

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) takes no responsibility for the contents of this circular, valuation certificate and valuation report (if any), makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

Bursa Securities has not perused the contents of Part B of this circular in respect of the Proposed Waiver of the Shareholders’ Pre-emptive Rights (as defined herein) prior to the issuance of this circular.

Part A of this circular has been reviewed by TA Securities Holdings Berhad, the adviser and placement agent of Volcano Berhad (“**Volcano**” or “**Company**”) for the Proposed 30% Private Placement (as defined herein).



VOLCANO BERHAD

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PART A

PROPOSED PRIVATE PLACEMENT OF UP TO 49,500,000 NEW ORDINARY SHARES IN VOLCANO (“SHARES”), REPRESENTING UP TO 30% OF SHARES IN ISSUE (EXCLUDING TREASURY SHARES, IF ANY) (“PROPOSED 30% PRIVATE PLACEMENT”)

PART B

PROPOSED WAIVER OF THE PRE-EMPTIVE RIGHTS OF THE SHAREHOLDERS OF VOLCANO UNDER SECTION 85 OF THE COMPANIES ACT, 2016 AND CLAUSE 58(1) OF THE CONSTITUTION OF VOLCANO (“PROPOSED WAIVER OF THE SHAREHOLDERS’ PRE-EMPTIVE RIGHTS”)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser and Placement Agent for Part A

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting (“**EGM**”) of our Company together with the Proxy Form are enclosed in this circular. Our EGM will be held as follows:

Venue of EGM	:	Kelawai Room, Lobby, Evergreen Laurel Hotel Penang, 53 Persiaran Gurney, 10250 George Town, Pulau Pinang
Date and time of EGM	:	Tuesday, 15 August 2023 at 10.00 a.m. or at any adjournment thereof
Last date and time for lodging the Proxy Form	:	Sunday, 13 August 2023 at 10.00 a.m.

A shareholder entitled to attend and vote at our EGM is entitled to appoint up to 2 proxies to attend and vote in his/her stead. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by our Company at least 48 hours before the time appointed for holding our EGM or adjourned EGM at which person named in the instrument proposes to vote:

(i) In hard copy form

The Proxy Form must be deposited at the poll administrator’s office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By electronic means

The Proxy Form can be electronically lodged with the poll administrator via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Proxy Form.

The Proxy Form once deposited will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

This Circular is dated 26 July 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendix:

“4 th AGM”	:	4 th Annual General Meeting of our Company held on 26 May 2022
“5D-VWAP”	:	5-day volume weighted average market price
“ACE LR”	:	ACE Market Listing Requirements of Bursa Securities
“Act”	:	Companies Act, 2016
“Announcement 1”	:	The announcement in relation to the Proposed 30% Private Placement dated 15 March 2023
“Announcement 2”	:	The announcement in relation to the Proposed 30% Private Placement dated 25 May 2023 for the revision of utilisation of proceeds
“Board”	:	Board of Directors of our Company
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“CAGR”	:	Compound annual growth rate
“Circular”	:	This circular to our shareholders dated 26 July 2023 in relation to the Proposals
“Constitution”	:	Constitution of our Company
“Director”	:	A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and subsection 2(1) of the Capital Markets and Services Act, 2007
“E&E”	:	Electrical & electronics
“EGM”	:	Extraordinary general meeting of our Company
“EPS”	:	Earnings per Share
“ESOS”	:	An employees’ share option scheme of up to 30% of the total number of issued Shares (excluding treasury shares, if any) to eligible directors and employees of our Group (excluding dormant subsidiaries, if any), which was effective on 29 June 2021
“ESOS Options”	:	Options to be granted pursuant to the ESOS
“Existing General Mandate”	:	Our shareholders’ approval obtained at our 4 th AGM for the authority to issue Shares pursuant to Sections 75 and 76 of the Act which empowers the Directors of our Company to issue Shares, from time to time and upon such terms and conditions and for such purposes as our Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares issued does not exceed 10% of the total number of issued Shares
“Factory”	:	A 1-storey factory and a 2-storey office erected on the Land
“FPE”	:	Financial period ended/ending, as the case may be
“FYE”	:	Financial year ended/ending, as the case may be
“IMR Report”	:	Independent Market Research Report on the Nameplates and Plastic Injection Moulding Industries dated 13 July 2023 prepared by Smith Zander International Sdn Bhd

DEFINITIONS (CONT'D)

“Indicative Issue Price”	:	An illustrative issue price of the Placement Shares of RM0.8640 each
“Interested Person”	:	A Director, major shareholder or chief executive of our Company or the holding company of our Company
“Land”	:	A piece of leasehold industrial land (60-year term expiring on 6 October 2054) identified as Lot 5999 (PN 7074), Mukim 11, District of Seberang Perai Tengah, Pulau Pinang
“LPD”	:	7 July 2023, being the latest practicable date prior to the printing of this Circular
“NA”	:	Net assets
“Placement Shares”	:	Up to 49,500,000 new Shares to be issued pursuant to the Proposed 30% Private Placement
“Property”	:	The Land and the Factory, collectively
“Proposals”	:	The Proposed 30% Private Placement and the Proposed Waiver of the Shareholders’ Pre-emptive Rights, collectively
“Proposed 30% Private Placement”	:	Proposed private placement of up to 49,500,000 new Shares, representing up to 30% of Shares in issue (excluding treasury shares, if any)
“Proposed Acquisition”	:	Proposed acquisition of the Property by VNP from the Vendor for a total cash purchase consideration of RM10.20 million, as announced by our Company on 26 April 2023 and 25 May 2023
“Proposed VTT Factory”	:	A proposed construction of a 2-storey office, a single-storey factory and a single-storey warehouse on the Thailand Land
“Proposed Waiver of the Shareholders’ Pre-emptive Rights”	:	Proposed waiver of the pre-emptive rights of the shareholders of our Company under Section 85 of the Act and Clause 58(1) of our Constitution
“Purchase Consideration”	:	The sum of RM10.20 million, being the purchase price for the Proposed Acquisition to be satisfied entirely in cash
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“SMITH ZANDER”	:	Smith Zander International Sdn Bhd
“SPA”	:	Sale and purchase agreement dated 25 May 2023 entered into between VNP and the Vendor in relation to the Proposed Acquisition
“sq ft”	:	Square feet
“TA Securities” or “Adviser and Placement Agent”	:	TA Securities Holdings Berhad
“Thailand Land”	:	A piece of freehold industrial land held under title deed no. 75041, located in Tambol Mpyangporn Amphur Pluakdaeng, Rayong Province, Thailand within the industrial estate of Amata City Rayong
“THB”	:	Thai Baht
“Vendor”	:	G2 Gold (M) Sdn. Bhd., being the vendor of the Property pursuant to the Proposed Acquisition

DEFINITIONS (CONT'D)

“VNP”	:	Volcano Name Plate Sdn. Bhd., a wholly-owned subsidiary of our Company
“Volcano” or “Company”	:	Volcano Berhad
“Volcano Group” or “Group”	:	Our Company and our subsidiaries, collectively
“Volcano Share” or “Share”	:	Ordinary share in our Company
“VTT”	:	Volcano Tec (Thailand) Co., Ltd., a wholly-owned subsidiary of our Company

All references to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, our Group. All references to “you” in this Circular are references to the shareholders of our Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Certain figures in this Circular have been subject to rounding adjustments.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION ON THE PROPOSALS. PLEASE READ THE ENTIRE CIRCULAR AND APPENDIX CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS BEFORE VOTING.

Our Board recommends that you vote **IN FAVOUR** of the resolutions in relation to the Proposals to be tabled at our forthcoming EGM.

Key information	Description	Reference in this Circular
Summary	<p><u>Proposed 30% Private Placement</u></p> <ul style="list-style-type: none"> Entails the issuance of up to 49,500,000 Placement Shares to independent third party investors. 	Part A, Sections 2.1 and 2.2
	<ul style="list-style-type: none"> The issue price of the Placement Shares shall be at a discount of not more than 10% to the 5D-VWAP of our Shares up to the last trading day prior to the price fixing date. 	Part A, Section 2.4
	<ul style="list-style-type: none"> The proceeds to be raised from the Proposed 30% Private Placement shall be utilised to defray estimated expenses for the Proposed 30% Private Placement; to partially fund the Proposed Acquisition and the construction of the Proposed VTT Factory; and as working capital of our Group. 	Part A, Section 2.5
	<p><u>Proposed Waiver of the Shareholders' Pre-emptive Rights</u></p> <ul style="list-style-type: none"> To seek our shareholders' approval for waiver of their pre-emptive rights over the new Shares and ESOS Options to enable our Directors to: <ol style="list-style-type: none"> allot and issue new Shares under the Existing General Mandate; and grant ESOS Options and to allot and issue new Shares upon the exercise of such ESOS Options. 	Part B, Section 2
Rationale	<p><u>Proposed 30% Private Placement</u></p> <ul style="list-style-type: none"> Enables us to raise sizable funds for purposes set out in Part A, Section 2.5 of this Circular without incurring debt obligation and interest costs as compared to bank borrowings or the issuance of debt instruments. 	Part A, Section 5
	<ul style="list-style-type: none"> Being an expeditious way of raising funds from the capital market as opposed to other forms of fund-raising such as rights issue, which is likely to take a longer time to complete. Upon completion of the Proposed 30% Private Placement, our Company's enlarged capital base is expected to strengthen our Group's financial position and our Group's future earnings is expected to improve when the economic and financial benefits from the use of placement proceeds are realised. 	
	<ul style="list-style-type: none"> Does not require us to arrange for any underwriting or to procure any undertaking from our shareholders to guarantee a minimum amount of funds to be raised as would usually be required for a rights issue of securities. 	
	<p><u>Proposed Waiver of the Shareholders' Pre-emptive Rights</u></p> <ul style="list-style-type: none"> To provide flexibility to our Company to issue and allot new Shares pursuant to the Existing General Mandate and to grant ESOS Options which are exercisable into new Shares, which rank equally to existing issued Shares to any person, without having first to offer such new Shares to existing shareholders in proportion to their shareholdings in our Company. 	Part B, Section 3
Approvals required	<p><u>Proposed 30% Private Placement</u></p> <ul style="list-style-type: none"> Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities, which was obtained vide its letter dated 6 July 2023; our shareholders at our forthcoming EGM; and any other relevant authorities and/or parties (if required). 	Part A, Section 9
	<p><u>Proposed Waiver of the Shareholders' Pre-emptive Rights</u></p> <ul style="list-style-type: none"> our shareholders at our forthcoming EGM. 	Part B, Section 5

PART A

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE
PROPOSED 30% PRIVATE PLACEMENT**



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

Registered Office:

9-1, 9th Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 George Town, Penang

26 July 2023

Board of Directors

Wong Wan Chin, D.J.N (*Independent Non-Executive Chairman*)
Datuk Ch'ng Huat Seng (*Non-Independent Managing Director*)
Dato' Wong Tze Peng (*Non-Independent Executive Director*)
Gan Yew Thiam (*Non-Independent Executive Director*)
Yeap Guan Seng (*Non-Independent Executive Director*)
Khoo Boo Wui (*Non-Independent Executive Director/ Chief Financial Officer*)
Tan Yen Yeow (*Independent Non-Executive Director*)
Hing Poe Pyng (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED 30% PRIVATE PLACEMENT

1. INTRODUCTION

On 15 March 2023, TA Securities announced on behalf of our Board that our Company proposed to undertake the Proposed 30% Private Placement, at issue price(s) to be determined and fixed at future date(s).

