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Volcano Spring International Holdings Limited

火山邑動國際控股有限公司

(Formerly known as “Miji International Holdings Limited”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1715)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2023	2022
Revenue (RMB'000)	84,369	88,186
Gross profit (RMB'000)	21,217	38,487
Gross profit margin (%)	25.1%	43.6%
Net loss for the year (RMB'000)	(49,318)	(43,550)
Loss per share		
– Basic and diluted (RMB cents)	(2.92)	(2.88)

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Volcano Spring International Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”). These results have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Revenue	3	84,369	88,186
Cost of sales	4	(63,152)	(49,699)
Gross profit		21,217	38,487
Other income		4,022	2,602
Other (losses)/gains, net		(492)	2,073
Selling and distribution expenses	4	(34,282)	(42,450)
Administrative expenses	4	(18,826)	(28,470)
Research and development expenses	4	(6,938)	(7,994)
Net impairment losses on financial assets		(5,715)	(2,059)
Operating loss		(41,014)	(37,811)
Finance income		12	62
Finance costs		(7,715)	(5,064)
Finance costs, net		(7,703)	(5,002)
Share of net loss of associates		(566)	(393)
Loss before income tax		(49,283)	(43,206)
Income tax expense	5	(35)	(344)
Loss for the year		(49,318)	(43,550)
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		206	(692)
Reclassification of cumulative exchange reserve upon disposal of investment in a subsidiary		15	–
		221	(692)
Total comprehensive loss for the year		(49,097)	(44,242)

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss attributable to:			
Owners of the Company		(49,318)	(43,213)
Non-controlling interests		—	(337)
		<u>(49,318)</u>	<u>(43,550)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(49,097)	(43,905)
Non-controlling interests		—	(337)
		<u>(49,097)</u>	<u>(44,242)</u>
Total comprehensive loss for the year			
Loss per share attributable to owners of the Company for the year			
Basic and diluted (<i>RMB cents</i>)	6	<u>(2.92)</u>	<u>(2.88)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		12,485	15,064
Right-of-use assets		1,867	1,172
Land use rights		8,163	8,374
Investments in associates		7,665	1,220
Intangible assets		267	450
Deposits	8	210	64
		<u>30,657</u>	<u>26,344</u>
Current assets			
Inventories		50,180	84,125
Trade receivables	7	18,406	13,303
Other receivables, deposits and prepayments	8	15,870	58,309
Amount due from an associate		16,676	–
Amount due from a non-controlling interest		–	130
Restricted bank deposit	9	–	237
Cash and cash equivalents	9	33,951	11,356
		<u>135,083</u>	<u>167,460</u>
Total assets		<u>165,740</u>	<u>193,804</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		16,109	12,561
Share premium		96,223	72,173
Reserves		(54,125)	(4,371)
		<u>58,207</u>	<u>80,363</u>
Non-controlling interests		–	(457)
Total equity		<u>58,207</u>	<u>79,906</u>

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		578	64
Borrowings		4,510	4,380
Deferred income tax liabilities		275	261
		<u>5,363</u>	<u>4,705</u>
Current liabilities			
Trade and other payables	10	24,232	27,539
Borrowings		64,989	74,263
Lease liabilities		1,319	1,218
Amount due to associates		8,200	1,301
Amount due to the then non-controlling interest		1,650	1,650
Contract liabilities		1,361	2,776
Current income tax liabilities		419	446
		<u>102,170</u>	<u>109,193</u>
Total liabilities		<u>107,533</u>	<u>113,898</u>
Total equity and liabilities		<u>165,740</u>	<u>193,804</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 16 May 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") mainly engages in the development, manufacturing and selling of kitchen appliances and selling of healthcare products in the People's Republic of China (the "PRC").

The Company commenced its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 16 July 2018.

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis.

(a) Going concern assessment

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its recurring losses incurred. The Group incurred a net loss of approximately RMB49,318,000 for the year ended 31 December 2023. As at 31 December 2023, the Group has current liabilities amounting to RMB102,170,000 in aggregate, while its cash and cash equivalents amounted to approximately RMB33,951,000. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- the directors of the Company have carried out a detail review of the working capital forecast of the Group for not less than twelve months from the year end date, which took into account the projected future working capital of the Group;
- to obtain additional funds by equity financing and revolving bank loans facilities to finance the Group's working capital and the repayment of existing debts when they fall due;
- to negotiate with the lenders of the other borrowings for the extension of repayments of those borrowings and the lenders of the other borrowings have agreed to extend the repayment date of loans to July 2024 and August 2025 amounting approximately RMB18,124,000 and RMB18,125,000 respectively;

- to collect the outstanding trade receivables, other receivables, deposits and prepayments and amount due from an associate and to negotiate with the creditors for the extension of repayments of trade and other payables to a date when the Group has adequate working capital to serve the repayments; and
- to formulate and closely monitor business strategy for the Group to generate cash flows from its existing and new business operations.

