share capital subject to the salient terms and conditions of the proposed ESOS Options.

For the purpose of the pro forma, the directors of Volcano have illustrated the granting of the ESOS Options at the maximum level of 49,500,000 Shares, representing 30% of the entire issued and enlarged share capital of Volcano comprising 165,000,000 Shares at a subscription price equivalent to the issue price of each IPO share at RM0.35.

The fair value of RM0.1493 per ESOS is determined by an external independent valuer with appropriate recognised professional qualifications.

VOLCANO BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

1. **INTRODUCTION (CONTINUED)**

1.5 **Listing**

Upon completion of the Public Issue, Volcano will seek the listing of and quotation for its entire issued and enlarged share capital of RM78,750,000 (before deducting defrayment of estimated expenses for the issuance of shares of RM3,200,000) comprising 165,000,000 Shares on the ACE Market of Bursa Securities.

2. **BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

2.1 The pro forma consolidated statement of financial position has been prepared to illustrate that the pro forma consolidated statement of financial position of Volcano Group as at 31 December 2020, adjusted for the Public Issue and the utilisation of proceeds as described in Notes 1.2 and 3.2.2, respectively.

2.2 Other than as stated below, the pro forma consolidated statement of financial position has been prepared based on the following financial statements of the Volcano Group:

2.3 The audited financial statements of the proposed subsidiary for the financial year under review were reported by the auditors to its members without any modifications.

2.4 The pro forma consolidated statement of financial position of the Volcano Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Volcano Group and does not purport to predict the future financial position and results of the Volcano Group.

2.5 The pro forma consolidated statement of financial position of the Volcano Group have been properly prepared on the basis set out in the accompanying notes to the pro forma consolidated statement of financial position based on the consolidated financial statements of Volcano for the financial year ended 31 December 2020 which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

2.6 The statement of financial position of the Volcano Group is measured using the currency of the primary economic environment in which the Volcano Group operates. The functional and presentation currency of the Volcano Group is Ringgit Malaysia ("RM").

VOLCANO BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

3. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF VOLCANO GROUP**

3.1 The pro forma consolidated statement of financial position of the Volcano Group as set out below, for which the directors of Volcano are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of Volcano as at 31 December 2020, had the Public Issue, the utilisation of proceeds and the granting of the ESOS Options as described in the notes been effected on that date, and should be read in conjunction with the notes accompanying thereto.

		Pro Forma I	Pro Forma II	Pro Forma III
	Audited Consolidated Statement of Financial Position as at 31 December 2020 RM'000	After the Public Issue RM'000	After Pro Forma I and the Utilisation of Proceeds RM'000	After Pro Forma II and granting of ESOS RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	28,892	28,892	28,892	28,892
Intangible assets	21	21	21	21
Deferred tax assets	631	631	631	631
Total non-current assets	29,544	29,544	29,544	29,544
Current assets				
Inventories	16,500	16,500	16,500	16,500
Current tax assets	1,486	1,486	1,486	1,486
Trade and other receivables	14,022	14,022	13,872	13,872
Cash and short-term deposits	12,852	21,602	20,302	20,302
Total current assets	44,860	53,610	52,160	52,160
TOTAL ASSETS	**74,404**	**83,154**	**81,704**	**81,704**
EQUITY AND LIABILITIES				
Equity attributable to owners of Volcano				
Share capital	70,000	78,750	78,265	78,265
Other reserves	(59,798)	(59,798)	(59,798)	(59,798)
Share option reserve	-	-	-	7,390
Retained earnings	57,170	57,170	56,205	48,815
Total equity	67,372	76,122	74,672	74,672

VOLCANO BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF VOLCANO GROUP (CONTINUED)**

3.1 (continued)

		Pro Forma I	Pro forma II	Pro Forma III
	Audited Consolidated Statement of Financial Position as at 31 December 2020 RM'000	**After the Public Issue RM'000**	**After Pro Forma I and the Utilisation of Proceeds RM'000**	**After Pro Forma II and granting of ESOS RM'000**
Non-current liabilities				
Employee benefits	143	143	143	143
Deferred tax liabilities	642	642	642	642
Total non-current liabilities	785	785	785	785
Current liabilities				
Trade and other payables	6,247	6,247	6,247	6,247
Total current liabilities	6,247	6,247	6,247	6,247
Total liabilities	7,032	7,032	7,032	7,032
TOTAL EQUITY AND LIABILITIES	**74,404**	**83,154**	**81,704**	**81,704**
Number of ordinary shares assumed to be in issued ('000)	140,000	165,000	165,000	165,000
Net assets ("NA") (RM'000)	67,372	76,122	74,672	74,672
NA per ordinary share (RM)	0.48	0.46	0.45	0.45

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VOLCANO BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

3. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF VOLCANO GROUP (CONTINUED)**

3.2 Notes to the pro forma consolidated statement of financial position are as follows:

3.2.1 **Basis of Preparation**

The pro forma consolidated statement of financial position of the Volcano Group, for which the directors of Volcano are solely responsible, have been prepared for illustrative purposes only, to show the effects on the unaudited statement of financial position of Volcano as at 31 December 2020, had the Public Issue, the utilisation of proceeds and the granting of the ESOS Options as described in Notes 1.2, 3.2.2 and 1.4, respectively been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be utilised in the following manner:

	RM'000	**%**	**Estimated timeframe for utilisation upon Listing**
Property, plant and equipment	5,550	63%	Within 24 months
Estimated listing expenses	3,200	37%	Immediately
	8,750	100%	

(1) As at the latest practicable date, Volcano Group has yet to enter into any contractual binding agreements or issue any purchase orders in relation to the utilisation of proceeds earmarked for the purchase of property, plant and equipment. Accordingly, the use of proceeds earmarked for purchase of property, plant and equipment is not reflected in the pro forma consolidated statements of financial position.

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VOLCANO BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

3. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF VOLCANO GROUP (CONTINUED)**

3.2.3 The pro forma consolidated statement of financial position should be read in conjunction with the notes below:

(a) Pro Forma I

Pro Forma I incorporates the cumulative effects of the audited consolidated statement of financial position of Volcano as 31 December 2020 and the Public Issue as described in Note 1.2.

The Public Issue will have the following impact on the pro forma consolidated statement of financial position of the Volcano Group as at 31 December 2020:

	Increase/(Decrease) Effects on Total Assets RM'000	Increase/(Decrease) Effects on Total Equity RM'000
Cash and short-term deposits	8,750	-
Share capital	-	8,750
	8,750	8,750

(b) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and the utilisation of proceeds from the Public Issue.

The proceeds expected from the Public Issue of RM5.55 million earmarked for the purchase of property, plant and equipment will be utilised in the manner as described in Note 3.2.2 to the pro forma consolidated statement of financial position.

As at 31 December 2020, approximately RM1.90 million of the total estimated listing expenses of RM3.20 million has been incurred of which RM0.15 million has been recognised as prepayment and the balance of RM1.75 million has been charged to profit or loss. The remaining estimated expenses are RM1.30 million of which RM0.96 million will be included in Retained Earnings Accounts while RM0.34 million will be included in Share Capital Account. The RM0.15 million which was recognised as prepayment is reclassified to Share Capital Account.

VOLCANO BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

3. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF VOLCANO GROUP (CONTINUED)**

3.2.3 (continued)

(c) Pro Forma II (Continued)

The utilisation of proceeds will have the following impact on the pro forma consolidated statement of financial position of the Volcano Group as at 31 December 2020:

	Increase/(Decrease) Effects on Total Assets RM'000	Increase/(Decrease) Effects on Total Equity RM'000
Cash and short-term deposits	(1,300)	-
Prepayments	(150)	-
Share capital	-	(485)
Retained earnings	-	(965)
	(1,450)	(1,450)

(d) Pro Forma III

Pro forma III incorporates the cumulative effects of Pro Forma II and the granting of the ESOS Options as described in Note 1.4.

	Increase/(Decrease) Effects on Total Assets RM'000	Increase/(Decrease) Effects on Total Equity RM'000
ESOS reserve	-	7,390
Retained earnings	-	(7,390)
	-	-

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VOLCANO BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF VOLCANO GROUP (CONTINUED)**

3.2.4 Movements in share capital and reserves are as follows:

	Share Capital RM'000	Other Reserves RM'000	ESOS Reserve RM'000	Retained Earnings RM'000
Consolidated statement of financial position of Volcano as at 31 December 2020	70,000	(59,798)	-	57,170
Arising from the Public Issue	8,750	-	-	-
As per Pro Forma I	**78,750**	**(59,798)**	**-**	**57,170**
Defrayment of estimated expenses in relation to the Listing	(485)	-	-	(965)
As per Pro Forma II	**78,265**	**(59,798)**	**-**	**56,205**
Granting of ESOS	-	-	7,390	(7,390)
As per Pro Forma III	**78,265**	**(59,798)**	**7,390**	**48,815**

3.2.5 Movements in cash and short-term deposits are as follows:

	RM'000
Consolidated statement of financial position of Volcano Group as at 31 December 2020	12,852
Arising from the Public Issue	8,750
As per Pro Forma I	**21,602**
Arising from the utilisation of proceeds:	
- defrayment of estimated expenses in relation to the Listing	(1,300)
As per Pro Forma II and III	**20,302**

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VOLCANO BERHAD

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Volcano Berhad in accordance with a resolution dated 0 2 MAR 2021

....	....
Name: Datuk Ch'ng Huat Seng	**Name: Dato' Wong Tze Peng**
Director	**Director**

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14. ESOS BY-LAWS

VOLCANO BERHAD
(Registration No.: 201801004790(1266804-D))

BY-LAWS OF THE ESOS

1. NAME OF SCHEME

This Scheme shall be called the "**Volcano Berhad's Employees' Share Option Scheme**" and for purposes of these By-Law(s), it shall be referred to as the "**Employees' Share Option Scheme**" or the "**Scheme**".

2. DEFINITIONS AND INTERPRETATIONS

2.1 In these By-Laws unless the context otherwise requires the following terms and expressions shall have the following meanings: -

"Act"	:	The Companies Act, 2016 and any subsequent amendments from time to time includes every statutory modification or re-enactment thereof for the time being force;
"Adviser"	:	A person who is permitted to carry on the regulated activity of advising corporate finance under the Capital Markets and Services Act 2007, which includes a Principal Adviser as defined in the Securities Commission's Principal Adviser's Guidelines;
"Authorised Nominee"	:	A person who is authorised to act as a nominee as specified in accordance with the schedule prescribed under Part VIII of the Rules of Bursa Depository;
"Available Balance"	:	The unissued share capital of the Company which is available for offer of Option(s) subject to the maximum limit as set out in By-Law 3.2 and after deducting all Shares under Options which have been granted;
"Board"	:	The Board of Directors of Volcano Berhad;
"Bursa Depository" or "the Depository"	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W));
"Bursa Securities" or "the Exchange"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W));
"By-Law(s)"	:	The rules, terms and conditions of the Scheme set out herein;
"CDS"	:	Central Depository System;
"CDS Account"	:	Account established by Bursa Depository for a depositor for the recording of deposits of securities and dealings in such securities by the depositor;