On 25 May 2023, TA Securities announced on behalf of our Board that our Company proposed to revise the utilisation of proceeds from the Proposed 30% Private Placement, wherein proceeds previously earmarked for the construction of a factory on industrial land held under H.S.(D) 44449 PT 2824, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang (“**Proposed VNP Factory**”) will be re-allocated to partially fund the construction of the Proposed VTT Factory and the Proposed Acquisition (refer to **Part A, Section 2.5** of this Circular for further details on the utilisation of proceeds). Our Company undertakes such revision to the utilisation of proceeds after taking into consideration, amongst others, lower capital expenditure to be incurred to expand VNP’s manufacturing space via the Proposed Acquisition as compared to the Proposed VNP Factory and the funding requirements for the Proposed VTT Factory. For the avoidance of doubt, our Company does not intend to proceed with the Proposed VNP Factory.

Bursa Securities had, vide its letter dated 6 July 2023, approved the listing of and quotation for up to 49,500,000 Placement Shares on the ACE Market of Bursa Securities, subject to conditions as stated in **Part A, Section 9** of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSED 30% PRIVATE PLACEMENT, TO SET OUT OUR BOARD’S RECOMMENDATION ON THE PROPOSED 30% PRIVATE PLACEMENT AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED 30% PRIVATE PLACEMENT TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED 30% PRIVATE PLACEMENT TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED 30% PRIVATE PLACEMENT

2.1 Size of placement

The Proposed 30% Private Placement entails the issuance of up to 49,500,000 Placement Shares, representing up to 30% of the total number of Shares in issue (excluding treasury shares, if any), after considering the following:

- (i) 165,000,000 Shares in issue (without any treasury shares) as at the LPD;
- (ii) our Company has established the ESOS, wherein as at the LPD, our Company has not granted any ESOS Options to the eligible persons. Our Company shall not grant any ESOS Options to eligible persons from the date of the Announcement 1 until the completion of the Proposed 30% Private Placement; and
- (iii) our Company does not have any convertible securities.

2.2 Placement arrangement

The Placement Shares will be placed to independent third party investors who are persons other than the following:

- (i) an Interested Person;
- (ii) a person connected with an Interested Person (as defined under the ACE LR); or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In addition, the independent third party investors shall be persons who qualify under Schedules 6 or 7 of the Capital Markets and Services Act, 2007 which include, amongst others, persons who shall be issued with Placement Shares for a consideration of not less than RM250,000 or high net worth individuals whose total net personal assets exceed RM3,000,000 or corporations with total NA exceeding RM10,000,000.

Depending on the market conditions and timing of identification of placee(s), the Proposed 30% Private Placement may be implemented in 1 or more tranches and is expected to be completed within 6 months from the date of approval from Bursa Securities for the Proposed 30% Private Placement or any extended period as may be approved by Bursa Securities. The implementation in multiple tranches would accord additional flexibility to our Company to procure investors to subscribe for the Placement Shares within the period as approved by Bursa Securities.

For the avoidance of doubt, if issued in multiple tranches, the issue price for each tranche of the Placement Shares shall be determined, fixed and announced separately. The basis of determining the issue price of the Placement Shares will be in accordance with market-based principles as set out in **Part A, Section 2.4** of this Circular.

2.3 Ranking of the Placement Shares

Upon allotment and issuance, the Placement Shares shall rank equally in all respects with our then existing Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or distributions where the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

2.4 Basis of arriving at the issue price of the Placement Shares

The issue price of the Placement Shares shall be determined, fixed and announced by our Board at a later date (“**Price Fixing Date**”), after receipt of relevant approvals for the Proposed 30% Private Placement as set out in **Part A, Section 9** of this Circular.

Our Board intends to fix the issue price of the Placement Shares at a discount of not more than 10% to the 5D-VWAP of our Shares up to the last trading day prior to the Price Fixing Date, depending on the negotiation between our Company and potential placee(s) as well as the prevailing market condition and market price of our Shares prior to the Price Fixing Date. This was determined by our Board after taking into consideration, amongst others, the following:

- (i) to provide flexibility to our Board in fixing the issue price of the Placement Shares;
- (ii) to price the Placement Shares sufficiently attractive to entice subscription of the Placement Shares in order to raise funds for purposes as set out in **Part A, Section 2.5** of this Circular; and
- (iii) the rationale for the Proposed 30% Private Placement as set out in **Part A, Section 5** of this Circular.

The 5D-VWAP of our Shares up to and including the LPD is RM0.9128 (*Source: Bloomberg Finance L.P.*). For illustrative purpose, an Indicative Issue Price of RM0.8640 is assumed throughout this Circular, which represents a discount of RM0.0488 or 5.35% to the 5D-VWAP of our Shares up to and including the LPD.

2.5 Utilisation of proceeds

Based on the Indicative Issue Price, the Proposed 30% Private Placement is expected to raise gross proceeds of approximately up to RM42.77 million, to be used by our Group in the following manner:

Purposes	RM'000	Expected timeframe for utilisation of proceeds*
Construction of the Proposed VTT Factory ⁽¹⁾	32,800	Within 24 months
Proposed Acquisition ⁽²⁾	5,200	Within 12 months
Working capital ⁽³⁾	3,328	Within 24 months
Estimated expenses for the Proposed 30% Private Placement ⁽⁴⁾	1,440	Within 1 month
Total	42,768	

The actual proceeds to be raised from the Proposed 30% Private Placement is dependent on the final issue price of the Placement Shares and the subscription level of the Placement Shares. Any remaining proceeds after defraying the estimated expenses for the Proposed 30% Private Placement will be utilised in the following order of priority:

- (i) the Proposed Acquisition;
- (ii) construction of the Proposed VTT Factory; and
- (iii) working capital of our Group.

Pending utilisation of the proceeds from the Proposed 30% Private Placement for the abovementioned purposes, the proceeds will be placed in deposits with financial institution or short-term money market instruments as our Board may deem fair. The interest derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used for working capital requirements of our Group which includes, amongst others, general administrative and daily operational expenses (such as staff-related costs, utilities and office-related expenses), the breakdown of which has not been determined by our Company at this juncture and will be dependent on the operating and funding requirements of our Group at the time of utilisation.

Notes:

* From the date of completion of the Proposed 30% Private Placement.

(1) Our Company intends to use part of the proceeds to partially fund the construction of the Proposed VTT Factory.

On 28 February 2022, our Company announced that VTT entered into an agreement with Amata City Rayong Company Limited to purchase the Thailand Land for a cash purchase consideration of THB44,016,090 (equivalent to RM5,679,701 based on the closing middle exchange rate of THB1.00 to RM0.129037 as at 26 February 2022). On 28 October 2022, VTT completed the acquisition of the Thailand Land with the following details:

Location	Title deed no. 75041, Tambol Mabyangporn Amphur Pluakdaeng, Rayong Province, Thailand. Within the industrial estate of Amata City Rayong which is located at Highway 331, Km. 39, Tambon Bowin – Sriracha District, Chonburi Province, and Tambol Mabyangporn – Pluakdaeng District, Rayong Province, Thailand.
Tenure	Freehold
Land use	Industrial
Land area	16,608 square meters (equivalent to 178,767 sq ft)

The Thailand Land is currently a vacant land which is approximately 6.5 kilometres from VTT's existing factory, on which the management of VTT intends to construct a 2-storey office, a single-storey factory and a single-storey warehouse with an estimated aggregate built-up area of 108,694 sq ft for an estimated construction cost (excluding the cost of acquisition of machineries for the Proposed VTT Factory) of approximately THB258.00 million (or approximately RM34.16 million based on the middle rate of RM1.00 to THB0.132407 as at the LPD (Source: Bank Negara Malaysia)).

Our Company intends to utilise the placement proceeds to partially fund the construction cost of the Proposed VTT Factory which include, amongst others, building works (such as structural works, architectural works and sanitary works), and external works (such as road, drainage and fencing). Any shortfall of proceeds for this purpose will be funded via a combination of internally generated funds and bank borrowings, the breakdown of which will be determined by the management of our Company and VTT at a later stage after taking into consideration our Group's internal funding requirements. If there is any surplus of proceeds, it will be allocated for the working capital of our Group as stated in **Part A, Section 2.5, note (3)** of this Circular.

Our Group intends to expand VTT's manufacturing space and production capacity for the manufacturing of nameplates and plastic injection moulded parts to mainly cater for the Thailand market and other markets such as Singapore, Indonesia, China and the United States of America. For the 18-month period ended 30 June 2023, with 11 units, 6 units and 24 units of machines for production of nameplates under stamping method and laser method as well plastic injection moulded parts, VTT's operating output for the stamping method and laser method as well plastic injection moulded parts are 14.29 million pieces, 7.70 million pieces and 26.73 million pieces, respectively which operates at a capacity of approximately 68.16%, 76.49% and 84.99%, respectively. VTT had secured 21 new customers in Thailand in 2022 and 8 new customers in Thailand from 1 January 2023 until the LPD. In view of this and the positive outlook of the nameplates and plastic injection moulding industries as stated in **Part A, Section 6.3** of this Circular, the management of VTT expects there shall be sustainable demand for its products from existing and new customers in Thailand for the coming years. Hence, the Proposed VTT Factory provides an avenue for VTT to expand its manufacturing space and production capacity which in turn, shall enhance its ability to take on more orders when the opportunities arise. This shall ensure that VTT's business growth would not be constrained due to limitation of its production capacity.

The expansion of manufacturing space via the Proposed VTT Factory will improve the production capacity of VTT as the production floor areas would increase by up to 76,919 sq ft. However, the management of VTT is unable to estimate the quantum of improvement to its production capacity at this juncture as the final type and quantity of machineries to be acquired and installed at the

Proposed VTT Factory will be determined progressively along the expansion path, and the quantum of improvement also depends on the type of orders and amount of orders to be received by VTT. At this juncture, the management of VTT expects the acquisition of machineries to be on a staggered basis for a period of 3 years (i.e., commencing from 6 months prior to the commencement of operations of the Proposed VTT Factory) with an estimated total cost of approximately RM32.0 million to be funded via internally generated funds and/or bank borrowings, the breakdown of which will be determined by the management of our Company and VTT at a later stage after taking into consideration our Group's internal funding requirements. For shareholders' information, the cost of acquisition of machineries is only a best-estimates by the management of VTT at this juncture and it is subject to revisions due to, amongst others, fluctuations in the selling price of the machineries, revision in product specifications and fluctuation in currency exchange rates. The additional production floor areas would enable VTT to undertake more orders, plan its production floor and smoothen the production flow which in turn, would aid our Group in our effort to continuously improve our production efficiency and financial performance and to enhance value for our shareholders moving forward.

As at the LPD, VTT is still in the midst of finalising the building plan for the Proposed VTT Factory. The tentative timeline for the construction of the Proposed VTT Factory is summarised as follows:

Tentative timeline	Events
By 4 th quarter of 2023	Submission of construction, building plan application to Industrial Estate Authority of Thailand ("IEAT")
By 1 st quarter of 2024	Obtain approval from IEAT (assuming a processing time of 2 months from date of application)
By 2 nd quarter of 2024	Commence construction works for the Proposed VTT Factory
By 3 rd quarter 2025	Completion of construction works (assuming within 15 months from date of commencement of construction works)
By 4 th quarter of 2025	Commencement of operations of the Proposed VTT Factory

Any unexpected prolonged processing time by the authorities and/or hike in construction costs may cause a delay in the commencement and completion of the construction works for the Proposed VTT Factory.

