



VOLCANO BERHAD

Registration No: 201801004790 (1266804-D)
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2022**

VOLCANO BERHAD

(Incorporated in Malaysia)

Registration No: 201801004790 (1266804-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2022

	Individual Quarter		Cumulative Period	
	Current Quarter 30.6.2022 (Unaudited) RM'000	Corresponding Preceding Quarter 30.6.2021 (Unaudited) RM'000	Current Year-To- Date 30.6.2022 (Unaudited) RM'000	Corresponding Preceding Year-To- Date 30.6.2021 (Unaudited) RM'000
Revenue	17,921	21,046	38,827	38,707
Cost of goods sold	(12,576)	(14,345)	(26,610)	(26,609)
Gross profit	5,345	6,701	12,217	12,098
Other income	659	124	955	478
Administrative and general expenses	(3,624)	(3,986)	(8,175)	(7,636)
Distribution expenses	(46)	(116)	(96)	(220)
Finance costs	(15)	-	(17)	(1)
Profit before tax	2,319	2,723	4,884	4,719
Tax expense	(470)	(890)	(1,048)	(1,472)
Profit for the period	1,849	1,833	3,836	3,247
Foreign currency translation	(658)	(962)	(255)	(1,531)
Total comprehensive income	1,191	871	3,581	1,716
Profit attributable to:				
Owners of the Company	1,849	1,833	3,836	3,247
Non-controlling interest	-	-	-	-
Profit for the period	1,849	1,833	3,836	3,247
Total comprehensive income attributable to:				
Owners of the Company	1,191	871	3,581	1,716
Non-controlling interest	-	-	-	-
Total comprehensive income	1,191	871	3,581	1,716
Earnings per share attributable to owners of the Company:				
Basic (sen)	1.12	1.20	2.32	2.13
Diluted (sen)	1.12	1.20	2.32	2.13

Note :

- (1) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements of Volcano Berhad ("Company") and its subsidiary companies ("Group") for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

VOLCANO BERHAD

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Registration No: 201801004790 (1266804-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

	As at 30.6.2022 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	32,028	31,837
Intangible assets	260	179
Deferred tax assets	-	63
TOTAL NON-CURRENT ASSETS	32,288	32,079
CURRENT ASSETS		
Inventories	27,629	24,737
Trade and other receivables	22,952	17,561
Derivative financial assets	-	68
Cash and short-term deposits	11,364	12,486
TOTAL CURRENT ASSETS	61,945	54,852
TOTAL ASSETS	94,233	86,931
EQUITY AND LIABILITIES		
Equity attributable to owners of Volcano Berhad		
Share capital	78,750	78,750
Other reserves	(63,254)	(62,999)
Retained earnings	65,457	63,766
TOTAL EQUITY	80,953	79,517
NON-CURRENT LIABILITIES		
Employee benefits	214	182
Deferred tax liabilities	831	831
Lease liabilities	771	19
TOTAL NON-CURRENT LIABILITIES	1,816	1,032
CURRENT LIABILITIES		
Trade and other payables	10,356	6,271
Current tax liabilities	530	74
Derivative financial liabilities	100	-
Lease liabilities	478	37
TOTAL CURRENT LIABILITIES	11,464	6,382
TOTAL LIABILITIES	13,280	7,414
TOTAL EQUITY AND LIABILITIES	94,233	86,931
Net assets per share (sen) (2)	49.06	48.19

Notes :

- (1) The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based the Company's share capital of 165,000,000 ordinary shares.

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Registration No: 201801004790 (1266804-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

	I----- Attributable to the owners of Volcano Berhad-----I				Total equity RM'000
	Share capital RM'000	Exchange reserve RM'000	Reorganiston reserve RM'000	Retained earnings RM'000	
Balance as at 1 January 2021	70,000	8,204	(68,000)	57,168	67,372
Issuance of shares	8,750	-	-	-	8,750
Total comprehensive income for the financial year	-	(3,203)	-	6,598	3,395
Balance as at 31 December 2021	<u>78,750</u>	<u>5,001</u>	<u>(68,000)</u>	<u>63,766</u>	<u>79,517</u>
Balance as at 1 January 2022	78,750	5,001	(68,000)	63,766	79,517
Total comprehensive income for the financial period	-	(255)	-	3,836	3,581
Final dividend	-	-	-	(2,145)	(2,145)
Balance as at 30 June 2022	<u>78,750</u>	<u>4,746</u>	<u>(68,000)</u>	<u>65,457</u>	<u>80,953</u>

Note :