"Central Depositories Act"	:	The Securities Industry (Central Depositories) Act 1991 including any amendments made thereto from time to time;
"Date of Expiry"	:	The last day of the duration of the Scheme referred to in By-Law 4 hereof or such other date which the ESOS Committee may in its discretion decide, subject always to any further extension of period or early termination in accordance with the provisions of By-Law 4 hereof;
"Deposited Security(ies)"	:	A security standing to the credit of a CDS Account and includes a security in a CDS Account that is in suspense;
"Depositor"	:	A holder of a CDS Account;
"Director"	:	A natural person who holds a directorship in an executive or non-executive capacity in any company in the Volcano Group;
"Effective Date"	:	The date the last of the approvals and/or conditions referred to in By-Law 4.1 hereof have been obtained and/or complied with;
"Eligible Person(s)"	:	An Employee(s) or Director(s) of the Volcano Group who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 6 hereof;
"Employee"	:	A natural person who is employed by and on the payroll of any company in the Volcano Group, including Director(s) within the Volcano Group;
"Entitlement Date"	:	The date as at the close of business on which the names of the shareholders of the Company must appear on the Company's record of depositors in order to participate in any dividends, rights, allotments or other distributions;
"ESOS" or "Scheme"	:	The Employees' Share Option Scheme for the grant of Options to selected Eligible Person(s) to subscribe for new Volcano Share(s) on the terms as set out herein;
"ESOS Committee"	:	The committee appointed from time to time by the Board pursuant to By-Law 17 to administer the Scheme;
"Exercise Period"	:	The specific period or periods within an Option Period during which Options may be exercised by Grantee(s), as determined by the ESOS Committee subject to By-Law 4 hereof;
"Grantee(s)"	:	Any Eligible Person(s) who has accepted the Offer by the Company in accordance with the terms of the Scheme;
"Government"	:	The Government of Malaysia;

"Listing Requirements"	:	The ACE Market Listing Requirements of Bursa Securities;
"Market Day(s)"	:	Any day(s) on which Bursa Securities is open for trading of securities;
"Maximum Allowable Allotment"	:	The maximum number of new Volcano Share(s) that can be offered to an Eligible Person(s) falling within a particular category of Eligible Person(s) as stipulated in By-Law 7 hereof;
"Maximum Scheme Limit"	:	The maximum number of new Volcano Share(s) which may be made available and/or issued under the Scheme which shall be not more than thirty percent (30%) of the total number of issued Share(s) of the Company (excluding treasury shares) at any one time;
"Offer"	:	An offer made in writing by the ESOS Committee to a selected Eligible Person(s) in the manner indicated in By-Law 5 hereof;
"Offer Date"	:	The date on which an Offer is made to a selected Eligible Person(s) to participate in the Scheme by the ESOS Committee;
"Official List"	:	A list specifying all securities which have been admitted for listing on Bursa Securities and which have not been removed;
"Option(s)"	:	The right of a Grantee(s) to subscribe for new Volcano Share(s) pursuant to the contract constituted by the selected Eligible Person's acceptance of an Offer in the manner indicated in By-Law 8 hereof;
"Option Period"	:	A period commencing from the date an Offer is accepted in accordance with By-Law 8 and expiring on the last day of the period referred to in By-Law 4 hereof or such other date which the ESOS Committee may in its discretion decide, subject always to any further extension of period or early termination in accordance with the provisions of By-Law 4 hereof, provided that no Option Period shall extend beyond the period referred to in By-Law 4 hereof;
"Person connected"	:	Has the meaning given to "person connected" adopted in Paragraph 1.01 of the Listing Requirements;
"Registered Office"	:	The registered address of Volcano;
"RM and sen"	:	Ringgit Malaysia and sen, respectively;
"Rules of Bursa Depository"	:	The Rules of Bursa Depository as issued pursuant to the Central Depositories Act;

"Senior Management"	:	An Employee of the Volcano Group holding the position of senior manager and above or other senior positions as may be determined by the ESOS Committee from time to time;
"Subscription Price"	:	The price at which the Grantee(s) shall be entitled to subscribe for every new Volcano Share(s) by exercising his Option(s) as determined in accordance with By-Law 9 hereof;
"Subsidiaries"	:	Subsidiary companies within the meaning of Section 4 of the Act of Volcano Group which are not dormant and shall include subsidiary companies which are existing as at the Effective Date and those which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiary companies which have been divested in the manner provided for in By-Law 25.2 and which is determined by the ESOS Committee at its absolute discretion from time to time to be a corporation participating under the Scheme in accordance with By-Law 6;
"Volcano Group" or the "Group"	:	Volcano Berhad and its Subsidiaries as defined in Section 4 of the Act;
"Volcano Berhad" or the "Company"	:	Volcano (Registration No. 201801004790 (1266804-D));
"Volcano Share(s)" or the "Share(s)"	:	Ordinary share(s) of the Company.
"VWAMP"	:	Volume weighted average market price

2.2 In these By-Law(s): -

(i) Any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements, policies and/or guidelines of Bursa Securities and/or any other relevant regulatory authority (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or any other relevant regulatory authority);

(ii) Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Law(s) so far as such modification or re-enactment applies or is capable of applying to any Option(s) offered and accepted prior to the expiry of the Scheme and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly been replaced;

(iii) Words denoting the singular shall include the plural and references to gender shall include both genders and the neuter;

(iv) Any liberty or power which may be exercised or any determination which may be made hereunder by the ESOS Committee or the Board may be exercised at the ESOS Committee's or the Board's discretion;

(v) The heading in these By-Law(s) are for convenience only and shall not be taken into account in the interpretation of these By-Law(s); and

(vi) If an event occurs on a stipulated day which is not a Market Day(s), then the stipulated day will be taken to be the first Market Day(s) after that day provided always if such date shall fall beyond the duration of the Scheme, then the stipulated day shall be taken to be the preceding Market Day(s).

2A. THE OBJECTIVES OF THE SCHEME

The establishment of this ESOS is to: -

(i) recognise the contribution of the Eligible Person(s) whose services are valued and considered vital to the operations and continued growth of Volcano Group;

(ii) motivate the Eligible Person(s) towards improved performance through greater productivity and loyalty;

(iii) inculcate a greater sense of belonging and dedication as the Eligible Person(s) are given the opportunity to participate directly in the equity of the Company;

(iv) retain the Eligible Person(s), hence ensuring that the loss of key personnel is kept to a minimum level; and

(v) reward the Eligible Person(s) by allowing them to participate in the Volcano Group's profitability and eventually realise any capital gains arising from appreciation in the value of the Volcano Share(s).

The Scheme is also extended to the non-executive Directors of the Volcano Group to instil a greater sense of involvement and enhance the working relationship between the non-executive Directors and the Group, as they discharge important functions, and their services and contributions are valued by the Volcano Group.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

3.1 Each Option(s) shall be exercisable into one (1) new Volcano Share(s) in accordance with the provisions of these By-Law(s).

3.2 The total number of new Volcano Share(s) which may be made available and/or issued under the Scheme shall not be more than the Maximum Scheme Limit. The ESOS Committee has the discretion in determining whether the total number of new Volcano Share(s) which may be made available under the Scheme shall be staggered over the duration of the Scheme.

3.3 Notwithstanding the provision of By-Law 3.2 above or any other provisions contained herein, in the event the maximum number of new Volcano Share(s) comprised in the Option(s) granted under the Scheme exceeds the Maximum Scheme Limit as a result of the Company purchasing its own Share(s) or undertaking any corporate proposal and thereby diminishing its issued Share(s), no further Option(s) shall be offered until the total number of new Volcano Share(s) to be issued under the Scheme falls below the Maximum Scheme Limit. Any Option(s) granted prior to the adjustment of the issued Share(s) of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme.

4. DURATION AND TERMINATION OF THE SCHEME

4.1 The Effective Date for the implementation of the Scheme shall be the date the last of the following approvals and/or conditions have been obtained and/or complied with: -

(a) the submission to Bursa Securities of the final copy of the By-Law(s) together with a letter of compliance pursuant to paragraphs 2.12 and 6.43 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;

(b) the approval in-principle from Bursa Securities for the listing of the new Volcano Share(s) to be issued under the Scheme;

(c) the shareholders' approval for the Scheme at an extraordinary general meeting;

(d) the approval of any other relevant authorities for the Scheme (if any); and

(e) the fulfilment of all conditions attached to the above approvals, if any.

Unless otherwise terminated in accordance with By-Law 4.2 herein and subject to the compliance of the terms herein contained, the Scheme shall come in force on the Effective Date for a period of **five (5) years** commencing from the Effective Date **PROVIDED ALWAYS THAT** on or before the expiry thereof, the Board shall have the discretion upon recommendation of the ESOS Committee, without having to obtain the approval of the shareholders, to extend in writing the duration of the Scheme for another five (5) years or such shorter period as it deems fit immediately from the expiry of the first five (5) years commencing from the Effective Date **PROVIDED FURTHER THAT** the total duration of the Scheme shall not be more than ten (10) years from the Effective Date or such other period as may be allowed under the Listing Requirements. In the event that the Scheme is extended or renewed in accordance with the terms herein, the ESOS Committee shall inform the renewed duration of the Scheme to the relevant Grantee(s) in such manner of communication as the ESOS Committee deems fit. Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the Scheme provided that the Company shall serve appropriate notices to Grantee(s) and make any announcements to Bursa Securities (if required) within thirty (30) days prior to the expiry of the original Scheme.

4.2 Offers can only be made during the duration of the Scheme.

4.3 The Company may at any time during the duration of the Scheme terminate the Scheme and shall immediately announce to Bursa Securities the: -

(a) effective date of termination of the Scheme;

(b) number of Option(s) exercised or Share(s) vested; and

(c) reasons for termination of the Scheme;

4.4 Notwithstanding anything to the contrary, all unexercised Option(s) shall lapse at 5.00p.m. on the Date of Expiry.

4.5 The Company shall through its Adviser submit no later than five (5) Market Day(s) after the Effective Date of the implementation of these By-Law(s), a confirmation to Bursa Securities of the full compliance of By-Law 4.1 above stating the effective date of implementation of the Scheme, together with a certified true copy of the relevant resolutions passed by the shareholders of the Company in the general meeting approving the Scheme.

5. OFFER

5.1 The ESOS Committee may, at any time during the duration of the Scheme as defined in By-Law 4 hereof, make Offer in writing to any Eligible Person(s) (based on the criteria of allocation as set out in By-Law 7 herein) selected by the ESOS Committee which selection shall be at the absolute discretion of the ESOS Committee.

5.2 The actual number of new Volcano Share(s) which may be offered to an Eligible Person(s) shall be at the sole and absolute discretion of the ESOS Committee and, subject to any adjustments that may be made under By-Law 14 hereof, but not more than the Maximum Allowable Allotment.

5.3 The ESOS Committee shall state the following particulars in the letter of Offer: -

(a) The number of Option(s) that are being offered to the Eligible Person(s);

(b) The number of Volcano Share(s) which the Eligible Person(s) shall be entitled to subscribe for upon the exercise of the Option(s) being offered;

(c) The Option(s) Period;

(d) The Exercise Period;

(e) The Subscription Price;

(f) The Validity Period as defined in By-Law 8.1; and

(g) Any other information deemed necessary by the ESOS Committee.

5.4 Without prejudice to By-Law 18, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 5.3, the following provisions shall apply: -

(a) Within one (1) month after discovery of the error, the Company shall issue a supplemental letter of Offer, stating the correct particulars referred to in By-Law 5.3;

(b) In the event that the error relates to particulars other than the Subscription Price, the Subscription Price applicable in the supplemental letter of Offer shall remain as the Subscription Price as per the original letter of Offer; and

(c) In the event that the error relates to the Subscription Price, the Subscription Price applicable in the supplemental letter of Offer shall be the Subscription Price applicable as at the date of the original letter of Offer, save and except with respect to any Option(s) which have already been exercised as at the date of issue of the supplemental letter of Offer.

