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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in Volcano Spring International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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## **Volcano Spring International Holdings Limited**

### **火山邑動國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1715)**

**(1) PROPOSED SHARE CONSOLIDATION;  
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Placing Agent**



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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A notice convening the EGM to be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, on Wednesday, 27 March 2024 at 4:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed. If you do not intend or are unable to attend the EGM in person and wish to appoint a proxy/proxies to attend and vote on your behalf, you are advised to read the notice and to complete and return the accompanying proxy form for use at the EGM in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours (i.e. 4:00 p.m. on Monday, 25 March 2024) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

29 February 2024

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Announcement”	the announcement of the Company dated 8 February 2024 in relation to the Share Consolidation and the Placing
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business during their normal business hours
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Company”	Volcano Spring International Holdings Limited (stock code: 01715), a company incorporated in Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Completion Date”	the date of Completion, within seven Business Days immediately after the date on which all conditions as set out above have been fulfilled
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve, among others, the Share Consolidation; the Placing Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate for the allotment and issue of the Placing Shares
“Existing Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective

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## DEFINITIONS

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“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC’
“Independent Third Party(ies)”	person(s) or company(ies) who/which is(are) independent of the Company and its connected persons
“Latest Practicable Date”	22 February 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individual, institutional or professional investors, who and whose ultimate beneficial owners are Independent Third Parties, procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares
“Placing”	the placing of up to 18,903,000 Placing Shares on a best effort basis on and subject to the terms and conditions set out in the Placing Agreement
“Placing Agent”	I Win Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 8 February 2024 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$1.13 per Placing Share
“Placing Share(s)”	a maximum of up to 18,903,000 new Consolidated Shares to be placed pursuant to the Placing Agreement

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## DEFINITIONS

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“PRC”	the People’s Republic of China which, and for the sole purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	Existing Share(s) and/or Consolidated Share(s), as the case may be
“Share Consolidation”	the share consolidation of every twenty-five (25) issued and unissued Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of Shares
“Share Option(s)”	the option(s) to subscribe for new shares of the Company granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 24 June 2018
“Specific Mandate”	the specific mandate to be granted by the Shareholders at the EGM to allot and issue a maximum of 18,903,000 Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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## EXPECTED TIMETABLE

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The expected timetable for the Share Consolidation is set out below. The expected timetable is subject to the results of the EGM and is therefore for indicative purpose only. Any changes to the expected timetable will be announced by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Events	Time and dates
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Latest time for lodging share transfer in order to qualify for EGM voting entitlement . . . . .	4:30 p.m. on Tuesday, 19 March 2024
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Closure of register of members for the purpose of determining members who are entitled to attend the EGM . . . . .	Wednesday, 20 March 2024 to Wednesday, 27 March 2024 (both dates inclusive)
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Latest date and time for lodging forms of proxy for the EGM . . . . .	4:00 p.m. on Monday, 25 March 2024
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Date and time of the EGM . . . . .	4:00 p.m. on Wednesday, 27 March 2024
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Announcement of voting results of the EGM . . . . .	Wednesday, 27 March 2024
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**The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:**

Effective date of the Share Consolidation . . . . .	Tuesday, 2 April 2024
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Dealing in the Consolidated Shares commences . . . . .	9:00 a.m. on Tuesday, 2 April 2024
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Original counter for trading in the Existing Shares of the Company in board lots of 10,000 Existing Shares temporarily closes . . . . .	9:00 a.m. on Tuesday, 2 April 2024
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Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Tuesday, 2 April 2024
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## EXPECTED TIMETABLE

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Events	Time and dates
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares . . . . .	Tuesday, 2 April 2024
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens . . . . .	9:00 a.m. on Wednesday, 17 April 2024
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences . . . . .	9:00 a.m. on Wednesday, 17 April 2024
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares . . . . .	9:00 a.m. on Wednesday, 17 April 2024
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares . . . . .	4:00 p.m. on Thursday, 9 May 2024
Temporary counter for trading in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes . . . . .	4:10 p.m. on Thursday, 9 May 2024
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends . . . . .	4:10 p.m. on Thursday, 9 May 2024
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares . . . . .	Monday, 13 May 2024

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**LETTER FROM THE BOARD**

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**Volcano Spring International Holdings Limited**

**火山邑動國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1715)**

*Executive Directors:*

Madam Maeck Can Yue

*(Chairman and Chief Executive Officer)*

Mr. Wu Huizhang

*Independent non-executive Directors:*

Mr. Wang Shih-fang

Mr. Yan Chi Ming

Mr. Hooi Hing Lee

Mr. Li Wei

*Registered office:*

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Principal place of business*