- (1) *The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2022

	Current Year-To-Date Ended 30.6.22 (Unaudited) RM'000	Corresponding Preceding Year-To-Date Ended 31.12.21 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,884	8,372
Adjustments for:-		
Amortisation and Depreciation	1,767	3,021
Interest income	(31)	(56)
Interest expense	18	2
Dividends income	(1)	(49)
Employee benefits	32	51
Loss on disposal on property, plant and equipment	5	4
Unrealised gain on foreign exchange	(690)	(520)
Fair value loss/(gain) on derivatives	169	(68)
Net impairment of inventories	35	682
Operating profit before working capital changes	<u>6,188</u>	<u>11,439</u>
Changes in:-		
Inventories	(2,927)	(8,919)
Receivables	(4,997)	(3,417)
Payables	<u>3,987</u>	<u>848</u>
Cash generated from/(used in) operations	2,251	(49)
Net income tax paid	(530)	(291)
Net cash from/(used in) operating activities	<u>1,721</u>	<u>(340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1	49
Interest received	31	56
Proceeds from disposal of property, plant and equipment	8	27
Purchase of property, plant and equipment	(1,494)	(7,561)
Purchase of intangible assets	(84)	(177)
Net cash used in investing activities	<u>(1,538)</u>	<u>(7,606)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in pledged deposit	(17)	1,988
Interests paid	(18)	(2)
Net change in lease liabilities	(175)	(37)
Proceeds from issuance of shares	-	8,750
Dividend paid	(2,145)	-
Net cash (used in)/ from financing activities	<u>(2,355)</u>	<u>10,699</u>
Net (decrease)/increase in cash and cash equivalents	(2,172)	2,753
Cash and cash equivalents at the beginning of financial period	10,062	8,440
Effect of exchange rate changes on cash and cash equivalents	1,033	(1,131)
Cash and cash equivalents at the end of the financial period	<u>8,923</u>	<u>10,062</u>
Analysis of cash and cash equivalents		
Cash and short-term deposits	11,364	12,486
Less : Pledged deposits	<u>(2,441)</u>	<u>(2,424)</u>
	<u>8,923</u>	<u>10,062</u>

Note :

- (1) *The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.*

VOLCANO BERHAD

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Registration No: 201801004790 (1266804-D)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation of Financial Statements

This interim financial report has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

A2. Changes in Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2021.

The amendments/improvements to the MFRS adopted by the Group with effect from 1 January 2022 are as follows:

MFRS 3 - Business Combinations

MFRS 9 - Financial Instruments

MFRS 116 - Property, Plant and Equipment

MFRS 137 - Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above MFRSs did not have any material impact to the consolidated financial statements of the Group.

A3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2021.

A4. Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal or cyclical factor during the current quarter under review.

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A6. Changes in Estimates

There were no changes in estimates that had any material effects on the current quarter under review.

A7. Debt and Equity Securities

There were no issuances, repurchases or repayments of debt and equity securities during the current quarter under review.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Dividends Paid

During the current quarter under review, a first and final single tier dividend of 1.3 sen per ordinary share amounting to RM2.145 million in respect of the financial year ended 31 December 2021 was paid on 24 June 2022.

A9. Segmental Information

The Group is organised into business units based on their nature of business and has the following operating segments:

- (i) Nameplates
- (ii) Plastic injection moulded parts

6 months ended 30 June 2022

	Nameplates	Plastic injection moulded parts	Total
	RM'000	RM'000	RM'000
Revenue	23,207	15,620	38,827
Results			
EBITDA*	3,712	3,190	6,902
Interest income	29	2	31
Interest expenses	(3)	(15)	(18)
Depreciation and amortisation	(1,094)	(673)	(1,767)
Tax expenses	(597)	(451)	(1,048)
Profit after tax	2,047	2,053	4,100
Holding company expenses			(264)
Total profit after tax			3,836

6 months ended 30 June 2021

	Nameplates	Plastic injection moulded parts	Total
	RM'000	RM'000	RM'000
Revenue	25,429	13,278	38,707
Results			
EBITDA*	5,749	1,441	7,190
Interest income	25	1	26
Interest expenses	-	(1)	(1)
Depreciation and amortisation	(795)	(573)	(1,368)
Tax expenses	(1,213)	(259)	(1,472)
Profit after tax	3,766	609	4,375
Holding company expenses#			(1,128)
Total profit after tax			3,247

Notes :

* Earnings Before Interest, Tax, Depreciation and Amortisation.

Includes IPO expenses of RM1.02 million.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

The Group generates revenue from the following geographical location of customers:

	Individual Quarter		Cumulative Period	
	Current Quarter 30.6.2022	Corresponding Preceding Quarter 30.6.2021	Current Year- To-Date 30.6.2022	Corresponding Year-To-Date 30.6.2021
	RM'000	RM'000	RM'000	RM'000
Thailand	9,170	9,500	19,076	18,442
Singapore	6,710	9,574	15,148	16,702
Malaysia	900	1,081	1,977	1,747
United States of America	778	269	1,283	492
Indonesia	145	344	699	702
China	149	161	450	412
Others	69	117	194	210
	17,921	21,046	38,827	38,707

A10. Related Party Transaction Disclosures

Save as disclosed below, there were no related party transactions during the current quarter under review.