5.5 Subject to By-Law 3 hereof, nothing herein shall prevent the ESOS Committee from making more than one (1) Offer to any Eligible Person(s) **PROVIDED ALWAYS THAT** the total aggregate number of Volcano Share(s) which may be offered to any Eligible Person(s) (inclusive of Volcano Share(s) previously offered under the Scheme, if any) shall not exceed the Maximum Allowable Allotment of that Eligible Person as set out in By-Law 7 hereof.

5.6 The ESOS Committee has the discretion not to make further additional Offers regardless of the amount of Available Balance.

5.7 The Offer shall automatically lapse and be null and void in the event of the death of the Eligible Person or the Eligible Person(s) ceasing to be employed by the Volcano Group (as in the case of a non-executive Director, resigning from the Board) for any reason whatsoever prior to the acceptance of the Offer by the Eligible Person in the manner set out in By-Law 8 hereof.

5.8 An Offer may be made upon such terms and conditions as the ESOS Committee may decide from time to time. Each Offer shall be made in writing and is personal to the Eligible Person(s) and is non-assignable and non-transferable.

5.9 After each adjustment following an alteration of the Company's share capital as stipulated in By-Laws 14.1 and 14.2 and the Company informing the Grantee(s) of such adjustment pursuant to By-Law 14.6, upon the return by a Grantee(s) of the original letter of Offer to the Company, that letter of Offer shall be amended or a new letter of Offer shall be issued within one (1) month from the date of return of the original letter, to reflect the adjustment made to the number of Option(s) granted to the Grantee(s) and/or the Subscription Price.

5.10 The Company shall keep and maintain at its own expense a register of Grantee(s) and shall enter the names, addresses and identify card numbers of the Grantee(s), the Maximum Allowable Allotment, the number of Option(s) offered, the number of Option(s) exercised, the Date of Offer and the Subscription Price and other particulars as may be prescribed under Section 129 of the Act.

5.11 For the avoidance of doubt, there shall be no legal, equitable or other obligation whatsoever on the part of the ESOS Committee to consider making, or to make, any Offer to any or all of the Eligible Person(s).

6. ELIGIBILITY

6.1 Subject to By-Laws 6.2, 6.4 and 6.5 below, any Director or an Employee of the Volcano Group shall be eligible to be considered for the offer of Option(s) under the Scheme.

6.2 In the case of an Eligible Person(s), he/she will be eligible if at the date of the Offer, the following eligibility criteria is fulfilled: -

(a) he/she has attained the age of at least eighteen (18) years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) with the exception of the non-executive Director(s), he/ she is employed on full time basis and who has been confirmed in service; and/or

(c) is under such categories and criteria that the ESOS Committee may from time to time decide at its absolute discretion,

PROVIDED ALWAYS THAT the selection of any Director or Employee for participation in the Scheme shall be at the discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. In determining the eligibility of an Eligible Person(s) to participate in the Scheme, the ESOS Committee may take into account amongst other factors, seniority, job grading, length of service and/or contribution to the relevant company within the Group, and/or such other factors that the ESOS Committee may in its sole and absolute discretion deem fit. The ESOS Committee shall also have the sole and absolute discretion to determine whether to stagger the allocation of Option(s) available over the duration of the Scheme and to determine the vesting period (if any) for the Option(s) granted under the Scheme.

6.3 No Offer, allocation of Option(s) under the Scheme and the related allotment of Volcano Share(s) shall be made to the following persons unless the shareholders of Volcano Share(s) in a general meeting shall have approved the specific allocation and allotment to such persons: -

(a) any person who is a director, major shareholder or chief executive of Volcano Berhad or holding company of Volcano Berhad ("**interested director**", "**interested major shareholder**" and "**interested chief executive**"); or

(b) a person connected with an interested director, interested major shareholder or interested chief executive ("**interested person connected with a director, major shareholder or chief executive**").

In a meeting to obtain shareholder approval in respect of the above allocation and allotment: -

(aa) the interested director, interested major shareholder, interested chief executive or interested person connected with a director, major shareholder or chief executive; and

(bb) where the allocation and allotment is in favour of an interested person connected with a director, major shareholder or chief executive, such director, major shareholder or chief executive,

must not vote on the resolution approving the said allocation and allotment. An interested director, interested major shareholder or interested chief executive must ensure that such persons connected with him/her abstain from voting on the resolution approving the said allocation and allotment.

6.4 For the avoidance of doubt, the following persons are not Eligible Person(s) and do not qualify for participation in the Scheme: -

(a) subject to By-Law 24 below, employees of a company which has ceased to be a subsidiary of Volcano;

(b) a Director or employee of a company within the Group which is dormant;

(c) unless decided otherwise by the ESOS Committee in its discretion, employees recruited on a full time basis which has been employed for less than six (6) months;

(d) unless decided otherwise by the ESOS Committee in its discretion, employees recruited under contracts of employment; and

(e) employees that are on probation.

6.5 A Grantee(s) under the Scheme shall not be entitled to participate in any other share issuance scheme which may be implemented by any other company in the Volcano Group during the duration of the Scheme.

6.6 Eligibility under the Scheme does not confer on an Eligible Person(s) a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person(s) does not acquire or have any rights over or in connection with the Option(s) or the Volcano Share(s) comprised herein unless an Offer has been made by the ESOS Committee to the Eligible Person and the Eligible Person(s) has accepted the Offer in accordance with the terms of the Offer and the Scheme.

6.7 Subject to By-Laws 3.2 and 7.1, in the event that the ESOS Committee has determined that certain Eligible Person(s) are entitled to be offered additional Option(s) and the Available Balance is insufficient to grant their full additional entitlements, the Available Balance may be distributed on such basis as the ESOS Committee may determine.

6.8 The ESOS Committee has the discretion not to make further Offers regardless of the amount of Available Balance.

6.9 Where an Offer to an Eligible Person(s) who is a member of the ESOS Committee, such grant of Option(s) shall be decided and carried out by the ESOS Committee PROVIDED ALWAYS that such Eligible Person(s) and persons connected to him who are also members of the ESOS Committee shall abstain from all deliberations and voting in respect of the Offer proposed to be granted to him/her at the relevant ESOS Committee meetings.

7. MAXIMUM ALLOWABLE ALLOTMENT AND BASIS OF ALLOCATION

7.1 Subject to any adjustments which may be made under By-Law(s) and the maximum allowable allocation limit on the total number of Share(s) (including Share(s) already issued under the Scheme) under Option(s) pursuant to By-Law 3, the aggregate number of new Volcano Share(s) that may be offered and allotted to any of the Eligible Person(s) who are entitled to participate in the Scheme shall be on the basis set out in By-Law 7.2 subject always to the following main parameters: -

(a) the Directors and Eligible Person(s) do not participate in the deliberation or discussion of their own allocation and the allocation to any person connected with them; and

(b) the number of Volcano Share(s) allocated to any Eligible Person(s) who, either singly or collectively through persons connected with the Eligible Person(s), holds twenty percent (20%) or more in the total number of issued Share(s) (excluding treasury shares) of the Company, shall not exceed ten percent (10%) of the total number of Volcano Share(s) to be issued under the Scheme and any other schemes involving issuance of new Share(s) to the Eligible Person(s) to be implemented from time to time; and

(c) not more than seventy percent (70%) of the new Volcano Share(s) available under the Scheme shall be allocated in aggregate to the Directors and Senior Management,

PROVIDED ALWAYS THAT it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

7.2 The basis for determining the aggregate number of new Volcano Share(s) that may be offered under the Scheme and/or to an Eligible Person(s) shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, *inter alia*, the seniority, job grading, length of service and/or contribution to the Group by the Eligible Person(s) and/or such other matters which the ESOS Committee may in its sole and absolute discretion deem fit and the maximum allowable allocation limit on the total number of Share(s) (including Share(s) already issued under the Scheme) under Option(s) to be offered to an Eligible Person(s) shall be based on the group of Employees as decided by the ESOS Committee.

7.3 Subject to By-Law 18, the ESOS Committee may at its sole and absolute discretion and pursuant to By-Law 17, amend or vary and/or include or preclude any basis or criteria which is applied in considering Offers to Eligible Person(s) including details of the category of Employees and/or thresholds of Maximum Allowable Allotment for which it shall deem necessary to introduce during the duration of the Scheme provided that these additional categories and/or basis are in compliance with the relevant Listing Requirements and applicable laws.

7.4 Any Eligible Person(s) who holds more than one (1) position within the Volcano Group (including a Director who is an Employee of the Volcano Group and who sits on the board(s) of directors of any one (1) or more corporations within the Volcano Group), and is therefore an Eligible Person(s) in more than one category or capacity, shall be entitled to the Maximum Allowable Allotment of only one (1) category to be determined by the ESOS Committee at its sole and absolute discretion.

7.5 In the event that an Eligible Person(s) is promoted to a higher category, he/she shall be entitled to continue to hold and to exercise all unexercised Option(s) held by him/her as at the effective date of promotion and his/her Maximum Allowable Allotment shall be increased in accordance with his/her new category as provided in By-Law 7.2 effective from such date.

7.6 In the event that an Eligible Person(s) is demoted to a lower category, he/she shall be entitled to continue to hold and to exercise all unexercised Option(s) held by him/her as at the effective date of demotion and his/her Maximum Allowable Allotment shall be reduced in accordance with his/her new category as provided in By-Law 7.2 effective from such date, unless otherwise determined by the ESOS Committee. In the event the total number of Share(s) in respect of Option(s) which have been accepted by such demoted Eligible Person(s) up to the effective date of his/her demotion is higher than the Maximum Allowable Allotment for his/her new category pursuant to such demotion, he/she shall not be entitled to be offered any further Option(s) unless and until he/she is subsequently promoted to a higher category or in such event where the Maximum Allowable Allotment is amended as provided in By-Law 7.3 or revised by the ESOS Committee resulting in his/her Maximum Allowable Allotment being increased to an amount greater than the total number of Share(s) in respect of Option(s) which have already been accepted by him/her.

7.7 The ESOS Committee shall not be obliged in any way to offer to an Eligible Person(s) all of the specified Maximum Allowable Allotment. The decision of the ESOS Committee shall be final and binding.

7.8 The allocation of Option(s) pursuant to the Scheme shall be verified by the Company's Audit Committee, as being in compliance with the criteria set out in these By-Law(s) (where relevant) at the end of each financial year of the Company.

8. ACCEPTANCE OF THE OFFER

8.1 An Offer shall be valid for a period of thirty (30) calendar days from the Offer Date or such longer period as the ESOS Committee at its discretion, may determine on a case to case basis (**"Validity Period"**). Acceptance of the Offer by an Eligible Person(s) shall be made by way of a written notice from the Eligible Person(s) to the ESOS Committee in the form prescribed by the ESOS Committee and accompanied by the payment of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the acceptance of each Offer (regardless of the number of shares comprised therein).

8.2 In the event that the Eligible Person(s) fails to accept the Offer or pay the acceptance consideration as set out in By-Law 8.1 hereof within the Validity Period and in the manner aforesaid, the Offer shall be deemed to have lapsed.

8.3 Within thirty (30) calendar days after the due acceptance of the Offer in accordance with the provisions of this By-Law, the ESOS Committee shall issue to the Grantee(s) a certificate of Option(s) in such form as may be determined by the ESOS Committee. For the avoidance of doubt, the Grantee(s) is entitled to exercise the Option(s) granted to and accepted by him/her in accordance with By-Law 8.1 above pending the issuance of a certificate of Option(s) by the ESOS Committee to the Grantee(s).