In view of the above, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

(b) New and amended standards adopted by the Group

The Group has applied the following new standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The new standards and amendments listed above did not have material impact on the amounts recognised in prior year and are not expected to significantly affect the current or future periods.

(c) **New and revised HKFRSs issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2023 and have not been early adopted by the Group. The management is in the process of assessing the impact of these standards to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback	1 January 2024
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3 SEGMENT INFORMATION AND REVENUE

(a) **Disaggregation of revenue from contracts with customers**

	2023 RMB'000	2022 RMB'000
Type of goods		
Kitchen appliance	64,627	88,186
Healthcare products	19,742	–
	<hr/>	<hr/>
Total revenue	84,369	88,186
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
At a point in time	84,369	88,186
	<hr/> <hr/>	<hr/> <hr/>

(b) **Liabilities related to contracts with customers**

	2023 RMB'000	2022 RMB'000
Contract liabilities – sales of goods (<i>Note</i>)	1,361	2,776
	<hr/> <hr/>	<hr/> <hr/>

Note:

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	<u>2,776</u>	<u>3,422</u>

(c) Segment information provide to the executive directors

The chief operating decision-makers have been identified as the executive directors of the Group. Management has determined the operating segments based on the information reviewed by the executive directors for the purpose of allocating resources and assessing performance. There are two components in internal reporting to the executive directors during the year of 2023, one component is the development, manufacturing and selling of kitchen appliance and the other component is the selling of healthcare products. During the year of 2022, there is only one component which is the development, manufacturing and selling of kitchen appliance.

The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are summarised as follows:

Year ended 31 December 2023	Development, manufacturing and selling of kitchen appliance <i>RMB'000</i>	Selling of healthcare products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>64,627</u>	<u>19,742</u>	<u>84,369</u>
Segment loss	<u>(35,618)</u>	<u>(1,904)</u>	<u>(37,522)</u>
Unallocated expenses			(3,492)
Share of loss of associates, net			(566)
Finance costs, net			<u>(7,703)</u>
Loss before income tax			<u>(49,283)</u>

There are no inter-segment sales for the year ended 31 December 2023. All of the segment revenue reported above is from external customers.

Segment loss represents the loss incurred by each segment without allocation of share of net loss of associates, net finance costs and unallocated expenses.

Year ended 31 December 2023	Development, manufacturing and selling of kitchen appliance RMB'000	Selling of healthcare products RMB'000	Total RMB'000
Assets			
Segment assets	<u>90,528</u>	<u>67,547</u>	<u>158,075</u>
Investment in associates			<u>7,665</u>
Total consolidated assets			<u><u>165,740</u></u>
Liabilities			
Segment liabilities	<u>(28,738)</u>	<u>(1,096)</u>	<u>(29,834)</u>
Borrowings			<u>(69,499)</u>
Amount due to associates			<u>(8,200)</u>
Total consolidated liabilities			<u><u>(107,533)</u></u>

The Group's activities are mainly carried out in the PRC and a majority of the Group's assets and liabilities of the operating companies are located in the PRC. As at 31 December 2023, non-current assets of RMB30,657,000 (2022: RMB25,843,000) of the Group were located in the PRC. For the year ended 31 December 2023, revenue of RMB84,286,000 (2022: RMB84,224,000) was derived from external customers in the PRC. Revenues of approximately RMB15,294,000 and RMB8,960,000 (2022: RMB22,041,000 and RMB8,973,000) were derived from two (2022: two) individual external customers, each of which contributed more than 10% of Group's revenue.