	Individual Quarter		Cumulative Period	
	Current Quarter 30.6.2022	Corresponding Preceding Quarter 30.6.2021	Current Year-To- Date 30.6.2022	Corresponding Year-To-Date 30.6.2021
	RM'000	RM'000	RM'000	RM'000
Recurrent related party transaction with a company which is controlled by a Director : - rental of marketing space at a monthly rental of RM1,000	3	2	6	2
Related party transaction with a Director : - Acquisition of one unit of used motor vehicle	-	53	-	53

A11. Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment during the current quarter under review.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A12. Capital Commitments

Save as disclosed below, there were no material capital commitments in respect of property, plant and equipment as at the end of the reporting quarter under review.

	As at 30.6.2022 (Unaudited) RM'000
Approved and contracted for: Purchase of property, plant and equipment	2,000

A13. Derivatives Financial Instruments

There were no outstanding derivatives financial instruments entered into by the Group as at the date of this interim financial report save for the forward exchange contracts to hedge our foreign currency exposure against the United States Dollar ("USD") as below:

	Notional Value as at 30.6.2022 RM'000	Fair Value Liability as at 30.6.2022 RM'000
Foreign exchange contracts - Less than 1 year	3,525	100

There was no change to the cash requirements of the derivatives, related accounting policies, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year.

A14. Contingent Assets and Liabilities

Save for the corporate guarantee provided by the Company to a bank for its subsidiary's banking facilities, there were no contingent assets and contingent liabilities as at the date of this interim financial report.

A15. Changes in Composition of The Group

There were no changes in the composition of the Group during the current quarter under review.

A16. Material Events Subsequent to The End of The Current Quarter

There were no material events subsequent to the end of the current quarter under review.

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PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance - Comparison with Corresponding Preceding Quarter and Cumulative Period

	Individual Quarter				Cumulative Period			
			Corresponding				Corresponding	
	Current Quarter	Preceding Quarter			Current Year-To-Date	Preceding Year-To-Date		
	30.6.2022 (Unaudited) RM'000	30.6.2021 (Unaudited) RM'000	Variance RM'000	%	30.6.2022 (Unaudited) RM'000	30.6.2021 (Unaudited) RM'000	Variance RM'000	%
Revenue	17,921	21,046	(3,125)	(14.85%)	38,827	38,707	120	0.31%
Profit before tax	2,319	2,723	(404)	(14.84%)	4,884	4,719	165	3.50%
Profit for the period	1,849	1,833	16	0.87%	3,836	3,247	589	18.14%
Profit attributable to the owners of the Company	1,849	1,833	16	0.87%	3,836	3,247	589	18.14%

For the current quarter under review, the Group recorded revenue of RM17.92 million and profit after tax of RM1.85 million. The nameplates segment and the plastic injection moulded parts segment contributed revenue of RM10.36 million (57.81%) and RM7.56 million (42.19%) respectively.

Despite the Group's revenue decreased by 14.85%, the Group's profit after tax increased slightly by 0.87% as compared with the corresponding quarter of preceding financial year. This was mainly due to lower sales of our nameplates products to our key customers in the electrical & electronics industry. The higher profit after tax was mainly due to the higher tax provision in the corresponding quarter of preceding financial year.

The Group's current 6 months cumulative revenue of RM38.83 million represents a slight increase of 0.31% as compared with the corresponding preceding 6 months period of preceding financial year of RM38.71 million. The Group also recorded higher profit after tax of RM3.84 million for the current 6 months period, an increase by RM0.59 million or 18.14%, mainly due to the one-off listing expenses incurred in the corresponding preceding 6 months period of preceding financial year.

B2. Performance Review - Comparison with Immediate Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.6.2022 (Unaudited) RM'000	31.3.2022 (Unaudited) RM'000	RM'000	%
	Revenue	17,921	20,906	(2,985)
Profit before tax	2,319	2,565	(246)	(9.59)
Profit for the period	1,849	1,987	(138)	(6.95)
Profit attributable to the owners of the Company	1,849	1,987	(138)	(6.95)

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PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The Group's revenue for the current quarter decreased by RM2.99 million or 14.28% from RM20.91 million in the previous quarter to RM17.92 million in the current quarter. This was mainly due to the lower sales for the nameplates products and plastic injection moulded parts in current quarter from our key customers.

The Group's profit after tax for the current quarter decreased by RM0.14 million or 6.95% from RM1.99 million in the previous quarter to RM1.85 million in the current quarter in tandem with the lower revenue generated.