8.4 An administrative cost of Ringgit Malaysia Thirty (RM30.00) and any associated cost for the replacement of lost certificate of Option(s) shall be fully borne by the Grantee(s) and such Grantee(s) shall have to sign a statutory declaration for the loss of the certificate of Option(s).

9. SUBSCRIPTION PRICE

9.1 The Subscription Price of each Share(s) comprised in any Option(s) shall at the discretion of the ESOS Committee, be based on a discount of not more than 10% or such higher limit as may be permitted from time to time by Bursa Securities or any other relevant authorities to five-(5) day VWAMP of the Share(s) transacted on Bursa Securities immediately preceding the Offer Date.

9.2 The Subscription Price shall be stipulated on each certificate of Option(s).

9.3 The Subscription Price shall be subject to any adjustments provided under By-Law 14 herein.

10. EXERCISE OF OPTION(S)

10.1 Subject to By-Laws 10.2 and 10.7 hereof, an Option(s) can be exercised by the Grantee(s) by notice in the prescribed form to the Company on such day(s) of the calendar month (which shall be a Market Day(s)) as the ESOS Committee may notify the Grantee(s) during the Exercise Period in respect of all or any part of the Volcano Share(s) comprised in the Option(s), such part being in multiples of one hundred (100) Volcano Share(s) unless the ESOS Committee shall otherwise agree. Any partial exercise of an Option shall not preclude the Grantee(s) from exercising the Option in respect of the balance of the Share(s) comprised in the Option(s).

10.2 Subject to By-Laws 14 and 18 hereof, the ESOS Committee may, at any time and from time to time, before and after an Option(s) is granted: -

(a) limit the exercise of the Option(s) to a maximum number of new Volcano Share(s) and/or such percentage of the total new Volcano Share(s) comprised in the Option(s) during such periods within the Option(s) Period,

(b) subject the exercise of the Option(s) to any vesting condition determined by the ESOS Committee at its sole and absolute discretion including but not limited to performance targets being achieved before an Option(s) can be exercised, and/or

(c) impose any other terms and/or conditions (including the time period to exercise the Option(s)) as the ESOS Committee may, in its sole discretion deem appropriate including amending or varying any terms and conditions imposed earlier.

10.3 Every such notice to exercise the Option(s) referred to in By-Law 10.1 hereof shall be accompanied by a remittance in RM in the form of a bankers' draft or cashiers' order drawn and payable in Malaysia or any other form acceptable to the ESOS Committee for the full amount of the Subscription Price in relation to the number of new Volcano Share(s) in respect of which the written notice is given.

10.4 The Company shall allot and issue such new Volcano Share(s) to the Grantee(s) in accordance with the provisions of the Company's Constitution, the Central Depositories Act and the Rules of Bursa Depository, despatch the notice of allotment to the Grantee(s) and make an application for the listing of and quotation for the new Volcano Share(s) within eight (8) Market Day(s) from the receipt by the Company of the aforesaid notice and remittance from the Grantee(s) or such other period as may be prescribed by Bursa Securities.

10.5 The ESOS Committee, the Board and the Company shall not under any circumstances whatsoever be liable for any costs, expenses, charges and damages whatsoever and howsoever arising whether arising directly or indirectly from any delay on the part of the Company in allotting and issuing the new Volcano Share(s) or in procuring Bursa Securities to list the new Volcano Share(s) for which the Grantee(s) is entitled to subscribe or otherwise.

10.6 The Grantee(s) who exercises his Option(s) shall provide the ESOS Committee with his CDS Account number or the CDS Account number of his Authorised Nominee, as the case may be, in the notice referred to in By-Law 10.1 hereof. The new Volcano Share(s) to be issued pursuant to the exercise of an Option(s) will be credited directly into the CDS Account of the Grantee(s) or his Authorised Nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS Account will be issued to the Grantee(s) within eight (8) Market Day(s) from the receipt by the Company of the written notice of exercise of the Option(s) together with the requisite remittance of subscription monies and no physical share certificate will be issued.

10.7 In the event that a Grantee(s) is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the ESOS Committee shall have the right, to suspend the Grantee's Option(s) pending the outcome of such disciplinary proceedings. The ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee(s) **PROVIDED ALWAYS THAT**: -

(a) in the event that such Grantee(s) shall subsequently be found not guilty of the charges which give rise to such disciplinary proceedings, the ESOS Committee shall reinstate the rights of such Grantee(s) to exercise his Option(s);

(b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee(s), the Option(s) shall immediately cease without notice and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee(s) notwithstanding that such recommendation may be subsequently challenged by the Grantee(s) in any other forum; and

(c) in the event such Grantee(s) is found guilty but not dismissed or termination of service is not recommended, the ESOS Committee shall have the right to determine at its discretion whether or not the Grantee(s) may continue to exercise his Option(s) and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise.

The Board may, after a warning/caution letter has been issued to a Grantee(s) by the relevant company within the Group, recommend to the ESOS Committee to suspend the Grantee's Option(s). The ESOS Committee shall, upon receipt of such recommendation by the Board, suspend the Grantee's Option(s) until such time as the Board determines at its discretion whether or not the Grantee(s) may continue to exercise his Option(s) and if so, whether to impose such limits, terms and conditions as the Board deems appropriate, on such exercise.

For the purpose of this By-Law(s), a Grantee(s) shall be deemed to be subject to "disciplinary proceedings" if: -

(i) he/she is suspended from work pending investigation into his/ her conduct;

(ii) he/she is issued with a letter requiring him/ her to attend an internal domestic inquiry; or

(iii) such other instances as the Board may deem as being subject to disciplinary proceedings.

10.8 All Option(s) to the extent unexercised on the expiry of the Option(s) Period applicable thereto shall lapse.

10.9 The Company will undertake to keep sufficient unissued Volcano Share(s) to satisfy all outstanding Option(s), which may be exercisable from time to time during the existence of the Scheme.

10.10 Any failure to comply with the procedures specified by the ESOS Committee or to provide information as required by the Company in the notice to exercise or inaccuracy in the CDS Account number provided shall result in the notice to exercise being rejected at the discretion of the ESOS Committee. The ESOS Committee shall inform the Grantee(s) of the rejection of the notice of exercise within ten (10) Market Day(s) from the date of rejection and the Grantee(s) shall not have deemed to have exercised his/her Option(s).

10.11 The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities whatsoever and howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Share(s) or in procuring the relevant authorities to list and quote the Share(s) subscribed for by a Grantee(s) or any delay in receipt or non-receipt by the Company of the notice to exercise the Option(s) or for any errors in any Offers or any other matters or dealings which are outside the control of the Company, the Board and/or the ESOS Committee.

10.12 Every Option(s) shall be subject to the condition that no new Volcano Share(s) shall be issued pursuant to the exercise of an Option(s) if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

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11. RIGHTS ATTACHING TO OPTION(S) AND THE NEW SHARE(S)

11.1 The Option(s) shall not carry any right to vote at any general meeting of the Company.

11.2 A Grantee(s) shall not be entitled to any dividends, right or other entitlements on his unexercised Option(s) in relation to the Share(s) yet to be issued.

11.3 The new Volcano Share(s) to be allotted upon the exercise of the Option(s) shall upon allotment, issuance and full payment, rank *pari passu* in all respects with the existing Volcano Share(s) save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions declared, the Entitlement Date of which is prior to the date of allotment of the said new Volcano Share(s).

11.4 The new Volcano Share(s) will be subject to all provisions of the Constitution of the Company.

12. NON-TRANSFERABILITY

12.1 An Option(s) is personal to the Grantee(s) and subject to the provisions of By-Laws 13.1, 13.2, 13.3 and 13.5, it is exercisable only by the Grantee(s) personally during his lifetime whilst he is in the employment in any company in the Group.

12.2 An Option(s) so granted shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee save and except in the event of the death of the Grantee(s) as provided under By-Law 13.5. Any attempt to transfer, assign, dispose or encumber an Option(s) by the Grantee(s) shall result in the automatic cancellation of the Option(s).

13. TERMINATION OF THE OPTION(S)

13.1 In the event a Grantee(s) ceases to be in the employment of the Group for whatever reason prior to the full exercise of an Option(s), such Option(s) or the balance thereof, as the case may be, shall forthwith cease to be valid without any claim against the Company **PROVIDED ALWAYS THAT** the ESOS Committee may, at its absolute discretion, by notice in writing, permit such Option(s) to remain exercisable during the Option Period if such cessation occurs by reason of: -

(a) retirement on attaining the retirement age under the Group's retirement policy; or

(b) retirement before attaining the normal retirement age but with the consent of the ESOS Committee; or

(c) transfer to any company outside the Group at the direction of the Company; or

(d) redundancy; or

(e) ill-health, injury, physical or mental disability; or

(f) the insanity or bankruptcy of the Grantee(s); or

(g) any other circumstances which are acceptable to the ESOS Committee subject to the approval and/or ratification by the Board.

Upon the termination of Option(s) pursuant to the above, the Grantee(s) shall have no right to compensation or damages or any claim against the Company for any loss of any right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his/her ceasing to hold office or employment or from the suspension of his/her right to exercise his/her Option(s) or his/her Option(s) ceasing to be valid.

13.2 Unless otherwise agreed in writing by the ESOS Committee at its absolute discretion, upon the resignation of the Grantee(s) from his employment or directorship with the Group (as the case may be), an Option(s) shall lapse forthwith on the date the Grantee(s) tenders his resignation. Any Option(s) which lapses upon the resignation of the Grantee(s) from his employment or directorship with Group (as the case may be), at the discretion of the ESOS Committee, shall be offered to other Eligible Person(s).

13.3 An Option(s) shall immediately become void and of no further force and effect upon the Grantee(s) being adjudicated a bankrupt.

13.4 In the event of the liquidation of the Company, all unexercised or partially exercised Option(s) shall lapse.

13.5 Where a Grantee(s) dies before the expiry of the Option Period, the whole or any part of the Option(s) held by the Grantee(s) that is unexercised shall lapse after the expiry of twelve (12) months from the date of the Grantee's death unless exercised by the legal representatives of the Grantee(s) prior to the expiry of such period in accordance with the terms and/or conditions as set out by the ESOS Committee **PROVIDED ALWAYS THAT** no Option(s) shall be exercised after the expiry of the Option Period.

14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Volcano Share(s) or reduction of capital or any other variation of capital, the Company shall cause such adjustment to be made to: -

(a) the number of Volcano Share(s) which a Grantee(s) shall be entitled to subscribe for upon the exercise of each Option(s); and/or

(b) the Subscription Price.

14.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 14.1: -

(a) any adjustment to the Subscription Price shall be rounded up to the nearest one (1) sen ; and

(b) in determining a Grantee's entitlement to subscribe for Volcano Share(s), any fractional entitlements will be disregarded.

14.3 By-Law 14.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following: -

(a) an issue of new Volcano Share(s) or other securities convertible into Volcano Share(s) or rights to acquire or subscribe for Volcano Share(s) in consideration or part consideration for an acquisition of any other securities, assets or business;

(b) a special issue of new Volcano Share(s) to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or other government authority to comply with the Government policy on Bumiputera capital participation;

(c) a private placement/restricted issue of new Volcano Share(s) by the Company;

(d) an issue of new Volcano Share(s) arising from the exercise of any conversion rights attached to securities convertible to Volcano Share(s) or upon exercise of any other rights including warrants and/or convertible loan stocks (if any) issued by the Company;

(e) an issue of new Volcano Share(s) upon the exercise of Option(s) pursuant to the Scheme;

(f) an issue of further Option(s) to Eligible Person(s) under these By-Law(s); and

(g) a purchase by the the Company of its own Share(s) pursuant to Section 127 of the Act.