- (2) On 26 April 2023 and 25 May 2023, it was announced that VNP (as the purchaser) had entered into a binding term sheet and the SPA, respectively, with the Vendor for the Proposed Acquisition.

The details of the Property are as follows:

Details of the Land (Source: Land title search results from the land office)	
Tenure	Leasehold for 60 years expiring on 6 October 2054
Category of land use	Industry
Land area	43,637 sq ft
Restriction-in-interest	<p>(i) The land hereby alienated shall not be transferred, charged, leased or subleased, tenanted or dealt with any dealings whatsoever without the prior written consent from the State Authority. (Tanah yang diberi milik ini tidak boleh dipindah milik, cagar, pajak, atau pajakan kecil, tenansi disewakan atau dengan apa-apa urusan sekalipun diuruskan tanpa kebenaran bertulis daripada Pihak Berkuasa Negeri)</p> <p>(ii) The land hereby alienated shall not be partitioned or subdivided. (Tanah yang diberi milik ini tidak boleh di pecah sempadan atau di pecah bahagian)</p> <p>(iii) The land hereby alienated and any buildings thereon shall not be used for whatever purpose save for the usage as approved by the Penang Development Corporation and the State Authority (Tanah yang diberi milik ini dan manamana bangunan yang terdapat diatasnya tidak boleh digunakan untuk apa jua kegunaan selain daripada yang diluluskan oleh Perbadanan Pembangunan Pulau Pinang dan Pihak Berkuasa Negeri)</p>

Details of the Land (Source: Land title search results from the land office) (cont'd)	
Registered encumbrances	<i>A legal charge in favour of Malayan Banking Berhad and a private caveat filed by Malayan Banking Berhad. Pursuant to the SPA, such encumbrance shall be discharged prior to the completion of the Proposed Acquisition.</i>
Details of the Factory (Source: Management of the Vendor)	
Address	<i>No. 1589, Lorong Perusahaan Utama 2, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Mertajam, Pulau Pinang</i>
Description	<i>A 1-storey factory and a 2-storey office</i>
Approximate built-up area	<i>29,753 sq ft</i>
Existing use	<i>Vacant</i>
Dates of Certificates of Fitness for Occupation	<i>11 April 1997 and 19 August 2003</i>
Age of building	<i>Approximately 26 years for the 1-storey factory and 20 years for the 2-storey office</i>

Please refer to our Company's announcements dated 26 April 2023, 2 May 2023 and 25 May 2023 for further details on the Proposed Acquisition.

The Purchase Consideration was arrived on a "willing-buyer willing-seller" basis after taking into consideration that the value of the Property of RM342.82 per sq ft (computed based on the Purchase Consideration divided by the built-up size of the Factory) is within the range of RM333 per sq ft to RM554 per sq ft (being the selling price per sq ft) of industrial properties located within the proximity of the Property as quoted on various property websites and the rationale for the Proposed Acquisition. There was no valuation carried out on the Property. The information on the net book value of the Property is not available to VNP.

*The Proposed Acquisition is not subject to approval from our shareholders as it is not a related party transaction and the highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the ACE LR is 12.83%. The Proposed Acquisition is subject to the Vendor (at its own cost and expense) obtaining the consent(s) of the relevant state authority(ies) and the Penang Development Corporation for the sale and transfer of the Property in favour of VNP ("**Relevant Authority's Consent**") ("**Condition**"). Pursuant to the SPA, the Vendor shall submit the application for the Relevant Authority's Consent within 1 month from the date of the SPA and the Vendor shall satisfy the Condition within 3 months from the date of the SPA or such longer period as mutually agreed in writing by VNP and the Vendor. The Vendor has submitted the application for the Relevant Authority's Consent on 12 June 2023 and is in the midst of discharging the registered encumbrance of the Property.*

The Factory is currently vacant and the management of VNP intends to refurbish it and undertake manufacturing of nameplates as well as setting-up plastic injection moulded parts manufacturing facilities on the Property for export markets (e.g., Europe and the United States of America). The cost of the refurbishment is estimated to be approximately RM5.50 million which will be funded via internally generated funds and/or bank borrowings, the breakdown of which will be determined by the management of our Company and VNP at a later stage after taking into consideration our Group's internal funding requirements. This is only a best-estimates by our management and may subject to revisions depending on, amongst others, the prices of materials.

*For the 18-month period ended 30 June 2023, with 32 units and 21 units of machines for production of nameplates under stamping method and laser cutting method, respectively, VNP's operating output for the stamping method and laser cutting method are 13.33 million and 24.44 million pieces respectively which operates at capacity of approximately 68.01% and 69.39%, respectively. VNP had secured 3 new overseas and 8 new local customers in 2022, as well as 4 new overseas and 3 new local customers from 1 January 2023 until the LPD. In view of the positive outlook of the nameplates and plastic injection moulding industries as stated in **Part A, Section 6.3** of this Circular, the management of VNP expects there shall be sustainable demand for its products from existing and new customers for the coming years. Hence, the Proposed Acquisition provides an avenue for VNP to expand and grow its business operations via expansion of production space and capacity which in turn, shall enhance VNP's capability to take on more orders from its customers when the opportunities arise. Further, as the Property is approximately 9 kilometres from VNP's*

existing factory for manufacturing of nameplates, the Proposed Acquisition will allow continuity of VNP's manufacturing activity in the event operations at its existing factory is disrupted due to unplanned events (e.g., natural disaster or fire).

The Proposed Acquisition will improve the production capacity of VNP as the production floor areas would increase by up to 29,753 sq ft. The management of VNP is unable to estimate the quantum of improvement to its production capacity at this juncture as the type of machineries to be acquired and installed at the Property will be determined progressively along the expansion path, and the quantum of improvement also depends on the type of orders and amount of orders to be received by VNP.

Barring any unforeseen circumstances and subject to the receipt of Relevant Authority's Consent, the Proposed Acquisition is expected to be completed within 6 months from the date of the SPA, subject to an automatic extension of a further 1 month and VNP paying 6% per annum interest on the outstanding balance of the Purchase Consideration. Thereafter, the management of VNP shall commence the refurbishment of the Factory and expects to commence operations at the Factory in the second half of 2024. The acquisition of machineries will be on a staggered basis to facilitate the commencement of operations in the second half of 2024, with an estimated cost of approximately RM10.05 million which will be funded via internally generated funds and/or bank borrowings, the breakdown of which will be determined by the management of our Company and VNP at a later stage after taking into consideration our Group's internal funding requirements.

At this juncture, the management of VNP intends to fund the Proposed Acquisition by utilising up to RM5.20 million of the proceeds from the Proposed 30% Private Placement, while the remaining RM5.00 will be funded via internally generated funds and/or bank borrowings, the breakdown of which will be determined at a future date. In the event there is a delay in the implementation of the Proposed 30% Private Placement and the management of our Group has used bank borrowings to fully fund the Proposed Acquisition, the proceeds earmarked for the Proposed Acquisition will be used to repay the bank borrowings obtained for such purpose. Further, in the event the Proposed Acquisition is aborted, the proceeds earmarked for the Proposed Acquisition will be re-allocated for the construction of the Proposed VTT Factory (as set out in **Part A, Section 2.5, note (1)** of this Circular) and the working capital of our Group (as set out in **Part A, Section 2.5, note (3)** of this Circular), wherein the breakdown of re-allocation cannot be determined at this juncture as it shall depend upon the funding requirements of our Group at the relevant time.

- (3) Our Company intends to utilise the placement proceeds to finance our Group's working capital purposes as follows:

Working capital	Indicative allocation	Amount
	%	(RM'000)
Repayment of trade payables ⁽ⁱ⁾	70	2,330
Staff costs ⁽ⁱⁱ⁾	30	998
Total	100	3,328

The allocation of proceeds to fund each category of working capital is indicative at this juncture and may be re-allocated between the abovementioned categories of working capital, depending on the funding requirements of our Group at any relevant time.

Notes:

- (i) Comprise repayment to existing trade payables pertaining to the purchase of raw materials for our Group's manufacturing of nameplates and plastic injection moulded parts segments. For the 15-month FPE 31 March 2023 (being the latest published financial results of our Group), our Group recorded a total trade payable of RM4.11 million with a trade payable turnover period of 29 days.
- (ii) Comprise payment of staff-related expenses (e.g., salaries, statutory contributions and staff welfare to the staff of our Group).

(4) The breakdown of estimated expenses for the Proposed 30% Private Placement is as follows:

	(RM'000)
Professional fees (i.e., advisory and placement fees)	1,240
Authorities fee	15
General meeting and other related costs (e.g., printing and advertising costs, expenses to convene EGM and other related costs)	40
Miscellaneous (i.e., Malaysian sales and service tax on professional fees and related costs to convene EGM as well as out of pocket expenses)	145
Total	1,440

Any variation to the actual amount of expenses for the Proposed 30% Private Placement will be adjusted in accordance with the order of priority as stated in **Part A, Section 2.5** of this Circular.

3. PRE-EMPTIVE RIGHTS PURSUANT TO SECTION 85(1) OF THE ACT

Pursuant to Section 85(1) of the Act read together with Clause 58(1) of our Constitution, our shareholders have pre-emptive rights to be offered any new Shares which rank equally to the existing issued Shares or other convertible securities.

Section 85 of the Act provides as follows:

“85. *Pre-emptive rights to new shares*

- (1) *Subject to the constitution, where a company issue shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.*
- (2) *An offer under subsection (1) shall be made to the holders of existing shares in a notice specifying the number of shares offered and the time frame of the offer within which the offer, if not accepted, is deemed to be declined.*
- (3) *If the offer is not accepted after the expiry of the period specified in the notice under subsection (2), the directors may dispose those shares in such manner as the directors think most beneficial to the company.”*

Clause 58(1) of our Constitution provides as follows:

“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.”

In order for our Board to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived. As such, the waiving of such pre-emptive rights over new Shares to be issued pursuant to the Proposed 30% Private Placement will be tabled at our forthcoming EGM under the Ordinary Resolution 1 to seek our shareholders’ approval. The passing of Ordinary Resolution 1 will exclude your pre-emptive rights to be offered any new Shares to be issued by our Company pursuant to the Proposed 30% Private Placement and accordingly, dilute your percentage of shareholding in our Company. Please refer to the Notice of EGM for Ordinary Resolution 1 as set out in this Circular.

4. PREVIOUS FUND-RAISING EXERCISE

On 16 March 2021, our Company issued a prospectus in relation to an initial public offering in conjunction with the listing of our Company on the ACE Market of Bursa Securities (“**Listing**”). The initial public offering of our Company involved a public issue of 25,000,000 new Shares at an issue price of RM0.35 per Share, which was completed upon our Listing on 6 April 2021. As at the LPD, the proceeds raised from the Listing had been fully utilised as follows:

Details of utilisation	Amount utilised (RM'000)
Purchase of 7 units of laser cutting machines ⁽ⁱ⁾	2,730
Estimated expenses for the Listing	3,200
Working capital ⁽ⁱⁱ⁾	2,820
Total	8,750

Notes:

- (i) Our Group completed the acquisition of 7 units of laser cutting machines (VNP: 5 units; VTT: 2 units) as at 30 September 2021. Such machines are currently in use in the existing factory of VNP and VTT, which is located in Penang, Malaysia and Rayong, Thailand respectively.
- (ii) Our Group had utilised the proceeds for our working capital requirements as follows:

	(RM'000)
Payment of salaries and staff related expenses	1,420
Settlement of trade payables	1,400
Total	2,820

In conjunction with the Listing, our Company had also implemented an ESOS which was effective on 29 June 2021. As at the LPD, our Company has not granted any ESOS Options to the eligible persons.

