



VOLCANO BERHAD

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

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2023**

VOLCANO BERHAD

(Incorporated in Malaysia)

Registration No: 201801004790 (1266804-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2023

	Individual Quarter		Cumulative Period	
	Current Quarter 31.3.2023 (Unaudited) RM'000	Corresponding Preceding Quarter RM'000	15-month Current Year-To- Date 31.3.2023 (Unaudited) RM'000	Corresponding Preceding Year-To- Date RM'000
Revenue	18,894	-	93,052	-
Cost of goods sold	(13,206)	-	(64,051)	-
Gross profit	5,688	-	29,001	-
Other income	121	-	784	-
Administrative and general expenses	(4,867)	-	(19,242)	-
Distribution expenses	(207)	-	(737)	-
Finance costs	(12)	-	(59)	-
Profit before tax	723	-	9,747	-
Tax expense	(173)	-	(2,101)	-
Profit for the period	550	-	7,646	-
Foreign currency translation	762	-	1,552	-
Total comprehensive income	1,312	-	9,198	-
Profit attributable to:				
Owners of the Company	550	-	7,646	-
Non-controlling interest	-	-	-	-
Profit for the period	550	-	7,646	-
Total comprehensive income attributable to:				
Owners of the Company	1,312	-	9,198	-
Non-controlling interest	-	-	-	-
Total comprehensive income	1,312	-	9,198	-
Earnings per share attributable to owners of the Company:				
Basic (sen)	0.33	-	4.63	-
Diluted (sen)	0.33	-	4.63	-

Notes :

- (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.
- (2) The Company had on 26 May 2022 announced the change of its financial year end from 31 December to 30 June. As such, there are no comparative figures available for the preceding year corresponding periods.

VOLCANO BERHAD

(Incorporated in Malaysia)

Registration No: 201801004790 (1266804-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2023

	As at 31.3.2023 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	38,863	31,837
Intangible assets	404	179
Deferred tax assets	-	63
TOTAL NON-CURRENT ASSETS	39,267	32,079
CURRENT ASSETS		
Inventories	24,131	24,737
Trade and other receivables	18,354	17,561
Derivative financial assets	-	68
Cash and short-term deposits	15,913	12,486
TOTAL CURRENT ASSETS	58,398	54,852
TOTAL ASSETS	97,665	86,931
EQUITY AND LIABILITIES		
Equity attributable to owners of Volcano Berhad		
Share capital	78,750	78,750
Other reserves	(61,447)	(62,999)
Retained earnings	69,267	63,766
TOTAL EQUITY	86,570	79,517
NON-CURRENT LIABILITIES		
Employee benefits	276	182
Deferred tax liabilities	709	831
Lease liabilities	475	19
TOTAL NON-CURRENT LIABILITIES	1,460	1,032
CURRENT LIABILITIES		
Trade and other payables	8,561	6,271
Current tax liabilities	446	74
Derivative financial liability	77	-
Bank borrowings	35	-
Lease liabilities	516	37
TOTAL CURRENT LIABILITIES	9,635	6,382
TOTAL LIABILITIES	11,095	7,414
TOTAL EQUITY AND LIABILITIES	97,665	86,931
Net assets per share (sen) (2)	52.47	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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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2023

	I----- Attributable to the owners of Volcano Berhad-----I				Total equity RM'000
	Share capital RM'000	Exchange reserve RM'000	Reorganisation 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	-	1,552	-	7,646	9,198
Final dividend	-	-	-	(2,145)	(2,145)
Balance as at 31 March 2023	<u>78,750</u>	<u>6,553</u>	<u>(68,000)</u>	<u>69,267</u>	<u>86,570</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 31 MARCH 2023

	15-month Current Year-To-Date Ended 31.3.23 (Unaudited) RM'000	Corresponding Preceding Year-To-Date RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9,747	-
Adjustments for:-		
Amortisation and Depreciation	4,793	-
Interest income	(209)	-
Interest expense	59	-
Dividends income	(1)	-
Employee benefits	86	-
Unrealised gain on foreign exchange	(270)	-
Fair value loss on derivatives	145	-
Net impairment of inventories	385	-
Operating profit before working capital changes	14,735	-
Changes in:-		
Inventories	221	-
Receivables	(605)	-
Payables	2,307	-
Cash generated from operations	16,658	-
Net income tax paid	(1,770)	-
Net cash from operating activities	14,888	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1	-
Interest received	209	-
Proceeds from disposal of property, plant and equipment	108	-
Purchase of property, plant and equipment	(9,552)	-
Purchase of intangible assets	(278)	-
Net cash used in investing activities	(9,512)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in pledged deposit	(54)	-
Interests paid	(59)	-
Net change in lease liabilities	(429)	-
Net change in bank borrowings	34	-
Dividend paid	(2,145)	-
Net cash used in financing activities	(2,653)	-
Net increase in cash and cash equivalents	2,723	-
Cash and cash equivalents at the beginning of financial period/year	10,062	-
Effect of exchange rate changes on cash and cash equivalents	645	-
Cash and cash equivalents at the end of the financial period/year	13,430	-
Analysis of cash and cash equivalents		
Cash and short-term deposits	15,913	-
Less : Pledged deposits	(2,483)	-
	13,430	-

Notes :

- (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.
- (2) The Company had on 26 May 2022 announced the change of its financial year end from 31 December to 30 June. As such, there are no comparative figures available for the preceding year corresponding periods.