4 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of materials used	59,958	46,369
Auditor's remuneration		
– Audit services	1,036	1,091
– Non-audit services	–	–
Legal and professional fees	2,137	8,703
Depreciation of property, plant and equipment	2,941	4,270
Depreciation of right-of-use assets	2,182	2,460
Amortisation of land use rights	211	211
Amortisation of intangible assets	180	264
Employee benefit expenses (including directors' emoluments)	24,454	25,874
Consignment fee	8,933	14,018
Short-term lease expenses	1,292	936
Decoration expenses	1,432	1,127
Advertising and promotion expenses	2,838	3,574
Product design and inspection fee	562	543
Sundry expenses of consignment stores	2,027	3,030
Travelling and entertainment expenses	1,771	1,230
Transportation expenses	3,231	4,295
Donation expenses	–	2,471
Office expenses	1,550	1,445
Exhibition expenses	791	737
Utilities expenses	1,232	1,109
Others	4,440	4,856
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, research and development expenses and administrative expenses	123,198	128,613

5 INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the years ended 31 December 2023 and 2022.

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. The PRC corporate income tax rate of all the PRC subsidiaries during the years ended 31 December 2023 and 2022, was 25% except for Miji Electronics and Appliances (Shanghai) Ltd (“**Miji Shanghai**”) whose corporate income tax rate was 15% as Miji Shanghai has obtained the High New Technology Enterprise Certificate.

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax	21	–
Deferred income tax	14	344
	<hr/>	<hr/>
	35	344

6 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holder of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u>(49,318)</u>	<u>(43,213)</u>
Weighted average number of ordinary shares in issue	<u>1,690,467,836</u>	<u>1,500,000,000</u>
Basic loss per share (<i>RMB cents</i>)	<u>(2.92)</u>	<u>(2.88)</u>

(b) Diluted

Diluted loss per share were the same as the basic loss per share as there were no potential dilutive ordinary shares in existence during both years presented.

7 TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	28,315	17,705
Less: loss allowance	<u>(9,909)</u>	<u>(4,402)</u>
	<u>18,406</u>	<u>13,303</u>

The carrying amounts of the trade receivables approximate their fair value and are denominated in RMB.

The Group's credit terms to trade receivables are generally 60 to 270 days. The ageing analysis of the gross trade receivables, based on invoice date, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
1–30 days	8,704	6,314
31–60 days	2,732	2,700
61–90 days	745	461
Over 90 days	<u>16,134</u>	<u>8,230</u>
	<u>28,315</u>	<u>17,705</u>

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current		
Deposits	210	64
Current		
Prepayments (i)	8,410	48,960
Deposits paid to consignment stores	3,175	3,556
Value added tax recoverable	1,522	3,160
Other receivables	2,971	2,633
	16,078	58,309
Less: Expected credit losses allowance of other receivables	(208)	–
	15,870	58,309
	16,080	58,373

(i) Nature of prepayments

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Purchase of inventories	7,605	46,489
Prepaid expenses	805	2,471
	8,410	48,960

Note:

The carrying amounts of other receivables, deposits and prepayments approximate their fair values and are mainly denominated in RMB.

9 RESTRICTED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Restricted bank deposit (<i>Note</i>)	–	237
Cash and cash equivalents		
– Cash at bank	33,932	11,300
– Cash on hand	19	56
Total cash and bank balances	33,951	11,593

Note: As at 31 December 2023, the Group did not have restricted bank deposit held at bank (2022: RMB237,000 are restricted bank deposit held at bank as a security for bank borrowings of the Group).

10 TRADE PAYABLES

As at 31 December 2023, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
1–30 days	4,806	8,931
31–60 days	1,940	2,887
61–90 days	280	2,991
Over 90 days	4,320	1,027
	<u>11,346</u>	<u>15,836</u>

11 DIVIDENDS

No dividend was declared by the Company for the years ended 31 December 2023 and 2022.

12 EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (i) Subsequent to the Reporting Period, the Board proposed to implement a share consolidation pursuant to which every twenty-five issued and unissued existing shares of the Company of HK\$0.01 each in the share capital of the Company will be consolidated into one consolidated share of HK\$0.25 each. This share consolidation is conditional upon, among other things, the approval of shareholders of the Company at the extraordinary general meeting to be held on 27 March 2024 (the “EGM”).
- (ii) Subsequent to the Reporting Period, as set out in the announcement of the Company dated 8 February 2024 in relation to the placing of 18,903,000 new shares (assuming share consolidation becoming effective) of the Company to not less than six places at the placing price of HK\$1.13 per placing share (assuming share consolidation becoming effective) pursuant to the terms and conditions of a placing agreement entered into between the Company and a placing agent dated 8 February 2024 (“Placing”). This Placing will be allotted and issued pursuant to the specific mandate to be approved by the shareholders of the Company at the EGM. The Company intends to apply approximately 97.1% of the net proceeds from this Placing towards the repayment of the Group’s other borrowing; and approximately 2.9% of the net proceeds from this Placing to replenish the Group’s general working capital by the end of 2024.
- (iii) Subsequent to the Reporting Period, the Group collected the amount due from an associate amounted to RMB16,676,000 on 20 March 2024.
- (iv) Subsequent to the Reporting Period, the Company and the lenders of the other borrowings amounted RMB18,125,000 enter into loan agreements in March 2024 for the extension of repayments of those borrowings. These borrowings will mature in 15 August 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group puts its focus on the research and development, manufacturing and trading of kitchen appliances and selling of healthcare products in the PRC. The Group distributes its products across the PRC through various sales channels comprising mainly of distributors, consignment sales, television platforms, online platforms and corporate clients.