Save for the above, our Company has not undertaken any fund-raising exercise since our Listing until the LPD.

5. RATIONALE FOR THE PROPOSED 30% PRIVATE PLACEMENT

As at 31 March 2023 (being the latest published financial results of our Group as at the LPD), our Group's cash and bank balances stood at RM15.91 million, of which the management of our Group intends to preserve for our Group's working capital requirements and to address any short-term obligations in a timely manner.

In view of the above and after due consideration of various fund-raising options, our Board is of the view that the Proposed 30% Private Placement is an appropriate avenue of fund-raising based on the following key considerations:

- (a) the Proposed 30% Private Placement enables our Company to raise sizable funds for purposes set out in **Part A, Section 2.5** of this Circular without incurring debt obligation and interest costs as compared to bank borrowings or the issuance of debt instruments. This would allow our Group to preserve our existing cash and bank balances for our Group's working capital requirements and to address any short-term obligations in a timely manner, as well as minimise any potential cash outflow in respect of interest servicing cost;
- (b) the Proposed 30% Private Placement provides our Company with an expeditious way of raising funds from the capital market as opposed to other forms of fund-raising such as rights issue, which is likely to take a longer time to complete. Upon completion of the Proposed 30% Private Placement, the enlarged capital base is expected to strengthen our Group's financial position and our Group's future earnings is expected to improve when the economic and financial benefits from the use of placement proceeds are realised; and
- (c) the Proposed 30% Private Placement will not require our Company to arrange for any underwriting or to procure any undertaking from our shareholders to guarantee a minimum amount of funds to be raised as would usually be required for a rights issue of securities.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and outlook of Malaysian economy

Malaysia's gross domestic products ("GDP") grew 5.6 per cent in the first quarter of 2023 as compared to 7.1 per cent recorded in previous quarter. In terms of seasonally adjusted, GDP increased by 0.9 per cent (Q4 2022: -1.7%). On the supply side, all economic sectors grew in this quarter especially services and manufacturing sectors. In addition, the performance was also reflected on the demand side, primarily driven by private final consumption expenditure and gross fixed capital formation. Overall, Malaysia's GDP at current prices was amounted to RM444.0 billion, while at constant prices was RM380.9 billion in this quarter. Manufacturing sector grew 3.2 per cent from 3.9 per cent recorded in the previous quarter. The sector increased marginally 0.5 per cent in terms of seasonally adjusted from a decline of 2.6 per cent in the fourth quarter of 2022. This performance was influenced by electrical, electronic and optical products which increased by 3.8 per cent (Q4 2022: 9.2%), followed by transport equipment, other manufacturing and repair at 7.7 per cent (Q4 2022: 4.9%) and vegetable and animal oils & fats and food processing at 7.2 per cent (Q4 2022: 4.4%). (Source: *Gross Domestic Product First Quarter 2023, Ministry of Economic, Department of Statistics Malaysia*)

The Malaysian economy registered a strong growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter ("3Q 2022"), as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (3Q 2022: 1.9%). For 2022 as a whole, the economy expanded by 8.7% (2021: 3.1%). For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in export following weaker global demand will be partially cushioned by higher tourism activity. The balance of risks to Malaysia's growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, tighter financial conditions, further escalation of geopolitical conflicts, and worsening supply chain disruptions. (Source: *BNM Quarterly Bulletin Vol. 37 No. 4 for the Fourth Quarter of 2022, Bank Negara Malaysia*)

Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5%-7%, whereby real output value reached above the pre-pandemic level. Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021-2025. On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by services and manufacturing sectors. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economy growth, hence, affecting Malaysia's performance. Overall, the nation's gross domestic products is forecast to grow approximately 4.5% in 2023 (Source: *Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance*).

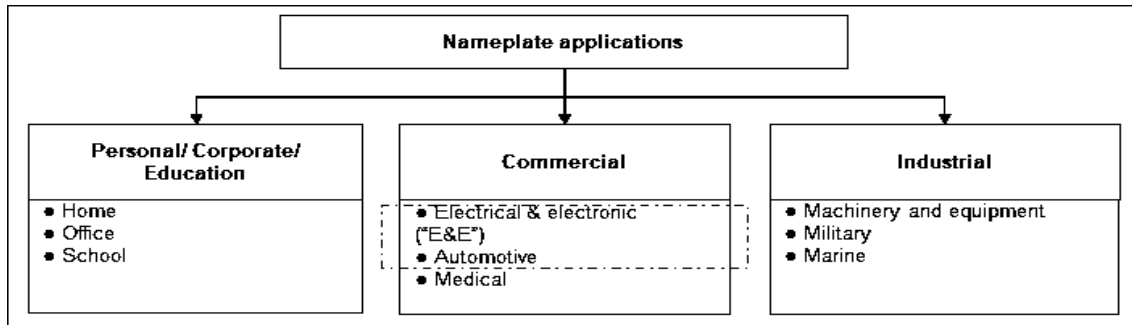
6.2 Overview and outlook of global economy

The International Monetary Fund's World Economic Outlook, January 2023 reports the global growth expanded by 3.4% in 2022 as economic recovery momentum from 2021 was disrupted by high inflation and supply chain constraints. World trade grew moderately by 5.4% reflecting the slower overall economic activity. Global inflation was registered at 8.8% in 2022 mainly reflecting the increase in food and energy prices. In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. (Source: *Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance*). According to the International Monetary Fund, Malaysia's real gross domestic product is projected to grow by 4.5% in 2023 and 2024 (Source: *IMF World Economic Outlook: A Rocky Recovery, April 2023, International Monetary Fund*).

6.3 Overview and outlook of nameplates and plastic injection moulding industries

(i) Nameplates industry

The application of nameplates can be categorised into 3 classifications, namely for personal/corporate/education, commercial and industrial usage.



Notes:

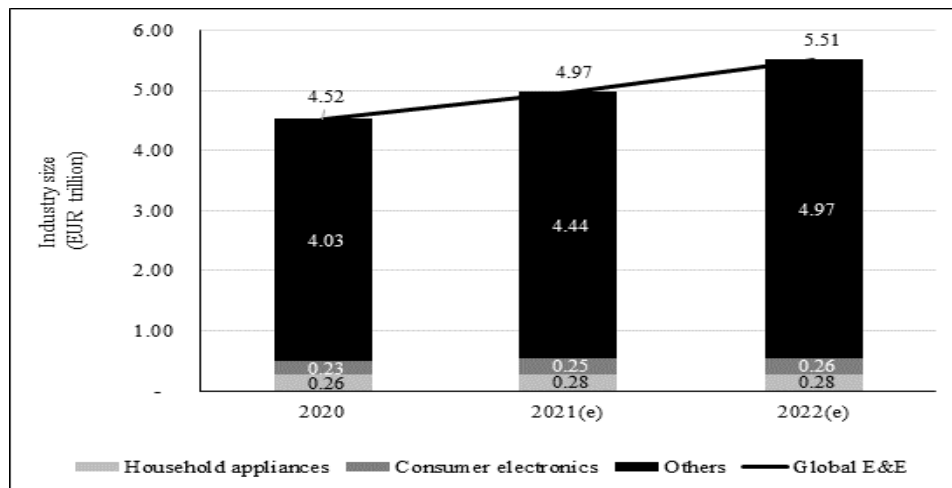
- This list is not exhaustive.
- [Dashed box] denotes markets served by Volcano Group.

Nameplates can be applied to a broad range of products, particularly within the E&E and automotive industries. Therefore, any changes in these industries will have an impact on the demand for nameplates.

With the wide application of nameplates on E&E products, the growth in the global E&E industry leads to demand for nameplates.

The global E&E industry grew at a CAGR of 10.41% from Euro Dollar (“EUR”) 4.52 trillion (RM21.68 trillion)¹ in 2020 to an estimated EUR5.51 trillion (RM25.51 trillion)² in 2022. The household appliances and consumer electronics segments of the global E&E industry, being key end-user industries of nameplates, registered CAGRs of 3.77% and 6.32% respectively during this period.

E&E Industry (Global), 2020 – 2022(e)



Note:

(e) – Estimate.

(Sources: ZVEI - e. V.– Electro and Digital Industry Association, SMITH ZANDER analysis)

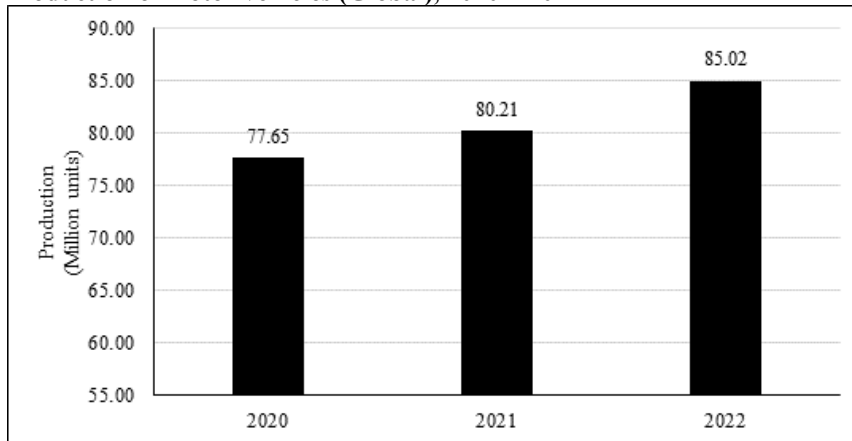
¹ Exchange rate from EUR to RM in 2020 was converted based on average annual exchange rates in 2020 extracted from published information from Bank Negara Malaysia at EUR1 = RM4.7955.

² Exchange rate from EUR to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at EUR1 = RM4.6296.

According to ZVEI e. V.– Electro and Digital Industry Association, the global E&E industry is forecast to grow by approximately 5.00% from an estimated EUR5.51 trillion (RM25.51 trillion) in 2022 to EUR5.79 trillion (RM26.81 trillion)³ in 2023. Moving forward, with the anticipated growth of the global E&E industry, this will in turn pose increasing demand for nameplates for E&E products in the future.

Additionally, the growth in the automotive industry will lead to demand for nameplates as the automotive industry is a major market for nameplates, which are mainly used for branding purposes, both on the interior and exterior of motor vehicles. The global automotive industry is represented by the global production of motor vehicles. Global production of motor vehicles registered a CAGR of 4.64% from 77.65 million units in 2020 to 85.02 million units in 2022. In view that motor vehicles are one of the main modes of transportation globally, the production of motor vehicles is expected to grow over the long term. As such, SMITH ZANDER forecasts the global production of motor vehicles to increase by 4.96% from 85.02 million units in 2022 to 89.24 million units in 2023.