14.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Subdivision 2, Division 7, Part III of the Act, By-Law 14.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company, save that By-Law 14.3 shall be applicable in respect of such part(s) of the Scheme which involve(s) any alteration(s) in the capital structure of the Company which falls within By-Law 14.3.

14.5 In the event the Court sanctions a compromise or arrangements between the Company and its members proposed for the purposes of, or in connection with, a scheme for arrangement or reconstruction of the Company under Subdivision 2, Division 7, Part III of the Act or its amalgamation with any other company or companies under Subdivision 2, Division 7, Part III of the Act, any Option(s) should remain exercisable by the Grantee(s) at any time and from time to time in the period commencing with the date upon which the compromise or arrangements is sanction by the court and ending with the date upon which it becomes effective or within the Option Period, whichever expires first. Upon the compromise or arrangement becoming effective, all Option(s), to the extent unexercised shall automatically lapse and shall become null and void.

14.6 Upon any adjustment being made, the ESOS Committee shall within ten (10) Market Day(s) give notice in writing to the Grantee(s), or his legal or personal representative where the Grantee(s) is deceased, to inform him/her of the adjustment and the event giving rise thereto.

14.7 Save for any alteration in the capital structure of the Company during the Option Period arising from bonus issues, all adjustments must be confirmed in writing by an approved company auditor or the Company's Adviser, acting as an expert and not as an arbitrator, to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee(s), furnish such Grantee(s) with a certificate from an approved company auditor or the Company's Adviser (as the case may be) to the effect that in the opinion of such auditor or the Company's Adviser (as the case may be), acting as an expert and not as an arbitrator, an adjustment is fair and reasonable either generally or as regards such Grantee(s), and such certification shall be final and binding on all parties. For the purposes of this By-Law, an approved company auditor shall have the meaning given in Section 2(1) of the Act and shall be the external auditors for the time being of the Company or such other external auditors as may be nominated by the Board.

14.8 The Company shall ensure that any adjustments made must be in compliance with the provisions for adjustment as provided in By-Law 14.9.

14.9 In addition to By-Law 14.1 and not in derogation thereof, the Subscription Price and the number of new Volcano Share(s) relating to the Option(s) so far unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with an Adviser and/or an auditor: -

(a) If and whenever a Volcano Share(s) by reason of any consolidation or subdivision or conversion shall have a different value, the Subscription Price shall be adjusted and the additional number of new Volcano Share(s) relating to the Option(s) to be issued shall be calculated in accordance with the following formula: -

New Subscription Price $= \left[\frac{A}{B} \right] \times S$

For consolidation of Share(s): -

New number of Share(s) under Option(s) $T \times \left[\frac{B}{A} \right]$

For subdivision of Share(s): -

Additional Share(s) under Option(s) $T \times \left[\frac{B}{A} \right] - T$

where: -

A = the aggregate number of issued and paid-up Volcano Share(s) immediately before such consolidation or subdivision or conversion;

B = the aggregate number of issued Share(s) immediately after such consolidation or subdivision or conversion;

S = Existing Subscription Price; and

T = Existing number of Share(s) under the Option(s).

Each such adjustment will be effective from the close of business on the Market Day(s) next following the date on which the consolidation or subdivision or conversion becomes effective (being the date when the Volcano Share(s) are traded on Bursa Securities at the new value), or such period as may be prescribed by Bursa Securities.

(b) If whenever the Company shall make any issue of Volcano Share(s) to ordinary shareholders credited as fully paid, by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund), the Subscription Price shall be adjusted by multiplying it by the following fraction: -

$$\textit{New Subscription Price} = S \times \left[\frac{A}{A + B}\right]$$

and the additional number of new Volcano Share(s) relating to the Option(s) to be issued shall be calculated as follows: -

$$\textit{Number of Additional Volcano Share(s)} = T \times \left[\frac{A+B}{A}\right] - T$$

where: -

A = the aggregate number of issued and paid-up Volcano Share(s) immediately before such bonus issue or capitalisation issue;

B = the aggregate number of Volcano Share(s) to be issued pursuant to any allotment to ordinary shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund); and

T = existing number of Volcano Share(s) relating to the Option(s).

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day(s) following the books closure date for such issue.

(c) If and whenever the Company shall make: -

(i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or

(ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for Volcano Share(s) by way of rights; or

(iii) any offer or invitation to its ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Volcano Share(s) or securities with rights to acquire or subscribe for Volcano Share(s),

then and in respect of each such case, the Subscription Price shall be adjusted by multiplying it by the following fraction: -

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 14.9(c)(ii) hereof, the number of additional new Share(s) comprised in the Option to be issued shall be calculated as follows: -

Number of Additional Share(s) = $T \times \left[\frac{C}{C - D^*} \right] - T$

where: -

T = existing number of Volcano Shares relating to the Option(s);

C = the current market price of each Share on the Market Day(s) immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (i) in the case of an offer or invitation to acquire or subscribe for Volcano Share(s) by way of rights under By-Law 14.9(c)(ii) above or for securities convertible into Volcano Share(s) or securities with rights to acquire or subscribe for Volcano Share(s) under By-Law 14.9(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or

(ii) in the case of any other transaction falling within By-Law 14.9(c) hereof, the fair market value, as determined by the Adviser and/or an auditor, of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of definition (i) of D above, the "*value of the rights attributable to one (1) Share*" shall be calculated in accordance with the formula: -

$$\frac{C - E}{F + 1}$$

where: -

C = as C above;

E = the subscription consideration for one (1) additional Share under the terms of such of offer or invitation or subscription price for one (1) additional Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;

F = the number of Volcano Share(s) which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into rights to acquire or subscribe for one (1) additional Share; and

D* = the value of rights attributable to one (1) Share (as defined below).

For the purpose of definition D* above, the "*value of rights attributable to one (1) Share*" shall be calculated in accordance with the formula: -

$$\frac{C - E^*}{F^* + 1}$$

where: -

C = as C above;

E* = the subscription price for one (1) additional Share under the terms of such offer or invitation; and

F* = the number of Volcano Share(s) which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 14.9(c) hereof, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (not falling under By-Law 14.9(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund).

Any dividend declared or provided for by the Company in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless the aggregate dividends declared or provided for the financial year is less than ten percent (10%) of the value of the Volcano Share(s).

Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated profit and loss accounts of the Company.

Such adjustments will be effective (if appropriate retroactively) from the commencement of the next Market Day(s) following the book closure date for the above transactions.

(d) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 14.9 (b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 14.9(c)(ii) or (iii) above and the book closure date for the purpose of the allotment is also book closure date for the purpose of the offer or invitation, the *Subscription Price* shall be adjusted by multiplying it by the following fraction: -

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes an allotment to its ordinary shareholders as provided in By-Law 14.9(b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 14.9(c)(ii) above and the entitlement date for the purpose of the allotment is also the book closure date for the purpose of the offer or invitation, the number of additional new Volcano Share(s) relating to the Option(s) to be issued shall be calculated as follows: -

Number of Additional Volcano Share(s) = $T \times \left[\frac{[(G + H^* + B) \times C]}{(G \times C) + (H^* \times I^*)} \right] - T$

where: -

B = as B above;

C = as C above;

G = the aggregate number of issued and paid-up Volcano Share(s) on the book closure date;

H = the aggregate number of new Volcano Share(s) under an offer or invitation to acquire or subscribe for Volcano Share(s) by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Volcano Share(s) or rights to acquire or subscribe for Volcano Share(s), as the case may be;

H* = the aggregate number of new Volcano Share(s) under an offer or invitation to acquire or subscribe for Volcano Share(s) by way of rights;

I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Volcano Share(s) or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Volcano Share(s), as the case may be;

I* = the subscription price of one (1) additional Share(s) under the offer or invitation to acquire or subscribe for Volcano Share(s); and

T = as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day(s) following the book closure date for such issue.

(e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Volcano Share(s) as provided in By-Law 14.9(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for ordinary shareholders as provided in By-Law 14.9(c)(iii) above, the *Subscription Price* shall be adjusted by multiplying it by the following fraction: -

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional new Volcano Share(s) relating to the Option(s) to be issue shall be calculated as follows: -

Number of Additional Volcano Share(s) = $T \times \left[\frac{(G + H^{*}) \times C}{(G \times C) + (H^{*} \times I^{*})} - T \right]$

where: -

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = the aggregate number of Volcano Share(s) to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Volcano Share(s) by the ordinary shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Volcano Share(s); and

T = as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day(s) following the book closure date for the above transactions.

(f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 14.9(b) above and also makes an offer or invitation to acquire or subscribe for Volcano Share(s) to its ordinary shareholders as provided in By-Law 14.9(c)(ii) above, together with rights to acquire or subscribe for Volcano Share(s) as provided in By-Law 14.9(c)(iii) above, and the book closure date for the purpose of allotment is also the book closure for the purpose of the offer or invitation, the *Subscription Price* shall be adjusted by multiplying it by the following fraction: -

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of additional new Volcano Share(s) relating to the Option(s) to be issued shall be calculated as follows: -

Number of Additional Volcano Share(s) = $T \times \left[\frac{[(G + H^* + B) \times C] - T}{(G \times C) + (H^* \times I^*)} \right]$

where: -

B = as B above;

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = as J above;

K = as K above; and
T = as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day(s) following the books closure date for the above transaction.

(g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders and requiring an adjustment under By-Laws 14.9(c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any Volcano Share(s) or any securities convertible into Volcano Share(s) or any rights to acquire or subscribe for Volcano Share(s), and in any such case, the Total Effective Consideration per Volcano Share(s) (as defined below) is less than ninety per cent (90%) of the Average Price for one (1) Share(s) (as defined below) or, as the case may be, the price at which the Volcano Share(s) will be issued upon conversion of such securities or exercise of such rights is determined, the *Subscription Price* shall be adjusted by multiplying it by the following fraction: -

$$\frac{L + M}{L + N}$$

where: -

L = the number of Volcano Share(s) in issue at the close of business on the Market Day(s) immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of Volcano Share(s) which the Total Effective Consideration (as defined below) would have purchased at the Average Price (exclusive of expenses); and

N = the aggregate number of Volcano Share(s) so issued or, in the case of securities convertible into Volcano Share(s) or rights to acquire or subscribe for Volcano Share(s), the maximum number (assuming no adjustment of such rights) of Volcano Share(s) issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of By-Law 14.9(g), the "*Total Effective Consideration*" shall be determined by the Board with the concurrence of an Adviser and/or an auditor and shall be: -

(i) in the case of the issue of Volcano Share(s), the aggregate consideration receivable by the Company on payment in full for such Share(s); or

(ii) in the case of the issue by the Company of securities with rights to acquire or subscribe for Volcano Share(s), the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or

(iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for Volcano Share(s), the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and "*Total Effective Consideration per Share*" shall be the Total Effective Consideration divided by the number of Volcano Share(s) issued as aforesaid or, in the case of securities convertible into Volcano Share(s) or securities with rights to acquire or subscribe for Volcano Share(s), by the maximum number of Volcano Share(s) issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 14.9(g), the Average Price of a Share(s) shall be the average price of one (1) Share(s) as derived from the last dealt prices for one or more board lots of Volcano Share(s) as quoted on Bursa Securities on the Market Day(s) comprised in the period used as a basis upon which the issue price of such Volcano Share(s) is determined.

Each such adjustment will be calculated (if appropriate retroactively) from the close of business on Bursa Securities on the next Market Day(s) following the date on which the issue is announced, or (failing any such announcement) on the next Market Day(s) following the date on which the Company determines the offering price of such Volcano Share(s). Each such adjustment will be effective (if appropriate retroactively) from the close of the Market Day(s) preceding the date on which the issue is announced or (failing any such announcement) immediately preceding the date on which the Company determined the offering price of such Volcano Share(s), securities or rights.