The global economy experienced a difficult period in 2023. The World Economic Outlook published by the International Monetary Fund in October 2023 indicated that the global growth declined from 3.5% in 2022 to 3.0% in 2023 and it is projected to reach 2.9% in 2024. Numerous enterprises, including the Group, encountered unprecedented challenges from the deteriorating global growth, high inflation and the increasing interest rates. Consumers remained prudent about spending. Household savings rates were still considerably higher than pre-COVID levels. The Group's revenue for the Reporting Period decreased by 4.3% to RMB84.4 million from RMB88.2 million for the year ended 31 December 2022. In addition, due to the reduction in gross profit margin and the increase in impairment losses and finance costs, the Group recorded a net loss of RMB49.3 million for the Reporting Period.

Looking ahead, the Group has implemented plans to improve its financial performance. The Group will continue to develop new products that suit the needs of the consumers. During the Reporting Period, the Group rolled out natural spring water and eye care devices to the market. On the other hand, the Group will continue to adopt stringent cost control measures to reduce its expenses. The Group will also consider potential opportunities that can diversify its business segments and create value for the Group and its shareholders.

FINANCIAL REVIEW

Revenue

Revenue by product categories

The Group derives its revenue from the sales of (i) radiant hobs and stoves; (ii) induction hobs and stoves; (iii) pots and pans; (iv) other small kitchen appliances and kitchen cabinets; and (v) healthcare products. During the Reporting Period, the Group rolled out healthcare products to diversify its product portfolio. The Group's total revenue for the Reporting Period amounted to approximately RMB84.4 million.

Set out below is a breakdown of revenue by product categories for the Reporting Period:

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Hobs and stoves (Radiant)	51,424	61.0	63,289	71.8
Hobs and stoves (Induction)	3,073	3.6	3,579	4.1
Pots and pans	3,754	4.4	3,103	3.5
Healthcare products	19,742	23.4	–	–
Others (<i>Note</i>)	6,376	7.6	18,215	20.6
Total	<u>84,369</u>	<u>100.0</u>	<u>88,186</u>	<u>100.0</u>

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Revenue by geographical regions

During the Reporting Period, the Group's revenue was substantially derived in the PRC.

Revenue by sales channels

The Group sells its products through various channels, mainly including its consignment stores, sales to corporate clients, sales from television platforms and online platforms and physical sales locations operated by the Group's distributors. Set out below is a breakdown of revenue by sales channels for the Reporting Period:

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Direct Sales				
Consignment stores	18,192	21.6	26,550	30.1
Corporate clients	2,719	3.2	3,235	3.7
Television platforms	14,699	17.4	32,911	37.3
Subtotal	<u>35,610</u>	<u>42.2</u>	<u>62,696</u>	<u>71.1</u>
Distributors				
Online platforms	22,456	26.6	19,961	22.6
Physical sales locations	26,303	31.2	5,529	6.3
Subtotal	<u>48,759</u>	<u>57.8</u>	<u>25,490</u>	<u>28.9</u>
Total	<u>84,369</u>	<u>100.0</u>	<u>88,186</u>	<u>100.0</u>

Consignment stores

During the Reporting Period, the Group's direct sales revenue from consignment stores decreased by 31.6% to RMB18.2 million from RMB26.6 million for the year ended 31 December 2022, primarily attributable to the decrease in consumer spending amid poor economic conditions.

Corporate clients

During the Reporting Period, the Group's sales revenue from corporate clients decreased by 15.6% to RMB2.7 million from RMB3.2 million for the year ended 31 December 2022, primarily attributable to the decrease in sales orders from PRC property developers.

Television platforms

During the Reporting Period, the Group's direct sales revenue from television platforms decreased by 55.3% to RMB14.7 million from RMB32.9 million for the year ended 31 December 2022, primarily attributable to the decrease in consumer spending amid poor economic conditions.

Online platforms

During the Reporting Period, the Group's sales revenue from online platforms operated by the Group's distributors increased by 12.5% to RMB22.5 million from RMB20.0 million for the year ended 31 December 2022, primarily attributable to the increased use of social media platforms for marketing and sales of products.