VOLCANO BERHAD

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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 ("Bursa Securities").

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

No dividend was paid during the current quarter under review.

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

15 months ended 31 March 2023

	Nameplates RM'000	Plastic injection moulded parts RM'000	Total RM'000
Revenue	57,059	35,993	93,052
Results			
EBITDA*	8,558	6,559	15,117
Interest income	204	5	209
Interest expenses	(11)	(48)	(59)
Depreciation and amortisation	(2,911)	(1,882)	(4,793)
Tax expenses	(1,128)	(973)	(2,101)
Profit after tax	4,712	3,661	8,373
Holding company expenses			(727)
Total profit after tax			7,646

Note :

* Earnings Before Interest, Tax, Depreciation and Amortisation.

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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 31.3.2023 RM'000	Corresponding Preceding Quarter RM'000	15-month Current Year- To-Date 31.3.2023 RM'000	Corresponding Preceding Year-To-Date RM'000
Thailand	9,038	-	45,176	-
Singapore	7,254	-	36,522	-
Malaysia	875	-	4,615	-
United States of America	722	-	3,123	-
Indonesia	678	-	2,297	-
China	186	-	854	-
Others	141	-	465	-
	18,894	-	93,052	-

The Company had on 26 May 2022 announced the change of its financial year end from 31 December to 30 June. As such, there are no comparative figures available for the preceding year corresponding periods.

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 31.3.2023 RM'000	Corresponding Preceding Quarter RM'000	15-month Current Year-To- Date 31.3.2023 RM'000	Corresponding Preceding Year-To-Date 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	-	15	-

The Company had on 26 May 2022 announced the change of its financial year end from 31 December to 30 June. As such, there are no comparative figures available for the preceding year corresponding periods.

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 31.3.2023 (Unaudited) RM'000
Approved and contracted for: Purchase of property, plant and equipment	1,654
Approved and not contracted for: Purchase of property, plant and equipment	848

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 31.3.2023 RM'000	Fair Value Liability as at 31.3.2023 RM'000
Foreign exchange contracts - Less than 1 year	7,869	77

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 guarantees of Thai Baht 64 million and RM7 million provided by the Company to two banks for its subsidiaries' 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, except for the following:

Volcano Name Plate Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 26 April 2023, entered into a term sheet with G2 Gold (M) Sdn. Bhd. to purchase a leasehold industrial land (for 60-year term expiring on 6 October 2054) identified as Lot 5999 (PN 7074), Mukim 11, District of Seberang Perai Tengah, Pulau Pinang measuring approximately 4,054 square metres (approximately 43,637 square feet ("sq ft") in land area, with a one-storey factory and a two-storey office with total built up area of approximately 29,753 sq ft erected thereon and bearing postal address No. 1589, Lorong Perusahaan Utama 2, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Mertajam, Pulau Pinang for a cash purchase price of RM10,200,000. The sale and purchase agreement will be finalised and executed within 30 days from the date of the term sheet.

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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		15-month	Corresponding		
	Current	Preceding			Current	Preceding		
	Quarter	Quarter			Year-To-	Year-To-		
	31.3.2023			Date	Date			
	(Unaudited)		Variance	31.3.2023	(Unaudited)			Variance
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	18,894	-	-	-	93,052	-	-	-
Profit before tax	723	-	-	-	9,747	-	-	-
Profit for the period	550	-	-	-	7,646	-	-	-
Profit attributable to the owners of the Company	550	-	-	-	7,646	-	-	-

For the current quarter under review, the Group recorded revenue of RM18.89 million and profit after tax of RM0.55 million. The nameplates segment and the plastic injection moulded parts segment contributed revenue of RM11.78 million (62.36%) and RM7.11 million (37.64%) respectively.

For the 15 months cumulative period, the Group recorded revenue of RM93.05 million and profit after tax of RM7.65 million. The nameplates segment and the plastic injection moulded parts segment contributed revenue of RM57.06 million (61.32%) and RM35.99 million (38.68%) respectively.

B2. Performance Review - Comparison with Immediate Preceding Quarter

	Current	Immediate	Variance	
	Quarter	Preceding		
	31.3.2023	Quarter		
	(Unaudited)	31.12.2022		
	RM'000	RM'000	RM'000	%
Revenue	18,894	15,899	2,995	18.84
Profit before tax	723	1,093	(370)	(33.85)
Profit for the period	550	837	(287)	(34.29)
Profit attributable to the owners of the Company	550	837	(287)	(34.29)

The Group's revenue for the current quarter increased by RM2.99 million or 18.84% from RM15.90 million in the previous quarter to RM18.89 million in the current quarter. This was mainly due to higher sales of our products in both segments to our key customers in the electrical & electronics industry.