14.10 Notwithstanding the other provisions referred to in By-Law 14.9, in any circumstances where the ESOS Committee consider that adjustments to the Subscription Price and/or any additional new Volcano Share(s) relating to Option(s) to be issued as provided for under the provisions hereof should not be made or should be calculated on a different basis or different date or that an adjustment to the Subscription Price and/or the issuance of additional new Volcano Share(s) relating to Option(s) should be made notwithstanding that no adjustment or further issuance is required under the provisions hereof, the Company may appoint an Adviser and/or an auditor to consider whether for any reasons whatever the adjustment calculation or determination to be made (or the absence of an adjustment calculation or determination) is appropriate or inappropriate as the case may be. If such Adviser and/or auditor shall consider the adjustment calculation or determination to be inappropriate, the adjustments shall be modified or nullified (or an adjustment calculation or determination made even though not required to be made) in such manner as may be considered by such Adviser and/or auditor to be in their opinion appropriate.

15. QUOTATION OF NEW SHARES

If at the time of allotment of the new Volcano Share(s) pursuant to the exercise of an Option(s), the existing issued ordinary shares of the Company are quoted on Bursa Securities, the Company shall make an application to Bursa Securities for its permission to deal in and for quotation of the new Volcano Share(s) so allotted in accordance with By-Law 10.4.

16. RETENTION PERIOD

The new Volcano Share(s) to be allotted and issued to the Grantee(s) pursuant to the exercise of any Option(s) under this Scheme will not be subjected to any retention period except that a Non-Executive Director must not sell, transfer or assign Share(s) obtained through the exercise of Option(s) offered to him pursuant to the Scheme within one (1) year from the Offer Date.

17. ADMINISTRATION

This Scheme shall be administered by the ESOS Committee comprising such persons as shall be appointed from time to time by the Board. The Board shall have the discretion as it deems fit to approve, rescind and/or revoke the appointment of any person in the ESOS Committee. The ESOS Committee shall be vested with such powers and duties as are conferred upon it by the Board to administer the Scheme in such manner it shall in its discretion deem fit. The ESOS Committee may, for the purpose of administering the Scheme, do all acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the Scheme which the ESOS Committee may in its discretion consider to be necessary or desirable for giving full effect to the Scheme.

18. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

18.1 Subject to the compliance with the requirements of Bursa Securities and any other relevant authorities and their approvals being obtained (if required under the Listing Requirements and applicable laws and regulations), the ESOS Committee may at any time and from time to time recommend to the Board any additions or amendments to or deletions of these By-Law(s) as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these By-Law(s) upon such recommendation **PROVIDED ALWAYS THAT** no additions or amendments to or deletions of these By-Law(s) shall be made which will: -

(a) Prejudice any rights then accrued to any Grantee(s) without the prior consent or sanction of that Grantee(s);

(b) Prejudice any rights of the shareholders of the Company without the prior approval of the Company's shareholders in a general meeting; or

(c) Alter to the advantage of any Eligible Person(s) in respect of any matters which are required to be contained in the By-Law(s) by virtue of Appendix 6E of the Listing Requirements, without the prior approval of the Company's shareholders in a general meeting unless allowed otherwise by the provisions of the Listing Requirements.

18.2 Any amendments/modifications to the By-Law(s) shall not contravene any of the provisions of the guidelines on employee share issuance schemes as stipulated under the Listing Requirements and/or any other relevant regulatory authority in relation to ESOS.

18.3 Upon amending and/or modifying all or any of the provisions of the Scheme, the Company shall within five (5) Market Day(s) after the effective date of the amendments cause to be submitted to Bursa Securities the amended By-Law(s) and a confirmation letter in the form required under the Listing Requirements that the said amendment and/or modification complies and does not contravene any of the provisions of the Listing Requirements on ESOS and the Rules of Bursa Depository.

18.4 The Grantee(s) shall be given written notices in the term prescribed by the ESOS Committee from time to time if any conditions, amendments to and/or modifications of these By-Law(s) within five (5) Market Day(s) of any of the foregoing taking effect.

19. DISPUTES

In the event of any dispute or difference arising between the ESOS Committee and an Eligible Person(s) or a Grantee(s), as to any matter or thing of any nature arising hereunder, the ESOS Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) to the Eligible Person(s) or the Grantee(s), as the case may be **PROVIDED THAT** where the dispute or difference is raised by a member of the ESOS Committee, the said member shall abstain from voting in respect of the decision of the ESOS Committee in that instance. The said decision shall be final and binding on the parties unless the Eligible Person(s) or the Grantee(s), as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen (14) calendar days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the approved Company external auditors as defined under Section 2(1) of the Act for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of the dispute, such dispute shall be referred to a court of law of competent jurisdiction in Malaysia, whose decision shall be final and binding in all respects.

20. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme shall not form part of or constitute or in any way be construed as a term or condition of employment of any employee. This Scheme shall not confer or be construed to confer on an Eligible Person(s) any special rights or privileges over the Eligible Person's terms and conditions of employment in the Volcano Group under which the Eligible Person(s) is employed or any rights additional to any compensation or damages that the Eligible Person(s) may be normally entitled to arising from the cessation of such employment.

21. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the administration and management of the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of the new Volcano Share(s) pursuant to the exercise of any Option(s) shall be borne by the Company. Notwithstanding this, the Grantee(s) shall bear any fees, costs and expenses incurred in relation to his/ her acceptance and exercise of the Option(s).

22. COMPANY'S CONSTITUTION

Notwithstanding the terms and conditions contained in these By-Law(s), if a situation of conflict should arise between these By-Law(s) and the Constitution of the Company, the provisions of the Constitution of the Company shall prevail at all times.

23. INSPECTION OF AUDITED ACCOUNTS

All Grantee(s) are entitled to inspect the latest audited accounts of the Company during the normal office hours on any working day at the Registered Office of the Company.

24. TRANSFER FROM OTHER COMPANIES TO THE GROUP

In the event that: -

(a) a Director or an Employee who was employed in a company which is not within the Group and is subsequently transferred from such company to any company within the Group; and

(b) a Director or an Employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in (i) above;

(the first mentioned company in (i) and (ii) above are hereinafter referred to as the "**Previous Company**"), such a Director or an Employee of the Previous Company ("**the Affected Director/Employee**"), subject to By-Law 6 hereof, will: -

(i) be entitled to continue to exercise all such unexercised Option(s) which were granted to him/her under the Previous Company's ESOS in accordance with the By-Law(s) of such Previous Company's ESOS but he/she shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further options of such Previous Company's ESOS; and/or

(ii) be eligible to participate in the Scheme only for the remaining duration of the Scheme, subject to the ESOS Committee's approval; and/or

(iii) if the Affected Director/Employee had participated in the Previous Company's ESOS, the number of new Volcano Share(s) to be offered to such Affected Director/Employee under the Scheme shall be subject to the discretion of the ESOS Committee.

25. DIVESTMENT FROM THE GROUP

25.1 If a Grantee(s) who was in the employment of a company in the Volcano Group, which was subsequently divested wholly, or in part, from the Volcano Group, then such Grantee(s): -

(a) will be entitled to continue to exercise all such unexercised Option(s) which were granted to him/her under the Scheme within a period of three (3) months from the date of completion of such divestment and within the Option Period, failing which the right of such Grantee to subscribe for that number of the new Volcano Share(s) or any part thereof granted under such unexercised Option(s) shall automatically lapse upon the expiration of the said three(3)-month period and be null and void and of no further force and effect; and

(b) shall not be eligible to participate for further Option(s) under the Scheme.

For the avoidance of doubt, where the Grantee(s) was in the employment of a company in the Volcano Group and that company was subsequently partially divested from the Volcano Group, which resulted in a subsequent holding of fifty percent (50%) or more by the Volcano Berhad, then such Grantee(s) shall be entitled to all his/ her rights in relation to the unexercised Option(s) and he/ she shall be eligible for further participation of the Option(s) under the Scheme.

25.2 For the purpose of By-Law 25.1, a company shall be deemed to be divested from the Volcano Group in the event that such company would no longer be a subsidiary of Volcano Berhad pursuant to Section 4 of the Act.

26. TAKEOVER

Notwithstanding By-Law 10 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant regulatory authorities, in the event of: -

(i) a take-over offer being made for the Company, under the Rules on Take-Over, Mergers, and Compulsory Acquisitions, to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over offer ("**Offeror**") or any persons acting in concert with the Offeror), any unexercised Option(s) shall remain in force and be exercisable until the expiry of the Option Period applicable thereto; and

(i) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of new Volcano Share(s) under the provisions of the Capital Markets and Services Act 2007 and gives notice to the Company that it intends to exercise such right on a specific date, a Grantee(s) will be entitled to exercise all or any part of his Option(s) from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisition is exercised **PROVIDED ALWAYS THAT** any Option(s) to the extent unexercised after the date on which the right of compulsory acquisition is exercised shall lapse and immediately cease to have any effect.

27. SCHEME OF ARRANGEMENT, AMALGAMATION AND RECONSTRUCTION

Notwithstanding By-Law 10 hereof and subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 370 of the Act or its amalgamation with any other company or companies under Section 370 of the Act, any Option(s) shall remain exercisable by the Grantee(s) at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective or such other date as the ESOS Committee may deem fit. Upon such date, all Option(s), to the extent unexercised shall automatically lapse and shall become null and void.

28. SUBSEQUENT EMPLOYEE SHARE ISSUANCE SCHEMES

Subject to the approval of the relevant authorities and/or the shareholders of the Company, the Company may establish a new ESOS after the expiry date of this Scheme if this Scheme is not renewed or upon termination of this Scheme. Where this Scheme has been renewed (in accordance with By-Law 4), a new ESOS may be established upon expiry of the renewed ESOS, if any.

29. NO COMPENSATION

29.1 A Grantee(s) who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.

29.2 No Eligible Person(s) or Grantee(s) or legal personal representatives shall bring any claim, action or proceeding against the Company or the Board of Volcano Berhad or the ESOS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option(s) or his Option(s) ceasing to be valid pursuant to the provisions of these By-Law(s), as may be amended from time to time in accordance with By-Law 18 hereof.

30. TAXES

All taxes (including income tax), if any, arising from the exercise of any Option(s) under the Scheme shall be borne by the Grantee(s).

31. WINDING UP

All outstanding Option(s) shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

32. RIGHTS OF A GRANTEE(S)

The Option(s) shall not carry any rights to vote at any general meeting of the Company. The Grantee(s) shall not in any event be entitled to any dividends, rights or other entitlements on his unexercised Option(s).

33. SEVERABILITY

Any term, condition, stipulation or provision in these By-Law(s) which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

34. GOVERNING LAW AND JURISDICTION

34.1 These By-Law(s) shall be governed and construed in accordance with the laws of Malaysia and the Grantee(s) shall submit to the exclusive jurisdiction of the Courts of Malaysia in all matters connected with the obligations and liabilities of the parties hereto under or arising out of these By-Law(s).

34.2 Any proceeding or action shall be instituted or taken in Malaysia and the Grantee(s) irrevocably and unconditionally waives any objection on the ground of venue or forum non-convenience or any other grounds.