Physical sales locations

During the Reporting Period, the Group's sales revenue from physical sales locations increased by 378.2% to RMB26.3 million from RMB5.5 million for the year ended 31 December 2022, primarily attributable to the roll-out of healthcare products during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit margin decreased to 25.1% for the Reporting Period as compared with 43.6% for the year ended 31 December 2022, primarily attributable to the change in the mix of products sold during the Reporting Period; and the gross loss margin of healthcare products, resulting from the recognition of impairment loss on inventories. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Reporting Period:

	Year ended 31 December			
	2023		2022	
	Gross profit/(loss) RMB'000	Gross profit/(loss) margin %	Gross profit RMB'000	Gross profit margin %
Hobs and stoves (Radiant)	17,154	33.4	28,296	44.7
Hobs and stoves (Induction)	1,434	46.7	1,427	39.9
Pots and pans	1,275	34.0	1,264	40.7
Others (<i>Note</i>)	2,495	39.1	7,500	41.2
Healthcare products	(1,141)	(5.8)	–	–
Total	<u>21,217</u>	<u>25.1</u>	<u>38,487</u>	<u>43.6</u>

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Other income

Other income mainly includes government grant, licensing income, management fee income, insurance claim recovered and sundry income. The Group's other income for the Reporting Period increased by 53.8% to RMB4.0 million from RMB2.6 million for the year ended 31 December 2022. Such increase was primarily attributable to the increase in government grant and licensing income.

Other gains and losses

Other gains and losses mainly comprised net gain on disposals of investments and loss on damage of inventories. The Group recorded other losses of RMB0.5 million for the Reporting Period as opposed to other gains of RMB2.1 million for the year ended 31 December 2022. The Group had a loss on damage of inventories of RMB0.7 million caused by adverse weather conditions (2022: nil); and a decrease in net gain on disposal of investments during the Reporting Period, leading to the turnaround from other gains to other losses.

Selling and distribution expenses

Selling and distribution expenses mainly represent consignment fee for the Group's direct sales through consignment stores and television platforms, sundry expenses of consignment stores, employee benefits expenses of sales and marketing staff, business travelling and entertainment expenses, advertising and promotion expenses, rental expenses and transportation expenses for delivery of products to customers. Selling and distribution expenses for the Reporting Period decreased by 19.3% to RMB34.3 million as compared with RMB42.5 million for the year ended 31 December 2022. This was primarily attributable to the decrease in consignment fees along with the decreased proportion of sales through television platform.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, general office expenses, rental expenses, legal and professional fees, depreciation of property, plant and equipment, depreciation of land use rights, amortisation of intangible assets and other miscellaneous administrative expenses. Administrative expenses for the Reporting Period decreased by 34.0% to RMB18.8 million as compared with RMB28.5 million for the year ended 31 December 2022, primarily attributable to cost control.

Research and development expenses

Research and development expenses for the Reporting Period decreased by 13.8% to RMB6.9 million as compared with RMB8.0 million for the year ended 31 December 2022, primarily attributable to cost control.

Finance income

For the Reporting Period, the Group's finance income decreased by 80.6% to RMB12,000 from RMB62,000 for the year ended 31 December 2022.

Finance costs

For the Reporting Period, the Group's finance costs increased by 51.0% to RMB7.7 million from RMB5.1 million for the year ended 31 December 2022, mainly because a borrowing was charging interest for the entire year, unlike in 2022 when it only charged interest for six months.

Share of net loss of associates

For the Reporting Period, the Group's share of net loss of associates amounted to RMB0.6 million as compared with RMB0.4 million for the year ended 31 December 2022, primarily due to the increase in the loss contributed from associates.

Income tax expenses

The Group's income tax expenses for the Reporting Period amounted to RMB35,000 as compared with RMB344,000 for the year ended 31 December 2022.

Net loss

As a result of the above factors, the Group's net loss for the Reporting Period increased to RMB49.3 million from RMB43.6 million for the year ended 31 December 2022.

Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (31 December 2022: nil).

Other receivables, deposits and prepayments

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current		
Deposits	<u>210</u>	<u>64</u>
Current		
Prepayments	8,410	48,960
Deposits paid to consignment stores	3,175	3,556
Value added tax recoverable	1,522	3,160
Other receivables	2,971	2,633
Less: Expected credit losses allowance of other receivables	<u>(208)</u>	<u>–</u>
	<u>15,870</u>	<u>58,309</u>

Prepayments mainly include prepayments to suppliers for the purchase of inventories and prepaid expenses. Prepayments decreased by 82.9% to RMB8.4 million as at 31 December 2023 from RMB49.0 million as at 31 December 2022. The decrease in the prepayments as at 31 December 2023 was mainly due to the cancellation of procurement contract and the refund of prepayments from suppliers. As at 22 March 2024, 73.6% of the prepayments as at 31 December 2023 was subsequently refunded and utilised.