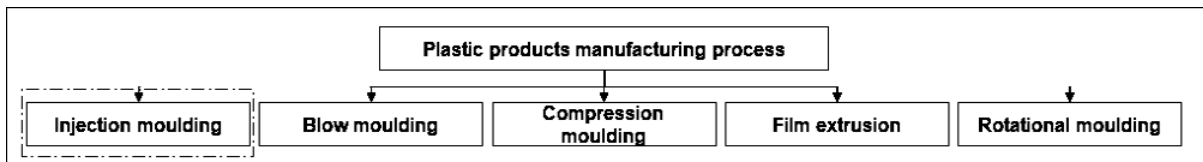
Production of motor vehicles (Global), 2020 – 2022



(Sources: International Organization of Motor Vehicle Manufacturers, SMITH ZANDER analysis)

(ii) Plastic injection moulding industry

Among some of the commonly used manufacturing processes for plastic products are injection moulding, blow moulding, compression moulding, film extrusion and rotational moulding.



Notes:

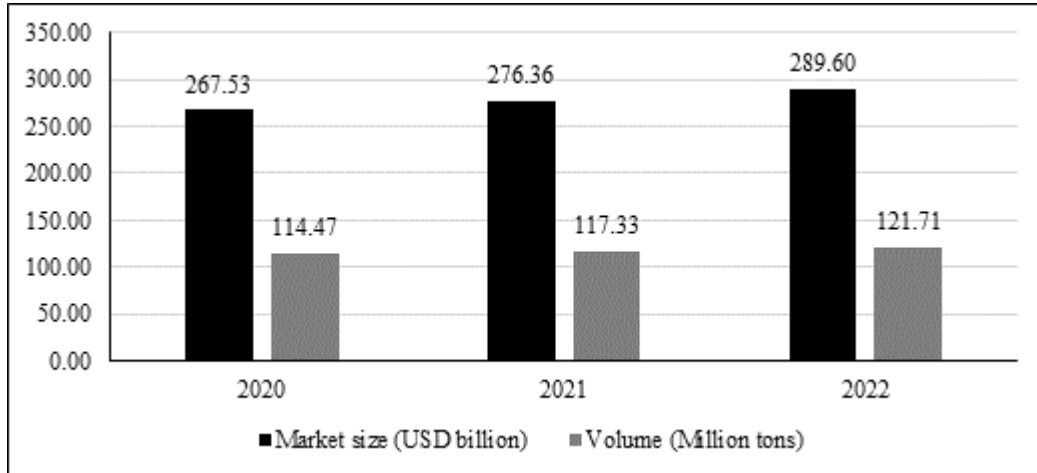
- This list is not exhaustive.
- denotes segment in which Volcano Group is involved in.

The growth in the consumption of plastics is driven by increasing demand for plastics from multiple end-user industries, due to its versatile properties and the increasing technological innovations to improve the properties of plastics.

³ Exchange rate from EUR to RM in 2023 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at EUR1 = RM4.6296.

The global market size for plastic injection moulded parts increased from United States Dollars (“USD”) 267.53 billion (RM1.12 trillion)⁴ in 2020 to USD289.60 billion (RM1.27 trillion)⁵ in 2022, registering a CAGR of 4.04%. Further, the global volume of plastic injection moulded parts increased from 114.47 million tons to 121.71 million tons during the same period, at a CAGR of 3.11%.⁶

Market size and volume of plastic injection moulded parts (Global), 2020 – 2022



(Source: Transparency Market Research)

Much of this growth is attributed to thriving end-user industries, particularly packaging, which contributed to 31.35%⁶ of the global volume of plastic injection moulded parts in 2022. The global volume of plastic injection moulded parts also includes plastic injection moulded parts for applications in end-user industries including consumables and electronics (31.15%), automotive and transportation (14.97%) as well as building and construction (10.57%).⁶ The consumables and electronics as well as automotive and transportation markets are of importance to Volcano Group as these are the key markets for Volcano Group’s plastic injection moulded parts.

The global market size for plastic injection moulded parts used in the consumables and electronics industry grew from USD89.37 billion (RM375.50 billion) in 2020 to USD97.91 billion (RM430.85 billion) in 2022, registering a CAGR of 4.67%. Further, the global volume of plastic injection moulded parts for the consumables and electronics industry increased from 35.39 million tons to 37.91 million tons during the same period, at a CAGR of 3.50%. The global market size for plastic injection moulded parts used in the automotive and transportation industry increased from USD34.99 billion (RM147.01 billion) in 2020 to USD37.91 billion (RM166.82 billion) in 2022, registering a CAGR of 4.09%. Additionally, the global volume of plastic injection moulded parts for the automotive and transportation industry increased from 17.29 million tons to 18.22 million tons during the same period, at a CAGR of 2.65%.⁶

SMITH ZANDER anticipates that demand for plastic injection moulded parts will continue to be driven by the wide application of plastic injection moulded parts across many end-user industries and by the demand for E&E products, as well as automotive components, amongst others. As such, the global market size for plastic injection moulded parts is forecast to increase by 4.53% from USD289.60 billion (RM1.27 trillion) in 2022 to USD302.72 billion (RM1.33 trillion)⁷ in 2023. In addition, the global volume of plastic injection moulded parts is forecast to increase by 3.67% from 121.71 million tons in 2022 to 126.18 million tons in 2023.⁶

⁴ Exchange rate from USD to RM in 2020 was converted based on average annual exchange rates in 2020 extracted from published information from Bank Negara Malaysia at USD1 = RM4.2016.

⁵ Exchange rate from USD to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at USD1 = RM4.4005.

⁶ Sources: Transparency Market Research, SMITH ZANDER analysis.

⁷ Exchange rate from USD to RM in 2023 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at USD1 = RM4.4005.

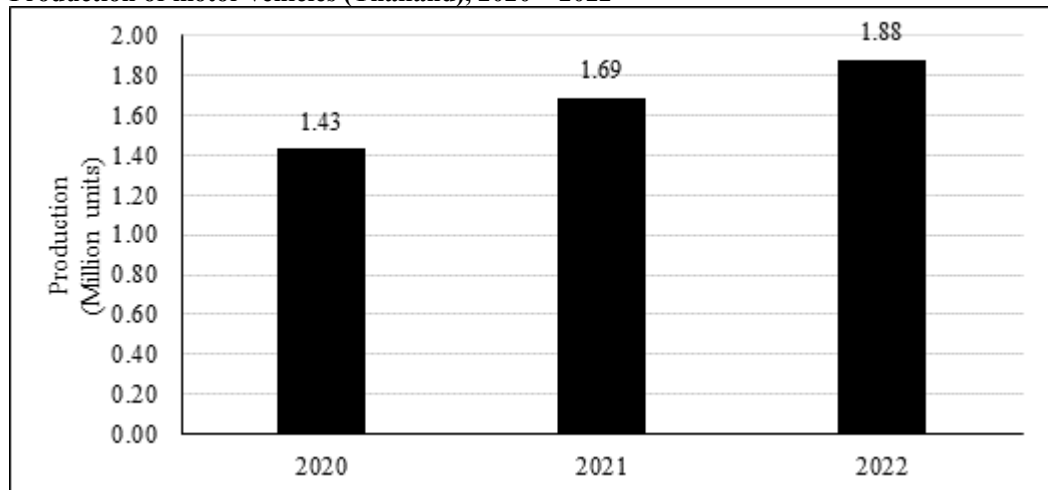
Further, in Thailand, the market size for plastic injection moulded parts in the consumables and electronics as well as automotive and transportation industries grew from USD4.18 billion (RM17.56 billion) in 2020 to USD4.54 billion (RM19.98 billion) in 2022, at a CAGR of 4.22%.⁶ SMITH ZANDER anticipates that demand for plastic injection moulded parts will continue to be driven by the growth in these end-user industries. As such, the market size for plastic injection moulded parts in the consumables and electronics as well as automotive and transportation industries in Thailand is forecast to grow by 4.85% from USD4.54 billion (RM19.98 billion) in 2022 to USD4.76 billion (RM20.95 billion) in 2023.⁶

Plastic injection moulded parts can be applied to a broad range of products, particularly within the E&E and automotive industries. Therefore, any changes in these industries will have an impact on the demand for plastic injection moulded parts. Plastic injection moulded parts are key components in the production of E&E products, such as parts and components for household appliances. The injection moulding process is ideal as it allows for parts to be accurately produced to specific geometric dimensions. Plastics also have superior properties such as electrical performance, mechanical strength, stability under heat and insulation, making them well-suited to E&E applications. With the wide application of plastic injection moulded parts in E&E products, the global E&E industry will thus drive the demand for plastic injection moulded parts.

Moreover, plastic injection moulded parts are also used in the automotive industry whereby about one third of the parts and components of a motor vehicle are made of plastic. The automotive sector's emerging demand for production efficiency, noise reduction, speed, fuel efficiency, innovative design, longer lifespan as well as lower cost, is expected to result in the potential displacement of some metal parts in favour of plastics. Therefore, the growth in the global automotive industry will lead to demand for plastic injection moulded parts.

Additionally, Thailand, as one of the principal markets for Volcano Group's products, experienced an increase in motor vehicle production, from 1.43 million units in 2020 to 1.88 million units in 2022, registering a CAGR of 14.66%. SMITH ZANDER forecasts the motor vehicle production in Thailand to increase by 14.89% from 1.88 million units in 2022 to 2.16 million units in 2023. As the production of motor vehicles increases, it is expected to continue to support the demand for plastic injection moulded parts and thus drive the growth of the plastic injection moulding industry.

Production of motor vehicles (Thailand), 2020 – 2022



(Sources: International Organization of Motor Vehicle Manufacturers, SMITH ZANDER analysis)

(Source: IMR Report)

6.4 Prospects of our Group

Our Group's products, nameplates and plastic injection moulded parts, can cater for a variety of end-user industries. Nameplates, which are used for branding purpose and to provide instructions, warnings and general information, are applicable to industries such as E&E, automotives, medical, manufacturing and telecommunication. Plastic injection moulded parts are also widely used in similar industries due to its relatively lower cost, ease of manufacture, versatility and waterproof properties. Some manufacturers opt to outsource the manufacturing of nameplates and plastic injection moulded parts to achieve cost and quality efficiency. Considering these and coupled with the positive outlook of nameplates and plastic injection moulding industries as set out in **Part A, Section 6.3** of this Circular, our Board is of the view that there shall be sustainable demand for our Group's products. Further, our Group intends to leverage on the increase in production capacity via the Proposed Acquisition and Proposed VTT Factory to secure more customers' orders and expand our market reach to new geographical markets which our management cannot determine at this juncture (please refer to **Part A, Section 2.5, notes (1) and (2)** of this Circular for our Group's existing target markets).

Premised on the above and after taking into consideration the outlook of global and Malaysian economies, our Board is of the view that our Group will enjoy positive prospects in the long term.

(Source: Management of our Company)

7. EFFECTS OF THE PROPOSED 30% PRIVATE PLACEMENT

7.1 Share capital

The pro forma effect of the Proposed 30% Private Placement on the issued share capital of our Company is as follows:

Share capital	No. of Shares	RM
As at the LPD	165,000,000	78,750,000
To be issued pursuant to the Proposed 30% Private Placement*	49,500,000	42,768,000
Enlarged share capital	214,500,000	121,518,000

Note:

* *Assuming issuance of Placement Shares at the Indicative Issue Price.*

7.2 Earnings and EPS

The Proposed 30% Private Placement is not expected to have any material effect on the earnings of our Group for the 18-month FPE 30 June 2023 as the proceeds to be raised are expected to be utilised within 24 months from the completion of the Proposed 30% Private Placement. Nevertheless, the Proposed 30% Private Placement is expected to contribute positively to the future earnings of our Group as and when the benefits of the utilisation of proceeds are realised.