B3. Commentary on Prospects

For the nameplates segment, the sales demand is expected to be challenging amid the rising global economic concerns over elevated inflation and softening demand from our products' end-user industries. For the plastic injection moulding parts segment, the orders from our key customers are expected to remain positive for this financial year. Barring any unforeseen circumstances such as disruption to supply chain and potential economic slowdown, we are of the opinion that our financial results for this financial year will remain favourable.

B4. Profit Forecast

Not applicable.

B5. Tax Expense

	Current Quarter 30.6.2022 RM'000	Year -To-Date 30.6.2022 RM'000
Income tax	470	1,048
Total tax expense	470	1,048
Effective tax rate (%)	20.27	21.46

The effective tax rate of the Group for the financial year-to-date was within the range of Thailand statutory tax rate of 20% and Malaysia statutory tax rate of 24%.

B6. Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this interim financial report except for the following:

On 28 February 2022, Volcano Tec (Thailand) Co., Ltd. ("VTT"), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a third party to acquire a piece of freehold land held under Plot AC418 located at Amata City Rayong, for a total purchase consideration of RM5,679,704. Subsequently, VTT had on 13 July 2022 entered into a supplementary agreement with the third party to facilitate an extension of time until 31 October 2022 or a mutually agreed time to complete the transaction. As at the date of this interim financial report, the transaction is pending settlement of balance purchase sum and transfer of title deed of the land to VTT.

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PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B7. Trade and Other Receivables

The Group grants credit on various terms. Trade receivables disclosed below include amounts that are past due at the end of the reporting period but have not been recognised as receivables subject to impairment as there has not been a significant change in credit quality and are still considered recoverable by the management.

	As at 30.6.2022 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
Trade receivables	16,582	16,125
Less : Allowance for impairment	-	-
	16,582	16,125
Other receivables	6,370	1,436
Total	22,952	17,561
<u>Ageing analysis of trade receivables</u>		
Neither past due nor impaired	14,889	13,910
1 – 30 days	1,076	1,443
31 – 60 days	205	649
61 – 90 days	125	102
91 – 120 days	287	21
More than 120 days	-	-
	16,582	16,125
Less : Allowance for impairment	-	-
Total	16,582	16,125

B8. Borrowings

There were no borrowings as at the end of the reporting quarter under review except for the financing lease liability of RM1.25 million.

B9. Changes in Material Litigation

As at the date of this interim financial report, there is no litigation or arbitration against the Group, which has a material effect on the financial position of the Group, and the Board is not aware of any material proceedings pending or of any fact likely to give rise to any proceedings.

B10. Dividend

No dividend has been declared or recommended for the current quarter under review.

B11. Fair Value Changes of Financial Liabilities

Except for the derivative financial instruments as set out in A13 above, there were no gains/losses arising from fair value changes of financial liabilities for the current quarter and financial year-to-date under review.

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PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B12. Earnings Per Share (“EPS”)

	Individual Quarter		Cumulative Period	
	Current Quarter 30.6.2022	Corresponding Preceding Quarter 30.6.2021	Current Year-To-Date 30.6.2022	Corresponding Year-To-Date 30.6.2021
Profit attributable to Owners of the Company (RM'000)	1,849	1,833	3,836	3,247
Weighted average number of ordinary shares in issue ('000)	165,000	152,431	165,000	152,431
Basic EPS (sen) ⁽¹⁾	1.12	1.20	2.32	2.13
Diluted EPS (sen) ⁽²⁾	1.12	1.20	2.32	2.13

Notes :

- (1) Basic EPS is calculated by dividing profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.
- (2) Diluted EPS is equivalent to the basic EPS as the Company did not have dilutive potential ordinary shares during the current quarter under review.

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PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B13. Notes to the Profit Before Tax

Profit before tax is arrived at after charging/ (crediting):

	Individual Quarter		Cumulative Period	
	Current Quarter 30.6.2022 RM'000	Corresponding Preceding Quarter 30.6.2021 RM'000	Current Year To-date 30.6.2022 RM'000	Corresponding Year To-date 30.6.2021 RM'000
Interest expenses	14	-	18	1
Interest income	(18)	(14)	(31)	(26)
Dividend income	(1)	(5)	(1)	(7)
Depreciation and amortisation	916	704	1,767	1,368
Net impairment of inventories	-	-	35	-
(Gain)/Loss on disposal of property, plant and equipment	(1)	(12)	5	(12)
(Gain)/Loss on foreign exchange:				
- realised	(245)	(169)	(212)	(92)
- unrealised	(354)	1	(690)	(336)
Fair value loss on derivatives	119	-	169	-

By Order of the Board
19 August 2022