Trade receivables

Trade receivables increased by 38.3% to RMB18.4 million as at 31 December 2023 from RMB13.3 million as at 31 December 2022. The increase in the trade receivables as at 31 December 2023 was mainly due to the prolonged outstanding status of certain receivables. The Group has been regularly liaising with the respective customers to ensure the eventual recovery of these amounts. The Group's credit terms to trade receivables are generally 60 to 270 days. As at 22 March 2024, 74.3% of the trade receivables (net of individual identified allowance) as at 31 December 2023 was subsequently settled.

The Group applied the HKFRS 9 simplified approach to measure lifetime expected credit losses ("ECL") allowance for all trade receivables.

Management of the Company estimated impairment of trade receivables that are individually significant by considering the ageing profiles of trade receivables, their knowledge about the customers and the market conditions. Management also grouped the trade receivables with similar credit risk characteristics and ageing profile for collective assessment. The estimated ECL rates were based on historical credit loss rates for different groups and adjusted to reflect the current and multiple forward-looking information on macroeconomic factors that are considered relevant to determine the ability of customers to settle the receivables in the future. In assessing the sufficiency of the ECL estimation, management considered factors including the settlement pattern, credit profile and on-going trading relationships with the customers.

For the year ended 31 December 2023, the Group recognised provision for loss allowance of trade receivables of RMB5.5 million, representing an increase of 161.9% from RMB2.1 million for the year ended 31 December 2022.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2018. There has been no change in the capital structure of the Group since then.

The Group funds its business and working capital requirements by using a balanced mix of internal resources and borrowings. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 31 December 2023, the Group had net current assets of RMB32.9 million (31 December 2022: RMB58.3 million), cash and cash equivalents amounted to RMB34.0 million (31 December 2022: RMB11.4 million) and borrowings amounted to RMB69.5 million (31 December 2022: RMB78.6 million). The Group's cash and cash equivalents as at 31 December 2023 were mainly denominated in RMB and HKD. As at 31 December 2023, the Group's borrowings (denominated in RMB and HKD) amounting to RMB13.9 million and RMB55.6 million (31 December 2022: RMB25.0 million and RMB53.6 million) carried interest at floating rate and fixed rate respectively. The weighted average interest rates are 9.76% (2022: 9.62%) per annum.

As at 31 December 2023, the Group had a current ratio of 1.3 times (31 December 2022: 1.5 times) and gearing ratio of 1.2 (calculated by dividing total borrowings by total equity) (31 December 2022: 1.0).

As at 31 December 2023, the Group did not have any available unutilised banking facilities (31 December 2022: nil).

RESTRICTED BANK DEPOSIT

As at 31 December 2023, the Group did not have any restricted bank deposit (31 December 2022: RMB0.2 million).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group did not have any significant capital commitments (31 December 2022: nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities or guarantees (31 December 2022: nil).

PLEDGE OF ASSETS

As at 31 December 2023, the Group pledged land use rights and buildings with carrying amount of RMB16.1 million to secure its borrowings of RMB26.3 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any material acquisitions and disposals of assets, subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Saved as disclosed in this announcement, during the Reporting Period, the Group did not make any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed herein, as at 31 December 2023, the Group does not have any future plans for material investments and capital assets.

FOREIGN EXCHANGE RISKS

Our Group's foreign exchange risk mainly relates to fluctuations in exchange rates of RMB against our assets and liabilities in currencies other than RMB, and these may affect our operation results. Our Group does not have a hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at 31 December 2023, the Group had a total of 205 staff (31 December 2022: 173 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments.

The China employees of the Group are required to participate in a central pension scheme (the “**Defined Contribution Schemes**”) operated by the local municipal government, which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Defined Contribution Schemes. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

The Group’s contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2022 and 31 December 2023, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2022 and 2023.

For each of the two years ended 31 December 2022 and 2023, the Group did not have any defined benefit plan.