The EPS of our Group will be diluted as a result of an increase in the number of Shares in issue arising from the issuance of Placement Shares in the future. The extent of dilution to the EPS of our Group is dependent upon, amongst others, the eventual number of Placement Shares to be issued, future earnings of our Group and returns to be generated by our Group from the utilisation of proceeds from the Proposed 30% Private Placement.

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7.3 NA and gearing

The pro forma effect of the Proposed 30% Private Placement on the NA and gearing of our Group based on the audited consolidated financial statements of our Company as at 31 December 2021, is as follows:

	(Audited)	(I)	(II)
	As at 31 December 2021	After subsequent events ⁽¹⁾	After (I) and Proposed 30% Private Placement
	RM	RM	RM
Share capital	78,750,000	78,750,000	121,518,000 ⁽²⁾
Other reserves	(62,999,123)	(62,999,123)	(62,999,123)
Retained earnings	63,765,898	61,620,898	60,180,898 ⁽³⁾
Shareholders' fund / NA	79,516,775	77,371,775	118,699,775
No. of Shares in issue	165,000,000	165,000,000	214,500,000
NA per Share (sen)	0.48	0.47	0.55
Total borrowings	55,893	1,076,149	1,076,149
Gearing (times)	Neg	0.01	0.01

Notes:

Neg Negligible

(1) After taking into consideration the following events from 1 January 2022 up to the LPD:

(i) dividend payment of RM2,145,000 on 24 June 2022; and

(ii) further drawdown of banking facility of RM1,020,256.

(2) Assuming issuance of Placement Shares at the Indicative Issue Price.

(3) After accounting for the estimated expenses for the Proposed 30% Private Placement of RM1.44 million.

7.4 Substantial shareholders' shareholdings

The pro forma effect of the Proposed 30% Private Placement on substantial shareholders' shareholdings in our Company as at the LPD is as follows:

	As at the LPD				(I) After Proposed 30% Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Ch'ng Huat Seng	28,000,000	16.97	-	-	28,000,000	13.05	-	-
Dato' Wong Tze Peng	24,500,000	14.85	-	-	24,500,000	11.42	-	-
Gan Yew Thiam	21,000,000	12.73	-	-	21,000,000	9.79	-	-
Khoo Boo Wui	21,000,000	12.73	-	-	21,000,000	9.79	-	-
Yeap Guan Seng	10,656,000	6.46	-	-	10,656,000	4.97	-	-
Placee(s)	-	-	-	-	49,500,000	23.08	-	-

7.5 Convertible securities

As at the LPD, our Company does not have any other convertible securities as our Company has not granted any ESOS Options to the eligible persons.

7.6 Public shareholding spread

Notwithstanding the issuance of Placement Shares, our Company will still comply with the public shareholding spread requirement pursuant to Rule 8.02(1) of the ACE LR, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding treasury shares) or listed units are in the hands of public shareholders or unit holders.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted prices of our Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
2022		
July	0.405	0.380
August	0.430	0.385
September	0.485	0.385
October	0.460	0.400
November	0.470	0.395
December	0.530	0.440
2023		
January	0.595	0.465
February	0.900	0.515
March	1.100	0.730
April	0.955	0.820
May	1.010	0.820
June	1.020	0.860

The last transacted market price of our Shares on 14 March 2023 (being the last trading date prior to the Announcement 1) was RM1.03.

The last transacted market price of our Shares on 7 July 2023 (being the LPD) was RM0.925.

(Source: Bloomberg Finance LP)

9. APPROVALS REQUIRED


The Proposed 30% Private Placement is subject to approvals being obtained from:

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities, which was obtained vide its letter dated 6 July 2023;
- (ii) our shareholders at our forthcoming EGM; and
- (iii) any other relevant authorities and/or parties (if required).

For the avoidance of doubt, the Proposed 30% Private Placement is not undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Act. The Proposed 30% Private Placement is subject to, amongst others, the specific approval from our shareholders at our forthcoming EGM.

The approval of Bursa Securities for the Proposed 30% Private Placement has been obtained and is subject to the following conditions:

	Conditions imposed	Status of compliance
(1)	Our Company and TA Securities must fully comply with the relevant provisions under the ACE LR pertaining to the implementation of the Proposed 30% Private Placement;	To be complied
(2)	Our Company and TA Securities to inform Bursa Securities upon the completion of the Proposed 30% Private Placement;	To be complied
(3)	Our Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed 30% Private Placement is completed;	To be complied

	Conditions imposed	Status of compliance
(4)	Our Company to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in a general meeting approving the Proposed 30% Private Placement;	To be complied
(5)	TA Securities to furnish Bursa Securities with details of the proposed placee(s) as per Rule 6.16 of the ACE LR for Bursa Securities' clearance, prior to the issuance/allotment of the Placement Shares; and	To be complied
(6)	Our Company to provide quarterly updates via Bursa Link (simultaneously with the submission of Quarterly Report and in the form of General Announcement for PLC) on the following: <ul style="list-style-type: none"> (a) the status of each of the event, project or purpose for which the total proceeds raised from the Proposed 30% Private Placement are utilised for, including but not limited to, the percentages of completion of the projects/initiatives; (b) where relevant, details on where the balance of proceeds raised is being placed (pending utilisation). If it is parked with asset management company/fund manager, to disclose the name of the asset management company/fund manager; and (c) the summary of Placement Shares issued and allotted as follows: <ul style="list-style-type: none"> (i) date of price fixing and date of issuance of Placement Shares (each tranche); (ii) quantity of Placement Shares issued and allotted; (iii) issue price and basis of arriving at the issue price (each tranche); and (iv) aggregate number of Placement Shares issued and allotted as at the end of each quarter. 	To be complied 

10. INTER-CONDITIONALITY

The Proposed 30% Private Placement is not inter-conditional with the Proposed Waiver of the Shareholders' Pre-emptive Rights and is not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

11. CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

The Board confirms that save for the Proposed Waiver of the Shareholders' Pre-emptive Rights and the Proposed Acquisition, there is no other corporate exercise which our Company has announced but not yet completed prior to the date of this Circular.

12. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or chief executive of our Company and/or persons connected with them (as defined in the ACE LR) has any direct or indirect interest in the Proposed 30% Private Placement.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed 30% Private Placement (including but not limited to the utilisation of proceeds, rationale and effects of the Proposed 30% Private Placement), is of the opinion that the Proposed 30% Private Placement is in the best interest of our Company and accordingly recommends you to vote **IN FAVOUR** of the resolution in respect of the Proposed 30% Private Placement to be tabled at our forthcoming EGM.

14. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the relevant approvals being obtained, our Board expects the Proposed 30% Private Placement to be completed within 6 months from the date of approval from Bursa Securities for the Proposed 30% Private Placement or any extended period as may be approved by Bursa Securities.

15. EGM

Our EGM, the notice of which is set out in this Circular, will be held at Kelawai Room, Lobby, Evergreen Laurel Hotel Penang, 53 Persiaran Gurney, 10250 George Town, Pulau Pinang on Tuesday, 15 August 2023 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed 30% Private Placement.

If you are unable to attend and vote in person at our EGM, you should complete, sign and return the enclosed Proxy Form in accordance with the instructions provided thereon. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by our Company at least 48 hours before the time appointed for holding our EGM or adjourned EGM at which person named in the instrument proposes to vote:

(i) In hard copy form

The Proxy Form must be deposited at the poll administrator's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By electronic means

The Proxy Form can be electronically lodged with the poll administrator via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Proxy Form.

The Proxy Form once deposited will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

You are advised to refer to the appendix sets out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
VOLCANO BERHAD

DATUK CH'NG HUAT SENG
Non-Independent Managing Director

PART B

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE
PROPOSED WAIVER OF THE SHAREHOLDERS' PRE-EMPTIVE
RIGHTS**



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

Registered Office:

9-1, 9th Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 George Town, Penang

26 July 2023

Board of Directors

Wong Wan Chin, D.J.N (*Independent Non-Executive Chairman*)
Datuk Ch'ng Huat Seng (*Non-Independent Managing Director*)
Dato' Wong Tze Peng (*Non-Independent Executive Director*)
Gan Yew Thiam (*Non-Independent Executive Director*)
Yeap Guan Seng (*Non-Independent Executive Director*)
Khoo Boo Wui (*Non-Independent Executive Director/ Chief Financial Officer*)
Tan Yen Yeow (*Independent Non-Executive Director*)
Hing Poe Pyng (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED WAIVER OF THE SHAREHOLDERS' PRE-EMPTIVE RIGHTS

1. INTRODUCTION

On 29 June 2021, TA Securities had, on behalf of our Company, announced that the effective date of implementation of the ESOS which forms part of our Company's listing scheme is on 29 June 2021. No ESOS Option has been granted up till the date of this Circular.

During the 4th AGM, we have obtained our shareholders' approval for the Existing General Mandate. Since the 4th AGM until the date of this Circular, no new Share has been issued pursuant to the Existing General Mandate.

Pursuant to Section 85 of the Act read together with Clause 58(1) of our Constitution, the shareholders of our Company have the pre-emptive rights to be offered new Shares which rank equally to existing Shares, subject to any direction to the contrary that may be given in general meeting.

Section 85 of the Act provides as follows:

“85. *Pre-emptive rights to new shares*

- (1) *Subject to the constitution, where a company issue shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.*
- (2) *An offer under subsection (1) shall be made to the holders of existing shares in a notice specifying the number of shares offered and the time frame of the offer within which the offer, if not accepted, is deemed to be declined.*

- (3) *If the offer is not accepted after the expiry of the period specified in the notice under subsection (2), the directors may dispose those shares in such manner as the directors think most beneficial to the company.”*

Clause 58(1) of our Constitution provides as follows:

“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. DETAILS OF THE PROPOSED WAIVER OF THE SHAREHOLDERS’ PRE-EMPTIVE RIGHTS

In view of the provisions of Section 85 of the Act read together with Clause 58(1) of our Constitution as stated above, our Company now proposes to seek our shareholders’ waiver of their pre-emptive rights over the new Shares and ESOS Options to enable our Directors to:

- (i) allot and issue new Shares pursuant to the Existing General Mandate; and
- (ii) grant the ESOS Options and to allot and issue new Shares upon the exercise of such ESOS Options.

3. RATIONALE OF THE PROPOSED WAIVER OF THE SHAREHOLDERS’ PRE-EMPTIVE RIGHTS

The Proposed Waiver of the Shareholders’ Pre-emptive Rights will provide flexibility to our Company to issue and allot new Shares pursuant to the Existing General Mandate and to grant ESOS Options which are exercisable into new Shares, which rank equally to existing issued Shares to any person, without having first to offer such new Shares to existing shareholders in proportion to their shareholdings in our Company. This flexibility will allow our Company to issue new Shares pursuant to the Existing General Mandate for any possible fund-raising activities such as placement of shares. Our Company will also be able to implement the ESOS efficiently in terms of the granting, vesting and issuance of new Shares pursuant to the exercise of the ESOS Options by eligible employees and Directors of our Group (excluding dormant subsidiaries, if any) under the ESOS.