The Group's profit after tax for the current quarter decreased by RM0.29 million or 34.29% from RM0.84 million in the previous quarter to RM0.55 million in the current quarter mainly due to higher staff related expenses, travelling expenses and insurance expenses.

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

B3. Commentary on Prospects

The sales demand for the nameplates segment and the plastic injection moulding parts segment is expected to be challenging amid the rising global economic concerns over inflation and softening demand from our products' end-user industries. Barring any unforeseen circumstances such as disruption to supply chain and potential economic slowdown, we are of the opinion that our financial results for the financial year ending 30 June 2023 will remain favourable.

B4. Profit Forecast

Not applicable.

B5. Tax Expense

	Current Quarter 31.3.2023	15-month Current Year -To-Date 31.3.2023
	RM'000	RM'000
Income tax	295	2,223
Deferred tax	(122)	(122)
Total tax expense	173	2,101
Effective tax rate (%)	23.93	21.56

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:

- (1) The Company had on 15 March 2023, announced a proposed private placement of up to 49,500,000 new ordinary shares in the Company ("Shares"), representing up to 30% of Shares in issue (excluding treasury shares, if any)("Proposed 30% Private Placement"). The additional listing application in relation to the Proposed 30% Private Placement ("ALA") was submitted to Bursa Securities on 17 March 2023.

Subsequently on 6 April 2023, the Company had submitted an application to withdraw the ALA in order to revise the utilisation of proceeds. The Company will announce the proposed revision to utilisation of proceeds and resubmit the ALA in due course.

- (2) On 26 April 2023, Volcano Name Plate Sdn. Bhd., a wholly-owned subsidiary of the Company, had entered into a term sheet with G2 Gold (M) Sdn. Bhd. to purchase a leasehold industrial land (for 60-year term expiring on 6 October 2054) identified as Lot 5999 (PN 7074), Mukim 11, District of Seberang Perai Tengah, Pulau Pinang measuring approximately 4,054 square metres (approximately 43,637 square feet ("sq ft") in land area, with a one-storey factory and a two-storey office with total built up area of approximately 29,753 sq ft erected thereon and bearing postal address No. 1589, Lorong Perusahaan Utama 2, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Mertajam, Pulau Pinang for a cash purchase price of RM10,200,000. The sale and purchase agreement will be finalised and executed within 30 days from the date of the term sheet.

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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 31.3.2023 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
Trade receivables	16,622	16,125
Less : Allowance for impairment	-	-
	16,622	16,125
Other receivables	1,732	1,436
Total	18,354	17,561
<u>Ageing analysis of trade receivables</u>		
Neither past due nor impaired	14,372	13,910
1 – 30 days	1,383	1,443
31 – 60 days	361	649
61 – 90 days	68	102
91 – 120 days	51	21
More than 120 days	387	-
	16,622	16,125
Less : Allowance for impairment	-	-
Total	16,622	16,125

B8. Borrowings

	As at 31.3.2023 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
Secured:		
Term loan	35	-
Lease liabilities	991	56
	1,026	56
Disclosed as:		
Current liabilities	551	37
Non-current liabilities	475	19
	1,026	56
Currency profile:		
Thai Baht	1,026	56

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

The secured term loan is secured against the land bearing title deed no. 15241, Tambol Mabyangporn, Amphur Pluakdaeng, Rayong, Thailand owned by Volcano Tec (Thailand) Co. Ltd. (a wholly-owned subsidiary of the Company) with buildings erected thereon and a corporate guarantee by the Company. The effective interest rate of the borrowings ranged from 2.50% to 3.875% per annum (31 December 2021 : 3.00%).

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

During the current quarter under review, a single-tier interim dividend of 1.3 sen per ordinary share amounting to RM2.145 million in respect of the financial year ending 30 June 2023 was declared. The dividend was subsequently paid on 3 May 2023.

B11. Fair Value Changes of Financial Liabilities

Except for the derivate 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.

B12. Earnings Per Share (“EPS”)

	Individual Quarter		Cumulative Period	
	Current Quarter 31.3.2023	Corresponding Preceding Quarter	15-month Current Year- To-Date 31.3.2023	Corresponding Preceding Year-To-Date
Profit attributable to Owners of the Company (RM'000)	550	-	7,646	-
Weighted average number of ordinary shares in issue ('000)	165,000	-	165,000	-
Basic EPS (sen) ⁽¹⁾	0.33	-	4.63	-
Diluted EPS (sen) ⁽²⁾	0.33	-	4.63	-

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 31.3.2023 RM'000	Corresponding Preceding Quarter RM'000	Current Year To-date 31.3.2023 RM'000	Corresponding Preceding Year-To-date RM'000
Interest expenses	12	-	59	-
Interest income	(71)	-	(209)	-
Dividend income	-	-	(1)	-
Depreciation and amortisation	1,062	-	4,793	-
Net impairment of inventories	266	-	385	-
Loss on disposal of property, plant and equipment	10	-	-	-
Loss/(Gain) on foreign exchange:				
- realised	250	-	(216)	-
- unrealised	(513)	-	(270)	-
Fair value loss on derivatives	146	-	145	-

By Order of the Board
17 May 2023