34.3 Any Offer made to Eligible Person(s) pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.

35. NOTICE

35.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person(s) or the Grantee(s) pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given: -

(a) if it is sent by ordinary post by the Company to the Eligible Person(s) or the Grantee(s) at the last address known to the Company as being his address, such notice shall be deemed to have been received three (3) Market Day(s) after posting;

(b) if it is given by hand to the Eligible Person(s) or the Grantee(s), such notice or request shall be deemed to have been received on the date of delivery;

(c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person(s) or the Grantee(s), such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person(s) or the Grantee(s) shall be communicated in writing to the Company and the Option(s) Committee.

35.2 Any certificate, notification or other notice required to be given to the Company or the ESOS Committee shall be properly given if sent by registered post or delivered by hand to the Company at its registered address or any other address which may be notified in writing by the ESOS Committee from time to time.

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15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

(i) No Shares will be allotted or issued on the basis of this Prospectus later than six (6) months after the date of issue of this Prospectus.

(ii) There is no founder, management or deferred shares in our Company. We have only one class of shares in our Company, namely ordinary shares, all of which rank *pari passu* with one another.

(iii) Save as disclosed in this Prospectus, no shares and/or debentures, warrants, options, convertible securities or uncalled capital of our Company or our subsidiary companies have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) preceding years from the date of this Prospectus.

(iv) Save for the Pink Form Allocation and ESOS, there is no other scheme involving our Directors and employees in the capital of our Group.

(v) As at the date of this Prospectus, neither our Company nor our subsidiaries has any outstanding convertible debt securities.

(vi) There is no limitation on the right to own our Shares, including limitations on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares imposed by law or by the constituent documents of our Company.

15.2 CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

15.2.1 VNP

As at the LPD, VNP's issued share capital is RM2,000,000 comprising of 2,000,000 VNP shares.

The changes in the issued share capital of VNP since its incorporation are as follows: -

Date of Allotment	No. of VNP Shares allotted	Consideration	Cumulative Issued Share Capital (RM)
02.02.1999	4	Subscribers' shares	4
09.02.1999	1	Cash	5
28.06.1999	99,995	Cash	100,000
11.10.2001	100,000	Cash	200,000
20.05.2004	300,000	Cash	500,000
14.11.2006	1,500,000	Otherwise than cash	2,000,000

As at the LPD, there are no discounts, special terms or instalment payment terms payable to the payment of consideration for the above allotments. In addition, there are no warrants, options, convertible securities or uncalled capital in VNP.

15.2.2 VTT

As at the LPD, VTT's registered capital is THB80,000,000 comprising 800,000 ordinary shares each with a par value of THB100, and all issued shares are fully paid-up.

The changes in the issued share capital of VTT since its incorporation are as follows: -

Date of Allotment	No. of VTT Shares allotted	Consideration	Cumulative Issued Share Capital (THB)
29.08.2008	200,000	Cash	20,000,000
10.12.2010	600,000	Cash	80,000,000

As at the LPD, there are no discounts, special terms or instalment payment terms payable to the payment of consideration for the above allotments. In addition, there are no warrants, options, convertible securities or uncalled capital in VTT.

15.3 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Company's Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires: -

(a) Remuneration, voting and borrowing powers of Directors

Clause 105 – Remuneration of Directors

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that –

(a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(b) salaries payable to executive Directors shall not include a commission on or percentage of turnover but may include a commission on or percentage of profits;

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 106 – Reimbursement and special remuneration

(1) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

(2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

Clause 109 – Approval of the Company required

Subject to the Act, the Directors shall not enter or carry into effect any arrangement or transaction for: -

(a) the acquisition of any undertaking or property of a substantial value; or

(b) the disposal of a substantial portion of the Company's undertaking or property unless: -

(i) the entering into the arrangement or transaction is made subject to the approval of the Company by way of a resolution; or

(ii) the carrying into effect of the arrangement or transaction has been approved by the Company by way of a resolution.

Clause 110(1) – Directors' borrowing power

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Clause 114 – Right to hold other office under the Company

(1) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine.

(2) No Director or intending Director shall be disqualified by his office from contracting with the Company with regard to his tenure of any such office or place of profit in any other respect nor shall any such contract, or any contract or arrangement entered into by or on behalf of any company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established Provided Always that all relevant provisions of Sections 221 and 228 of the Act, Listing Requirements and this Constitution are complied with.

Clause 129 – Disclosure of interest in contracts, property, offices, etc

Every Director shall comply with the provisions of Sections 221 and 219 of the Act in connection with the disclosures of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

Clause 132 – Director may Vote on the Giving of security or indemnity where he is interested

A Director may vote in respect of –

(a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

Clause 133 – Directors may become directors or other officers of any corporation promoted by the Company

(1) A Director may be or become director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise, or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such corporation, unless the Company otherwise directs at the time of his appointment.

(2) The Director may exercise the voting power conferred by the Shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them Directors or other officers of such corporation) and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid provided always that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

Clause 139 – Remuneration of Managing Directors and Deputy Managing Directors

The remuneration of the Managing Director and the Deputy Managing Director may subject to the terms of any agreement entered into in any particular case, be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they may receive pension, gratuity or other benefits upon their retirement.

(b) Changes to Share Capital

Clause 6 – Issue of Shares

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, and subject to the Act, the Central Depositories Act and to the conditions, restrictions and limitations expressed in this Constitution and to the provisions of any resolution of the Company, the Directors may allot, grant options over or otherwise dispose of the unissued share capital of the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights as they think proper, PROVIDED ALWAYS THAT: -

(a) no Shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;

(b) in the case of Shares other than ordinary Shares, no special rights shall be attached until the same have been expressed in this Constitution or in a resolution of the Company expressing the same;

(c) every issue of Shares or options to employees and/or Directors of the Company or its subsidiaries pursuant to a share issuance scheme shall be approved by the Members in general meeting; no Director shall participate in a share issuance scheme unless the Members in general meeting have approved the specific allotment to be made to such Director.

Clause 7 – Issue of preference Shares

Without prejudice to any special rights previously conferred on the holders of any share or class of Shares already issued, but subject to the Act and this Constitution, any Shares in the Company (whether forming part of the original capital or not) may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed, or have attached thereto such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine provided that:-

(i) Preference shareholders shall not have the right to vote at any general meeting of the Company except on each of the following circumstances: -

(a) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;

(b) on a proposal to reduce the Company's share capital;

(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;

(d) on a proposal that affects rights attached to the share;

(e) on a proposal to wind up the Company; and

(f) during the winding up of the Company.

(ii) Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited financial statements and attending general meetings of the Company.

(iii) The Company shall not unless with the consent of the existing preference shareholders at a class meeting pursuant to Clause 21 hereof, issue further preference capital ranking in priority above preference Shares already issued but may issue preference Shares ranking equally therewith.

Clause 13 – Share buy-back

Subject to and in accordance with the Act, the regulations and orders made pursuant to the Act, the provisions of this Constitution and the Listing Requirements and requirements of any other relevant authorities, the Company shall have the power to purchase its own Shares. Any Shares in the Company so purchased by the Company shall be dealt with as provided by the Act and the Listing Requirements and/or requirements of any other relevant authority.

Clause 20 – Alteration of preferential shareholders' rights

Notwithstanding Clause 21 hereof, the repayment of preference capital other than redeemable preference capital, or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing passed by a majority of not less than seventy-five per centum (75%) of the Members of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Clause 21 – Alteration of class rights

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of Shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing by a majority of not less than seventy-five per centum (75%) of Members, or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) Members personally present at a meeting or by proxy, who together represent at least one-third (1/3) of the voting right of the class and that any holder of Shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply.

Clause 22 – No alteration of rights by issuance of new Shares

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking as regards to participation in the profits or assets of the Company in some or in all respects pari passu therewith.

Clause 57 – Increase of share capital

The Company may from time to time, whether all the Shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new Shares to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 58 – Issue of new Shares to existing Members

(1) Subject to any direction to the contrary that may be given by the Company in general meeting, all new Shares or other convertible securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares or securities to which they are entitled.

(2) The offer shall be made by notice specifying the number of Shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or securities offered, the Directors may dispose of those Shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new Shares or securities which (by reason of the ratio which the new Shares or securities bear to Shares or securities held by persons entitled to an offer of new Shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 59 – New capital to be considered as part of the current share capital of the Company

Except so far as otherwise provided by the condition of issue, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company. All new Shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and installments, transmissions, forfeiture, lien or otherwise and shall also be subject to the Central Depositories Act and the Rules.

Clause 60 – Consolidation, sub-division and cancellation of Shares

(1) The Company may alter its share capital in any one or more of the following ways by passing a special resolution: -

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided Share shall be the same as it was in the case of Share from which the subdivided Share is derived;

(b) convert all or any of its paid-up Shares into stock and may reconvert that stock into paid-up Shares; or

(c) subdivide its Shares or any of the Shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided Share shall be the same as it was in the case of the Shares from which the subdivided Share is derived.

(c) Transfer of Securities

Clause 42 – Transfer of securities by way of a book entry

Subject to this Constitution, the Act, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), Shares in the Company which have been deposited with the Bursa Depository shall be transferable but every transfer shall be by way of book entry by the Bursa Depository in accordance with the Rules of the Bursa Depository and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from the compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities.

Clause 43 – Transmission of securities

Where –

(a) the securities of the Company are listed on another stock exchange; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Bursa Depository in respect of such securities,

the Company shall, upon request by securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

Clause 44 – Refusal to register transfer

(1) Subject to the Central Depositories Act and the Rules, the Directors may in their absolute discretion and without assigning any reason thereof, authorise its registrar to cause the Bursa Depository to decline to register any transfer of share upon which the Company has a lien or which are not fully paid-up.

(2) Subject to the Central Depositories Act and the Rules, the Directors may also authorise its registrar to cause the Bursa Depository to decline to register any transfer unless such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer is deposited at such place as the Directors may appoint.

Clause 45 – Closing of Register

The Register of Members may be closed at such time and for such period as the Directors may from time to time determine PROVIDED ALWAYS that they shall not be closed for more than thirty (30) days in any year. Any notice of intention to fix a books closing date and the reason therefor shall be given to the Bursa Securities, such notice shall state the books closing date, which shall be at least ten (10) Market Day(s) after the date of notification to the Bursa Securities or such other period as may be prescribed by Bursa Securities from time to time, and the address of the share registrar at which documents will be accepted for registration. In relation to such closure, the Company shall give written notice, in accordance with the Rules to issue the appropriate Record of Depositors.

Clause 46 – Registration of documents relating to title of Shares

There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title of any Shares, such fee as may be permitted by the relevant law and as the Directors may from time to time require or prescribe.

Clause 47 – Renunciation of allotment by the allottee

Nothing in this Constitution shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Clause 48 – Deposited Securities

All transfer of securities deposited with a Bursa Depository, including but not limited to the Deposited Security, shall be in compliance with the Central Depositories Act, the Rules and the relevant laws.

Clause 49 – Death of holder

In the case of death of a Member, the legal personal representatives of the deceased shall be the only persons recognised by the Company as having any title to his interest in the securities; but nothing herein contained shall release the estate of a deceased share holder from any liability in respect of any securities which had been held by the deceased Member.

Clause 50 – Rights on death or bankruptcy

(1) Any person becoming entitled to Shares in consequence of the death or bankruptcy of any Member may upon such evidence of title being produced as may from time to time be required by the Directors (but subject to the provisions hereinafter contained) elect either to register himself as a Member in respect of such Shares or to have some person nominated by him registered as transferee thereof but the Directors shall in either case have the same right to decline or suspend registration as they would have had in the case of a transfer of the Shares by that Member before his death or bankruptcy.