4. EFFECTS OF THE PROPOSED WAIVER OF THE SHAREHOLDERS’ PRE-EMPTIVE RIGHTS

The Proposed Waiver of the Shareholders’ Pre-emptive Rights, if approved, will be supplementary to the Existing General Mandate and the ESOS.

The Proposed Waiver of the Shareholders’ Pre-emptive Rights in respect of the Existing General Mandate, if approved, unless revoked or varied by our Company in a general meeting, will be valid for the same validity period of the Existing General Mandate i.e. until the conclusion of the next Annual General Meeting of our Company. The Proposed Waiver of the Shareholders’ Pre-emptive Rights in respect of the grant of the ESOS Options and the issuance of new Shares pursuant to the exercise of such ESOS Options, will be valid for the duration of the ESOS.

The Proposed Waiver of the Shareholders’ Pre-emptive Rights is not expected to have any material effect on the issued share capital, substantial shareholders’ shareholdings, net assets, gearing or earnings of our Group.

5. APPROVAL REQUIRED

The Proposed Waiver of the Shareholders’ Pre-emptive Rights is subject to the approval of our shareholders at our forthcoming EGM to be convened.

6. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or chief executive of our Company and/or persons connected with them (as defined in the ACE LR) has any direct or indirect interest in the Proposed Waiver of the Shareholders' Pre-emptive Rights other than their interests as eligible employees and/or Directors of our Group (excluding dormant subsidiaries, if any) under the ESOS. As at the date of this Circular, we have not granted any ESOS Options.

7. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Waiver of the Shareholders' Pre-emptive Rights, is of the opinion that the Proposed Waiver of the Shareholders' Pre-emptive Rights is in the best interest of our Company and accordingly recommends you to vote **IN FAVOUR** of the resolution in respect of the Proposed Waiver of the Shareholders' Pre-emptive Rights to be tabled at our forthcoming EGM.

8. EGM

Our EGM, the notice of which is set out in this Circular, will be held at Kelawai Room, Lobby, Evergreen Laurel Hotel Penang, 53 Persiaran Gurney, 10250 George Town, Pulau Pinang on Tuesday, 15 August 2023 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Waiver of the Shareholders' Pre-emptive Rights.

If you are unable to attend and vote in person at our EGM, you should complete, sign and return the enclosed Proxy Form in accordance with the instructions provided thereon. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by our Company at least 48 hours before the time appointed for holding our EGM or adjourned EGM at which person named in the instrument proposes to vote:

(i) In hard copy form

The Proxy Form must be deposited at the poll administrator's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By electronic means

The Proxy Form can be electronically lodged with the poll administrator via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Proxy Form.

The Proxy Form once deposited will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

Yours faithfully,
For and on behalf of our Board
VOLCANO BERHAD

DATUK CH'NG HUAT SENG
Non-Independent Managing Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts and information, the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS AND CONFLICT OF INTEREST**2.1 Adviser and Placement Agent**

TA Securities, being the Adviser and Placement Agent for the Proposed 30% Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto, in the form and context in which they appear in this Circular. TA Securities has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Adviser and Placement Agent for the Proposed 30% Private Placement.

2.2 Independent market researcher

SMITH ZANDER, being the independent market researcher, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the IMR Report and all references thereto, in the form and context in which they appear in this Circular. SMITH ZANDER has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the independent market researcher.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, neither our Company nor our subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Group and our Board confirms that there are no proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Group:

- (a) VNP had on 2 November 2022 filed a civil case against Versa Manufacturing Sdn. Bhd. (“**the Defendant**”), claiming for, inter alia:-
- (i) the sum of RM386,587.76 being payment for products that have been completed, sold and delivered by VNP to the Defendant;
 - (ii) the sum of RM162,737.00 being payment for products that have been made and completed (pursuant to the Defendant’s purchase order(s)) but yet to be delivered to the Defendant;
 - (iii) the sum of RM420,328.29 for costs of custom made and imported raw materials which have been purchased by VNP to accommodate the Defendant’s purchase orders until April 2022;
 - (iv) interest of 5% per annum on the above paragraphs (i), (ii) and (iii) calculated on a daily basis from the date of the judgment until full settlement; and
 - (v) costs.

On 2 December 2022, the Defendant filed their Statement of Defence and also included Q Plas Sdn Bhd as the third party to the action on the ground that there was a ‘back to back’ arrangement among the parties for the purchase and payment of the goods. On 4 January 2023, VNP filed an application for summary judgment for the sum of RM386,587.76 being the payment due and payable by the Defendant for the goods which have been completed, sold and delivered to the Defendant. On 12 April 2023, the court entered a summary judgment in favour of VNP against the Defendant for the sum of RM386,587.76 with 5% interest thereon calculated daily from judgement date to the date of full settlement and RM1,500.00 in costs. The court has fixed the next case management date on 31 July 2023 for the parties to file pre-trial documents and to fix trial date for the remaining of VNP’s claims under the Statement of Claim dated 2 November 2022 as aforesaid.

Based on the advice and views of the litigation lawyers acting for VNP in the above legal action, our Directors are cautiously optimistic that VNP would be able to obtain judgement in its favour.

FURTHER INFORMATION (CONT'D)

4. MATERIAL COMMITMENT

Save as disclosed below, as at the LPD, our Board confirms that there is no material commitment incurred or known to be incurred by our Group, which upon becoming enforceable, may have material impact on the financial position of our Group:

	Amount (RM'000)
Approved and contracted for: Purchase of property, plant and equipment	10,601
Approved and not contracted for: Purchase of property, plant and equipment	370
Total	10,971

5. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities incurred or known to be incurred by our Group, which upon becoming enforceable, may have material impact on the financial position of our Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company at 9-1, 9th Floor, Wisma Penang Garden, 42, Jalan Sultan Ahmad Shah, 10050 George Town, Penang during normal business hours from 9.00 a.m. to 5.00 p.m. from Mondays to Fridays (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of our forthcoming EGM for the Proposals:

- (i) our Constitution;
- (ii) our Group's audited financial statements for the FYEs 31 December 2020 and 2021 and unaudited financial results for the 15-month FPE 31 March 2023;
- (iii) the IMR Report;
- (iv) the letter of consent and conflict of interest as referred to in **Section 2** of this Appendix;
- (v) the relevant cause paper for material litigation as referred to in **Section 3** of this Appendix; and
- (vi) the SPA in relation to the Proposed Acquisition.

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VOLCANO BERHAD

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of Volcano Berhad (“Volcano” or “Company”) will be held at **Kelawai Room, Lobby, Evergreen Laurel Hotel Penang, 53 Persiaran Gurney, 10250 George Town, Pulau Pinang** on **Tuesday, 15 August 2023 at 10.00 a.m.**, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 49,500,000 NEW ORDINARY SHARES IN THE COMPANY (“SHARES”) (“PLACEMENT SHARES”), REPRESENTING UP TO 30% OF SHARES IN ISSUE (EXCLUDING TREASURY SHARES, IF ANY) (“PROPOSED 30% PRIVATE PLACEMENT”)

“THAT, approval be and is hereby given to the Board of Directors of the Company (“Board”) to increase the share capital of the Company by way of private placement of up to 49,500,000 new Shares, representing up to 30% of the existing number of issued Shares (excluding any treasury shares, if any) of the Company to independent third party investor(s) to be identified, at an issue price for each tranche to be determined and fixed by the Board later, after all the relevant approvals have been obtained (if any), which issue price shall be at a discount of not more than 10% to the 5-day volume weighted average market price of the Shares immediately preceding the price fixing date;

THAT the Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions, of which the entitlement date is prior to the date of allotment and issuance of the Placement Shares;

THAT pursuant to Section 85 of the Companies Act, 2016 (“Act”) read together with Clause 58(1) of the Company’s Constitution, approval be given to waive the pre-emptive rights of the shareholders of the Company in respect of the new Shares to be issued pursuant to the Proposed 30% Private Placement AND THAT the Board is exempted from the obligation to offer such new Shares first to the existing shareholders of the Company prior to the allotment and issuance of new Shares to the independent third party investor(s) to be identified;

AND THAT the Board be and is hereby authorised to do all such acts and things that are necessary to give full effect to the Proposed 30% Private Placement with full powers to assent to any conditions, modifications, variations and/or amendments deemed necessary or expedient in the interest of the Company and/or as may be required by the relevant authorities and to take all steps and actions they consider necessary or as may be required to give full effect to and complete the Proposed 30% Private Placement.”

ORDINARY RESOLUTION 2

PROPOSED WAIVER OF THE SHAREHOLDERS’ PRE-EMPTIVE RIGHTS IN RELATION TO THE AUTHORITY TO ISSUE NEW SHARES PURSUANT TO THE COMPANIES ACT, 2016

“THAT further to the shareholders’ approval obtained on 26 May 2022 at the 4th Annual General Meeting of the Company pursuant to Sections 75 and 76 of the Act in respect of the authority to issue Shares whereby the Directors of the Company are empowered to allot and issue Shares from time to time not exceeding 10% of the total number of issued Shares for the time being, upon such terms and conditions and for such purposes as the Directors of the Company, may in their absolute discretion deem fit (“Existing General Mandate”), the shareholders hereby resolve to waive their pre-emptive rights under Section 85 of the Act read together with Clause 58(1) of the Constitution of the Company, to be offered new Shares arising from any allotment and issuance of Shares pursuant to the Existing General Mandate.”

ORDINARY RESOLUTION 3

PROPOSED WAIVER OF THE SHAREHOLDERS' PRE-EMPTIVE RIGHTS FOR THE ALLOTMENT AND ISSUANCE OF NEW SHARES UNDER THE COMPANY'S EXISTING EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

"THAT further to the implementation of the ESOS which effective date is 29 June 2021, the shareholders hereby resolve to waive their pre-emptive rights under Section 85 of the Act read together with Clause 58(1) of the Constitution of the Company, over all options to be offered or granted to eligible employees and Directors of the Company and its subsidiaries (excluding dormant subsidiaries, if any) under the ESOS ("ESOS Options"), and/or new Shares to be issued pursuant to the exercise of any ESOS Options which new Shares, when issued, shall rank equally with the existing Shares, and/or the vesting of any such ESOS Options and/or such new Shares to be issued under the ESOS."

By Order of the Board

LIM YONG CHIAT (MAICSA 7060553) (SSM PC No. 201908000066)

Company Secretary

Pulau Pinang

26 July 2023

NOTES:

- a) A shareholder who is entitled to attend and vote at the Meeting shall be entitled to appoint up to two (2) proxies to attend and vote at the Meeting in his stead. Where a shareholder appoints two (2) proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.
- b) In accordance with Clause 65(2) of the Company's Constitution to issue a General Meeting Record of Depositors as at 8 August 2023, only members whose names appear in the General Meeting Record of Depositors as at 8 August 2023 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- c) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or by at least two (2) authorised officers, one of whom shall be director (or in the case of a sole director, by that director in the presence of a witness who attests the signature) or under the hand of an officer or attorney duly authorised.
- e) Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- f) Where a member of the Company is an exempt authorised nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- g) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company at least 48 hours before the time appointed for holding the Meeting or adjourned meeting at which person named in the instrument purposes to vote.

i) In hard copy form

The Proxy Form must be deposited at the poll administrator's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

ii) By electronic means

The Proxy Form can be electronically lodged with the poll administrator via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Proxy Form.