USE OF PROCEEDS IN RELATION TO THE PLACING UNDER GENERAL MANDATE

On 18 May 2023, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 300,000,000 placing shares at the placing price of HK\$0.08 per placing share to not less than six Placees (who are individual, institutional or professional investors), who and whose ultimate beneficial owners are independent third parties. The placing shares would be allotted and issued pursuant to the general mandate. The net placing price per Placing Share will be approximately HK\$0.079. The closing price of HK\$0.097 per Share as quoted on the Stock Exchange on the date of the Placing Agreement. This placing was completed on 25 May 2023. A total of 171,880,000 shares with the nominal value of HK\$0.01 each have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price pursuant to the terms and conditions of the Placing Agreement.

The net proceeds from this placing at the time of its completion were approximately HK\$13.6 million, of which approximately HK\$11.0 million would be applied towards the partial repayment of other borrowing of the Group; and approximately HK\$2.6 million would be applied towards replenishment of the working capital of the Group to support its business operations and for the payment of its administrative expenses.

Further information of this placing can be found in the Company’s announcements dated 18 May 2023 and 25 May 2023.

An analysis of the utilisation of the use of proceeds during the Reporting Period is set out as follows:

Intended use of net proceeds	Original allocation of net proceeds (HK\$ million) (approximately)	Utilised amount of net proceeds up to 31 December 2023 (HK\$ million) (approximately)	Unutilised amount of net proceeds up to 31 December 2023 (HK\$ million) (approximately)	Expected time period
Partial repayment of other borrowing of the Group	11	11	–	– N/A
Replenishment of the working capital of the Group	2.6	2.6	–	– N/A
Total	13.6	13.6	–	

On 21 July 2023, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 334,376,000 placing shares at the placing price of HK\$0.08 per placing share to not less than six Placees (who are individual, institutional or professional investors), who and whose ultimate beneficial owners are independent third parties. The placing shares would be allotted and issued pursuant to the general mandate. The net placing price per Placing Share will be approximately HK\$0.079. The closing price of HK\$0.099 per Share as quoted on the Stock Exchange on the date of the Placing Agreement. This placing was completed on 31 July 2023. A total of 163,120,000 shares with the nominal value of HK\$0.01 each have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price pursuant to the terms and conditions of the Placing Agreement.

The net proceeds from this placing at the time of its completion were approximately HK\$12.9 million, all net proceeds from the Placing would be utilised toward the partial repayment of other borrowing of the Group by end of 2023.

Further information of this placing can be found in the Company's announcements dated 21 July 2023 and 31 July 2023.

An analysis of the utilisation of the use of proceeds during the Reporting Period is set out as follows:

Intended use of net proceeds	Original allocation of net proceeds <i>(HK\$ million)</i> <i>(approximately)</i>	Utilised amount of net proceeds up to 31 December 2023 <i>(HK\$ million)</i> <i>(approximately)</i>	Unutilised amount of net proceeds up to 31 December 2023 <i>(HK\$ million)</i> <i>(approximately)</i>	Expected time period
Partial repayment of other borrowing of the Group	12.9	12.9	–	– N/A
Total	12.9	12.9	–	

On 21 August 2023, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 171,256,000 placing shares at the placing price of HK\$0.075 per placing share to not less than six Placees (who are individual, institutional or professional investors), who and whose ultimate beneficial owners are independent third parties. The placing shares would be allotted and issued pursuant to the general mandate. The net placing price per Placing Share will be approximately HK\$0.075. The closing price of HK\$0.086 per Share as quoted on the Stock Exchange on the date of the Placing Agreement. This placing was completed on 7 September 2023. A total of 55,300,000 shares with the nominal value of HK\$0.01 each have been successfully placed by the Placing Agent to Mr. Dong Jianxin at the Placing Price pursuant to the terms and conditions of the Placing Agreement.

The net proceeds from this placing at the time of its completion were approximately HK\$4.1 million, all net proceeds from the Placing would be utilised toward the partial repayment of other borrowing of the Group by end of 2023.

Further information of this placing can be found in the Company's announcements dated 21 August 2023 and 7 September 2023.

An analysis of the utilisation of the use of proceeds during the Reporting Period is set out as follows:

Intended use of net proceeds	Original allocation of net proceeds <i>(HK\$ million)</i> <i>(approximately)</i>	Utilised amount of net proceeds up to 31 December 2023 <i>(HK\$ million)</i> <i>(approximately)</i>	Unutilised amount of net proceeds up to 31 December 2023 <i>(HK\$ million)</i> <i>(approximately)</i>	Expected time period
Partial repayment of other borrowing of the Group	4.1	4.1	–	– N/A
Total	4.1	4.1	–	

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed herein, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries for the year ended 31 December 2023.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST

For the Reporting Period, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to eligible persons. The maximum number of shares which may be issued upon exercise of all options to be granted under this share option scheme and any other schemes of the Group shall not in aggregate exceed 150,000,000, being 10% of the shares in issue as at 16 July 2018. There is no option outstanding, granted, exercised, cancelled and lapsed during the Reporting Period.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules as its code of conduct regarding Directors' securities transactions upon successful listing and all Directors have confirmed, upon specific enquiry made, that they complied with the Model Code for the Reporting Period.