(2) Before recognizing any executor or administrator, the Directors may require him to take out probate or letters of administration as evidence Provided Always that where the Shares is a Deposited Security, a transfer or withdrawal of the Shares may be carried out by the person becoming so entitled, subject to Central Depositories Act and the Rules.

Clause 51 – Election with regard to registration

If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects Provided Always that where the Shares is a Deposited Security and the person so becoming entitled elects to have the Shares transferred to him, the aforesaid notice must be served by him on the Bursa Depository. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the Shares. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of Shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice of transfer were a transfer signed by that Member.

Clause 52 – Person entitled to receive and give discharge for dividends

A person entitled to Shares in consequence of the death or bankruptcy of a Member shall be entitled upon the production of such evidence as may from time to time be properly required by the Directors in that behalf to receive and may give a discharge for all dividends and other moneys payable in respect of the Shares, but he shall not be entitled to receive notice of or to attend or vote at any meeting, or, save as aforesaid, to exercise any of the rights and privileges of a Member, unless and until he shall have become a Member in respect of the Shares.

(d) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 77(1) – Voting on Resolutions

(1) At any general meeting of members, a resolution put to the vote of the meeting shall be decided by a show of hands of the Members present in person or by proxy or such other manner as directed by the Listing Requirements (if applicable), unless before or on the declaration of the result of a show of hands, a poll is demanded: -

(a) by the Chairman of the meeting; or

(b) by at least three (3) Members present in person or by proxy; or

(c) by any Member or Members present in person or by proxy and representing not less than ten per centum (10%) of the total voting rights of all the Members having the right to vote at the meeting; or

(d) by a Member or Members holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than ten per centum (10%) of the total paid up Shares conferring that right.

Provided that this Clause does not have effect if a poll is demanded in respect of the resolution, and the demand is not subsequently withdrawn.

Clause 85(2) & 85(3) – Number of votes

(2) Subject to any special rights or restrictions as to voting attached to any class or classes of Shares by or in accordance with this Constitution, on a show of hands every person present who is a Member or a Member's representative or proxy or attorney shall have one (1) vote and in the case of a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for every share held by him. A person entitled to more than one vote need not use all his votes or cast all the votes he uses on a poll in the same way.

(3) Where the capital of the Company consists of Shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator shall carry the same voting power when such right is exercisable.

Clause 86 – Votes of corporation

Any corporation which is a Member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative either at a particular meeting of the Company, or at all meetings of the Company or any class of Members and the person so authorised shall act in accordance with his authority and until his authority is revoked by the corporation be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation, could exercise if it were an individual Member of the Company.

Clause 87 – Votes of Members of unsound mind

Any Member being of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote by his committee, receiver, curator bonis, or other legal guardian or such other person as properly has the management of his estate. Any one of such person may vote either personally or by proxy or by attorney PROVIDED such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty eight (48) hours before the time appointed for holding the meeting.

Clause 88 – Votes of legal representatives of Member

The legal representative of a deceased Member or the person entitled under the Clauses 49 and 50 to any share in consequence of the death or bankruptcy of any Member may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such Shares provided that forty eight (48) hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to any share in consequence of the death or bankruptcy of any Member unless the Directors shall have previously admitted his right to vote in respect thereof.

Clause 148 – Dividends in proportion to amounts paid up

Subject to the rights of persons (if any) entitled to Shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividends is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Clause as paid up on the share. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid except that if any share is issued on terms providing that it shall rank for dividend as if paid up (in whole or in part) as from a particular date, such share shall rank for dividend accordingly.

Clause 152 – Power to retain dividends in respect of transmission of Shares

The Directors may retain the dividends payable upon Shares in respect of which any person is under the provisions as to the transmission of Shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such Shares or shall transfer the same.

Clause 154 – Transfer not to affect right to dividend declared before registration

A transfer of Shares shall not pass the right to any dividend declared on such Shares before the registration of the transfer provided that any dividend declared on Deposited Security shall accrue to the Depositors whose names appear on the Record of Depositors issued to the Company or the Company's registrar pursuant to the Rules.

Clause 175 – Distribution of assets

Without prejudice to the rights of holders of Shares issued upon special terms and conditions pursuant to this Constitution the following provisions shall apply: -

(a) If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the Shares held by them respectively.

(b) If in a winding-up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed among the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the Shares held by them respectively.

(c) If the Company shall be wound up and the assets distributed, the holders of preference Shares shall be entitled to the return of capital in preference to holders of ordinary Shares.

15.4 GENERAL INFORMATION

(i) Save for the dividends paid to the shareholders of VNP in respect of the FYE 2018, FYE 2019 and FYE 2020 and the Directors' remuneration as disclosed in Section 5.2.4 of this Prospectus, there are no other amount or benefit paid or given within the past two (2) years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders.

(ii) None of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the procedures for application of our Shares are set out in Section 16 of this Prospectus.

(iv) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.5 LETTERS OF CONSENT

(i) The written consent of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretary, Solicitors, Principal Banker, Registrars and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

(ii) The written consent of our Reporting Accountants and Auditors to the inclusion in this Prospectus of their names, Accountants' Report and letter relating to the proforma consolidated statements of financial position and audit reports in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

(iii) The written consent of our Independent Market Researcher to the inclusion in this Prospectus of their name and the IMR Report in the form and context in which they are contained in this Prospectus, has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

15.6 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at 9-1, 9th Floor, Wisma Penang Garden, 42, Jalan Sultan Ahmad Shah, 10050 George Town, Penang during normal business hours for a period of six (6) months from the date of this Prospectus: -

(i) The Constitution of our Company;

(ii) The audited financial statements of Volcano for the FYE 2019 and FYE 2020;

(iii) The audited financial statements of VNP and VTT for the past three (3) FYE 2018 to FYE 2020;

(iv) The material contracts referred to in Section 6.6 of this Prospectus; and

(v) The IMR Report by Smith Zander as set out in Section 8 of this Prospectus;

(vi) The Reporting Accountants' letter relating to the proforma consolidated financial information as set out in Section 13 of this Prospectus;

(vii) The Accountants' Report as included in Section 12 of this Prospectus;

(viii) ESOS By-Laws as set out in Section 14 of this Prospectus; and

(ix) The letters of consent referred to in Section 15.5 of this Prospectus.

15.7 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in the Prospectus false or misleading.

TA Securities acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 16 March 2021

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 24 March 2021

Applications for the Public Issue Shares will open and close at the dates and times stated above. In the event there is any change to the dates and times stated above, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION

16.2.1 Application must be made in relation to and subject to the terms of this Prospectus and our Constitution. The submission of an Application Form does not necessarily mean that the application will be successful. You agree to be bound by our Constitution.

Types of Application	Application Method
Applications by eligible Directors and employees and persons who have contributed to the success of our Group	Pink Form Applications only
Applications by the Malaysian Public: -	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

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16.2.2 Application by selected investors via Private Placement

Types of Application	Application Method
Applications by: -	
(a) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions
(b) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions

Selected investors and Bumiputera Investors approved by MITI may still apply for the Public Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE (1)** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST ONE HUNDRED (100) PUBLIC ISSUE SHARES OR MULTIPLES OF ONE HUNDRED (100) PUBLIC ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO TEN (10) YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our Public Issue Shares if you fulfill all of the following: -

(i) you must be one (1) of the following: -

(a) a Malaysian citizen who is at least eighteen (18) years old as at the date of the application for our Public Issue Shares with a Malaysian address; or

(b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and

(iii) you must submit Applications by using only one (1) of the following methods: -

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

16.3.3 Application by eligible Directors, key senior management personnel, employees and business associates (including any other persons who have contributed to the success of our Group)

The eligible Directors, key senior management personnel, employees and business associates (including any other persons who have contributed to the success of our Group) will be provided with Pink Application Forms and letters by us detailing their respective allocation.

The eligible Directors, key senior management personnel, employees and business associates (including any other persons who have contributed to the success of our Group) may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, Issuing House, TA Securities, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Applications Form or which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.35 for each Public Issue Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 700"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Please refer to the detailed procedures and terms and conditions as set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

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Each completed Application Form, accompanied by the appropriate remittance and clear photocopy of the relevant documents may be submitted using one of the following methods: -

(i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address: -

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970(11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

or

(ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 24 March 2021. We will not accept late Applications.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our Public Issue Shares by way of Electronic Share Application made available to the Malaysian Public.

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

Please refer to the detailed procedures and terms and conditions of Electronic Share Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our Public Issue Shares made available to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internet Share Application and the exact procedures as set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Share Application.

The detailed procedures and terms and conditions for Internet Share Application are set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Internet Participating Financial Institution for further enquiries.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

Your application will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of distributing our Public Issue Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares. The Issuing House, on the authority of our Board reserves the right to: -

(i) reject Applications which: -

- do not conform to the instructions in this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
- are illegible, incomplete or inaccurate; or
- are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without assigning any reason therefor; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest or any share of revenue or benefit arising therefrom), in accordance with Section 16.9 below.

If you are successful in your application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within fourteen (14) days of the date of the notice issued to you to ascertain that your application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/UNDER-SUBCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of distributing our Public Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market in the trading of our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the issuing house to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website at https://tiih.online within one (1) business day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's enlarged issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon completion of this IPO and at the time of Listing. We expect to achieve this at the point of Listing. In the event that the above requirement is not met, we may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest or any share of revenue or benefit arising therefrom).

In the event of an under-subscription of Public Issue Shares by the Malaysian Public, subject to the underwriting arrangement and reallocation as set out in Section 4.4.3 of this Prospectus, any of the abovementioned Public Issue Shares not applied for will then be fully subscribed by our Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

Application monies in respect of the unsuccessful/partially successful applicants will be refunded without interest or any share of revenue or benefit arising therefrom in the following manner: -

16.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary post to your address maintained at Bursa Depository (for partially successful applications) within ten (10) Market Day(s) from the date of the final ballot if you have not provided such bank account information to Bursa Depository at your own risk.

(ii) If your application was rejected because you did not provide a CDS account number, your Application monies will be sent to your address as stated in the National Registration Identity Card ("**NRIC**") or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any balloted Applications which are rejected. The Application monies relating to these Applications which were subsequently rejected or unsuccessful or only partly successful will be refunded (without interest or any share of revenue or benefit arising therefrom) by the Issuing House as per item (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank in all Application monies from unsuccessful Applicants. These monies will be refunded within ten (10) Market Day(s) from the date of the final ballot by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary/registered post to your address maintained at Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Day(s) after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest or any share of revenue or benefit arising therefrom into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Day(s) after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting day.

(iii) A number of Applications will be reserved to replace any balloted Applications which are rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest or any share of revenue or benefit arising therefrom) by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (10) Market Day(s) from the balloting date.

(iv) For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Issuing House shall inform the relevant Participating Financial Institutions of the non-successful or partly successful Applications within two (2) Market Day(s) after the final balloting date. The Internet Participating Financial Institutions will then credit the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) into your account within two (2) Market Day(s) after the receipt of written confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application: -

(i) Our Public Issue Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at the address last maintained with the Bursa Depository, at your own risk, before the Listing. This is your only acknowledgement of acceptance of the application.

Pursuant to the conditions imposed by Bursa Securities as disclosed in Section 2.1.1 of this Prospectus, we will also make an announcement on the basis of allotment/allocation of the IPO Shares on the website of Bursa Securities at least two (2) Market Day(s) prior to the Listing date.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed the shares as Prescribed Securities. As such, the Public Issue Shares issued/offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

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16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows: -

Mode of application	Parties to direct the enquiries
Application Forms	Issuing House Enquiry Services at telephone no. (03) 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Public Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five Market Day(s)** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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