EXPLANATORY NOTES:

1. PROPOSED WAIVER OF THE SHAREHOLDERS' PRE-EMPTIVE RIGHTS IN RELATION TO THE AUTHORITY TO ISSUE NEW SHARES PURSUANT TO THE COMPANIES ACT, 2016

The proposed adoption of Ordinary Resolution 2 is for the purpose of seeking the shareholders' waiver of the pre-emptive rights of shareholders of the Company pursuant to Section 85(1) of the Act read together with Clause 58(1) of the Constitution of the Company ("Shareholders' Pre-Emptive Rights") in relation to the Existing General Mandate obtained in the Company's 4th Annual General Meeting ("AGM") on 26 May 2022.

VOLCANO BERHAD
Registration No. 201801004790 (1266804-D)
(Incorporated in Malaysia)

ADMINISTRATIVE DETAILS

**EXTRAORDINARY GENERAL MEETING OF VOLCANO BERHAD (“VOLCANO” OR “COMPANY”)
 (“EGM”)**

Date : **Tuesday, 15 August 2023**
Time : **10.00 a.m.**
Venue of Meeting : **Kelawai Room, Lobby, Evergreen Laurel Hotel Penang, 53 Persiaran
Gurney, 10250 George Town, Pulau Pinang**

IMPORTANT INFORMATION

1. GENERAL MEETING RECORD OF DEPOSITORS (“ROD”)

Only a depositor whose name appears on the ROD as at **8 August 2023** shall be entitled to attend, speak and vote at the EGM or appoint proxies to attend and/or vote on his/her behalf.

2. PROXY

- If you are unable to attend the meeting on 15 August 2023, you may appoint the Chairman of the meeting as proxy and indicate the voting instructions in the Proxy Form.
- You may also submit the Proxy Form electronically via **TIIH Online** website at <https://tiih.online> no later than **Sunday, 13 August at 10.00 a.m.** Please do read and follow the procedures to submit Proxy Form electronically below.
- You may submit your Proxy Form to Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) by fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com. However, please ensure that the **Original Proxy Form** is deposited at Tricor’s office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof, otherwise the Proxy Form shall not be treated as valid.

3. ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your Proxy Form electronically via Tricor’s **TIIH Online** website are summarised below:

	Procedure	Action
i. Steps for Individual Members		
(a)	Register as a User with TIIH Online	<ul style="list-style-type: none">• Using your computer, please access the website at https://tiih.online. Register as a user under the “e-Services”. Select the “Sign Up” button and followed by “Create Account by individual Holder”. Please do refer to the tutorial guide posted on the homepage for assistance.• If you are already a user with TIIH Online, you are not required to register again.
(b)	Proceed with submission of Proxy Form	<ul style="list-style-type: none">• After the release of the Notice of EGM by the Company, login with your user name (i.e. email address) and password.• Select the corporate event: “VOLCANO BERHAD 2023 EGM – Submission of Proxy Form”.

VOLCANO BERHAD
Registration No. 201801004790 (1266804-D)
(Incorporated in Malaysia)

ADMINISTRATIVE DETAILS

**EXTRAORDINARY GENERAL MEETING OF VOLCANO BERHAD (“VOLCANO” OR “COMPANY”)
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(b)	Proceed with submission of Proxy Form	<ul style="list-style-type: none">• After the release of the Notice of EGM by the Company, login with your user name (i.e. email address) and password.• Select the corporate event: “VOLCANO BERHAD 2023 EGM – Submission of Proxy Form”.

		<ul style="list-style-type: none"> • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman of the meeting as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. • Review and confirm your proxy(s) appointment. • Print Proxy Form for your record.
ii. Steps for Corporation or Institutional Members		
(c)	Register as a User with TIIH Online website	<ul style="list-style-type: none"> • Access TIIH Online website at https://tiih.online • Under e-Services, the authorised or nominated representative of the corporation or institutional member selects “Create Account by Representative of Corporate Holder”. • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by e-mail within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the e-mail and re-set your own password. <p>Note: The representative of a corporation or institutional member must register as a user in accordance with the above steps before he/she can subscribe to this corporate member electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p>
(d)	Proceed with submission of Proxy Form	<ul style="list-style-type: none"> • Login to TIIH Online website at https://tiih.online. • Select the corporate exercise name: “VOLCANO BERHAD 2023 EGM – Submission of Proxy Form”. • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Proceed to upload the duly completed proxy appointment file. • Select “Submit” to complete your submission. • Print the confirmation report of your submission for your record.

4. POLL VOTING

- The voting at the EGM will be conducted by poll in accordance with Rule 8.31A of Bursa Malaysia Securities Berhad’s ACE Market Listing Requirements. The Company has appointed Tricor Investor & Issuing House Services Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting and Value Creator Consultancy as Scrutineers to verify the poll results.
- Upon completion of the voting session for the EGM, the Scrutineers will verify and hand over the poll result to Chairman followed by the Chairman’s declaration whether the resolutions are duly passed.

5. CIRCULAR

- The Company’s circular to shareholders dated 26 July 2023 (“**Circular**”) is available at the Company’s website at <https://volcano.com.my/investor-relations/investor-centre-reports/>.
- Should you require a printed copy of the Circular, please request at our Share Registrar’s website at <https://tiih.online> by selecting “Request for Annual Report/Circular” under the “Investor Services”. Alternatively, you may also make your request through telephone/e-mail to our Share Registrar at the number/e-mail addresses given below. We will send it to you by ordinary post as soon as possible upon receipt of your request. Nevertheless,

we hope that you would consider the environment before you decide to request for the printed copy of the Circular.

6. REGISTRATION

1. Registration will start at 9.00 a.m. in Kelawai Room, Lobby, Evergreen Laurel Hotel Penang, 53 Persiaran Gurney, 10250 George Town, Pulau Pinang.
2. Please present your original MyKad/passport to the registration staff for verification.
3. Upon verification, you are required to write your name, mobile contact and sign the Attendance List placed on the registration table.
4. You will be given an identification wristband with a personalised passcode for the purpose of voting at this EGM.
5. You must wear the identification wristband throughout the EGM as no person will be allowed to enter the meeting hall without the identification wristband. There will be no replacement in the event you lose or misplace the identification wristband.
6. If you are attending the meeting as a member as well as a proxy, you will be registered once and will be given only one identification wristband to enter the meeting hall.
7. No person will be allowed to register on behalf of another person even with the original Mykad/passport of the other person.

7. HELP DESK

1. Please proceed to the Help Desk for any clarification or queries apart from registration details.
2. The Help Desk will also handle revocation of proxy's appointment.

8. RECORDING OR PHOTOGRAPHY

Strictly **NO** unauthorised recording or photography of the proceedings of the EGM is allowed.

9. ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line : +603-2783 9299

Fax Number : +603-2783 9222

Email : is.enquiry@my.tricorglobal.com

Contact Persons :

Nur Afrah Tel: 03-2783 9263 email: Nur.Afrah@my.tricorglobal.com

Mohamad Khairuddin Tel : 03-2783 7973 email: Mohamad.Khairudin@my.tricorglobal.com



PROXY FORM

VOLCANO BERHAD

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

CDS Account No.	
No. of Shares held	

I/We
(Full name in Block Letters and NRIC / Passport / Company No.)

of and
(Address) (Tel No.)

being a member / members of Volcano Berhad (“Company”) hereby appoint:

Full Name (in Block Letters)	NRIC / Passport No.	No. of Shares	% of Shareholding

* and/or (*delete if not applicable)

Full Name (in Block Letters)	NRIC / Passport No.	No. of Shares	% of Shareholding

or failing *him/her, THE CHAIRMAN OF THE MEETING as *my/our proxy, to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be held at Kelawai Room, Lobby, Evergreen Laurel Hotel Penang, 53 Persiaran Gurney, 10250 George Town, Pulau Pinang on Tuesday, 15 August 2023 at 10.00 a.m., or at any adjournment thereof, in the manner indicated below:

No.	Ordinary Resolutions	For	Against
1.	Proposed 30% Private Placement		
2.	Proposed waiver of the shareholders’ pre-emptive rights in relation to the authority to issue new shares pursuant to the Companies Act, 2016		
3.	Proposed waiver of the shareholders’ pre-emptive rights for the allotment and issuance of new shares under the Company’s existing employees’ share option scheme		

(Please indicate with an “x” in the appropriate box against the resolution how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.)

Signed this..... day of 2023

Signature of Shareholder

Common Seal is to be affixed here if
Shareholder is a Corporation

NOTES:

- A shareholder who is entitled to attend and vote at the Meeting shall be entitled to appoint up to two (2) proxies to attend and vote at the Meeting in his stead. Where a shareholder appoints two (2) proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.
- In accordance with Clause 65(2) of the Company’s Constitution to issue a General Meeting Record of Depositors as at 8 August 2023, only members whose names appear in the General Meeting Record of Depositors as at 8 August 2023 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or by at least two (2) authorised officers, one of whom shall be director (or in the case of a sole director, by that director in the presence of a witness who attests the signature) or under the hand of an officer or attorney duly authorised.
- Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company at least 48 hours before the time appointed for holding the Meeting or adjourned meeting at which person named in the instrument purposes to vote.
 - In hard copy form

The Proxy Form must be deposited at the poll administrator’s office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

- By electronic means

The Proxy Form can be electronically lodged with the poll administrator via TIH Online website at <https://tth.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Proxy Form.

EXPLANATORY NOTES:

1. PROPOSED WAIVER OF THE SHAREHOLDERS' PRE-EMPTIVE RIGHTS IN RELATION TO THE AUTHORITY TO ISSUE NEW SHARES PURSUANT TO THE COMPANIES ACT, 2016

The proposed adoption of Ordinary Resolution 2 is for the purpose of seeking the shareholders' waiver of the pre-emptive rights of shareholders of the Company pursuant to Section 85(1) of the Act read together with Clause 58(1) of the Constitution of the Company ("**Shareholders' Pre-Emptive Rights**") in relation to the Existing General Mandate obtained in the Company's 4th Annual General Meeting ("**AGM**") on 26 May 2022.

If Ordinary Resolution 2 is approved, it will allow the Directors of the Company to issue new Shares which rank equally to existing issued Shares, to any person without having to offer the new Shares to all existing shareholders of the Company prior to issuance of new Shares under the Existing General Mandate.

The proposed adoption of Ordinary Resolution 2 together with the Existing General Mandate will provide flexibility to the Company for the allotment and issuance of new Shares for any possible fund-raising activities, including but not limited to placement of Shares for the purpose of funding future investment project(s), working capital and/or acquisition(s).

As at the date of this Notice, there were no new Shares issued pursuant to the Existing General Mandate granted to the Directors of the Company since the 4th AGM.

2. PROPOSED WAIVER OF THE SHAREHOLDERS' PRE-EMPTIVE RIGHTS FOR THE ALLOTMENT AND ISSUANCE OF NEW SHARES UNDER THE COMPANY'S EXISTING EMPLOYEES' SHARE OPTION SCHEME ("ESOS**")**

The proposed adoption of Ordinary Resolution 3 is for the purpose of seeking the waiver of the Shareholders' Pre-Emptive Rights from shareholders to provide flexibility to the Company to grant options pursuant to the ESOS ("**ESOS Options**") in its implementation of the ESOS.

As at the date of this Notice, there was no ESOS Option granted pursuant to the ESOS.

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AFFIX
STAMP

The Company Secretary
VOLCANO BERHAD
(Registration No.: 201801004790 (1266804-D))
9-1, 9th Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 George Town, Penang

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