CORPORATE GOVERNANCE

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "**CG Code**"), contained in Appendix C1 to the Listing Rules. Except for code provision C.2.1, the Board is of the view that the Company has complied with the code provisions set out in the CG Code for the Reporting Period.

Code provision C.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Madam Maeck is our chairperson and chief executive. With her extensive experience in the industry, the Directors believe that vesting the roles of both chairperson and chief executive in the same person provides the Company with strong and consistent leadership, allowing effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Madam Maeck performs both the roles of chairperson and chief executive, the division of responsibilities between the chairperson and chief executive is clearly established. In general, the chairperson is responsible for supervising the functions and performance of the Board, while the chief executive is responsible for the management of the business of the Group. The two roles are performed by Madam Maeck distinctly. Further, the current structure does not impair the balance of power and authority between the Board and management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors.

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of the Company's annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 22 June 2024 to Friday, 28 June 2024 (both days inclusive), during which period no transfer of the shares will be effected. The holders of shares whose names appear on the register of members of the Company on Friday, 28 June 2024 will be entitled to attend and vote at the annual general meeting of the Company. In order to qualify for attending and voting at the annual general meeting of the Company or any adjournment thereof, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Friday, 21 June 2024.

AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with the CG Code. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, financial reporting system, risk management and internal control systems, and has reviewed the Group's annual results for the Reporting Period. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

SCOPE OF WORK OF CONPAK

The figures in respect of this announcement of the Group's results for the Reporting Period have been agreed by the Company's external auditor, Conpak CPA Limited ("Conpak"), to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by Conpak in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Conpak on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S OPINION

The following is the extract of the independent auditor's report from Conpak:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a net loss of approximately RMB49,318,000 for the year ended 31 December 2023. As at 31 December 2023, the Group has current liabilities amounting to RMB102,170,000 in aggregate, while its cash and cash equivalents amounted to approximately RMB33,951,000. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

EVENTS AFTER THE REPORTING PERIOD

- (i) Subsequent to the Reporting Period, the Board proposed to implement a share consolidation pursuant to which every twenty-five issued and unissued existing shares of the Company of HK\$0.01 each in the share capital of the Company will be consolidated into one consolidated share of HK\$0.25 each. This share consolidation is conditional upon, among other things, the approval of shareholders of the Company at the extraordinary general meeting to be held on 27 March 2024 (the "EGM").

- (ii) Subsequent to the Reporting Period, as set out in the announcement of the Company dated 8 February 2024 in relation to the placing of 18,903,000 new shares (assuming share consolidation becoming effective) of the Company to not less than six places at the placing price of HK\$1.13 per placing share (assuming share consolidation becoming effective) pursuant to the terms and conditions of a placing agreement entered into between the Company and a placing agent dated 8 February 2024 (“**Placing**”). This Placing will be allotted and issued pursuant to the specific mandate to be approved by the shareholders of the Company at the EGM. The Company intends to apply approximately 97.1% of the net proceeds from this Placing towards the repayment of the Group’s other borrowing; and approximately 2.9% of the net proceeds from this Placing to replenish the Group’s general working capital by the end of 2024.
- (iii) Subsequent to the Reporting Period, the Group collected the amount due from an associate amounted to RMB16,676,000 on 20 March 2024.
- (iv) Subsequent to the Reporting Period, the Company and the lenders of the other borrowings amounted RMB18,125,000 enter into loan agreements in March 2024 for the extension of repayments of those borrowings. These borrowings will mature in 15 August 2025.

Save as disclosed herein, the Group does not have any important events after the year ended 31 December 2023 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.volcanospring.com>). The annual report of the Company for the Reporting Period will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Volcano Spring International Holdings Limited
Madam Maeck Can Yue
Chairperson and Executive Director

Hong Kong, 26 March 2024

As at the date of this announcement, the executive Directors are Madam Maeck Can Yue and Mr. Wu Huizhang; the independent non-executive Directors are Mr. Wang Shih-fang, Mr. Yan Chi Ming, Mr. Hooi Hing Lee and Mr. Li Wei.

* *For identification purpose only*