*in Hong Kong:*

Suite 2703

27/F, Shui On Centre

No. 6-8 Harbour Road

Wan Chai

Hong Kong

29 February 2024

*To the Shareholders,*

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;  
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among others, the Share Consolidation, the Placing. The purpose of this circular is to provide you with further information regarding the Share Consolidation, the Placing and to give you the notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the Share Consolidation, the Placing, the Placing Agreement, the allotment and issue of the Placing Shares pursuant to the Specific Mandate and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### **PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation pursuant to which every twenty-five (25) issued and unissued Existing Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.25 each.

### **Effects of the Share Consolidation**

As at the date of this circular, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares with par value of HK\$0.01 each, of which 1,890,300,000 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming no further Existing Shares will be issued or repurchased from the date hereof until the date of the EGM, immediately upon the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$100,000,000 divided into 400,000,000 Consolidated Shares with par value of HK\$0.25 each, of which 75,612,000 Consolidated Shares will be in issue. Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

### **Adjustments in relation to other securities of the Company**

Under the relevant terms and conditions of the Share Option Scheme, the Share Consolidation may lead to adjustments to the number of shares falling to be issued, the method of exercise of the share options and the exercise price upon exercise of the Share Options pursuant to the terms thereof. Since the adoption date of the Share Option Scheme and up to the Latest Practicable Date, no Share Option has been granted by the Company under the Share Option Scheme. The Company will make further announcement(s) on the grant of the Share Options or such adjustment(s) to the Share Options as and when appropriate pursuant to the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, the Company has no outstanding options, derivatives, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

### **Conditions of the Share Consolidation**

The implementation of the Share Consolidation is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and

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## LETTER FROM THE BOARD

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- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

The Share Consolidation will become effective on the next Business Day immediately following the fulfilment of the above conditions.

### **Listing application**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, upon the Share Consolidation being effective, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

No part of the share capital of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

### **OTHER ARRANGEMENTS**

#### **Fractional entitlement to Consolidated Shares**

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

#### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint I Win Securities Limited as its agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

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## LETTER FROM THE BOARD

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Shareholders who wish to take advantage of this facility either to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares may, directly or through their brokers, contact Mr. Ricky Chan of I Win Securities Limited at Room 201, 2/F, China Insurance Group Building, 141 Des Voeux Rd Central, Central, Hong Kong or by phone at (852) 2688 6333 during office hours from 9:00 a.m. on Wednesday, 17 April 2024 to 4:00 p.m. on Thursday, 9 May 2024.

Shareholders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. In addition, odd lots might be sold below the trading price of full board lots of the Shares. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

### **Free exchange of certificates for Consolidated Shares**

Subject to the Share Consolidation becoming effective, which is currently expected to be Tuesday, 2 April 2024, being the Business Day immediately after the date of the EGM, Shareholders may on or after Tuesday, 2 April 2024 and until Monday, 13 May 2024 (both days inclusive), submit their share certificates for the Existing Shares (in green colour) to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong to exchange for new share certificates for the Consolidated Shares (in red colour) at the expense of the Company.

Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each new share certificate for the Consolidated Shares issued or each share certificate for the Existing Shares submitted for cancellation, whichever is higher.

The share certificates for the Existing Shares will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Thursday, 9 May 2024 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the share certificates for the Existing Shares will continue to be good evidence of title to the Consolidated Shares on the basis of twenty-five (25) Existing Shares for one (1) Consolidated Share.

### **REASONS FOR THE SHARE CONSOLIDATION**

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. Further, the Stock Exchange issued a letter to the Company on 4 September 2023, reminding the Company that the trading price below HK\$0.10 is close to the

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## LETTER FROM THE BOARD

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extremity of HK\$0.01. The Stock Exchange would not consider approving listing application on any future fund raising of the Company if the share price of the Company is close to such extremity.

In view that the Shares had been traded at around or below HK\$0.10 in the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation so that the Company will be able to comply with the aforesaid trading requirements of the Listing Rules.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group and are in the interests of the Company and the Shareholders as a whole.

### **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

On 8 February 2024 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 18,903,000 Placing Shares at the Placing Price of HK\$1.13 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 will be allotted and issued pursuant to the Specific Mandate.

Details of the Placing Agreement are set out below:

#### **The Placing Agreement**

Date : 8 February 2024 (after trading hours)

Parties : (i) the Company (as issuer); and  
(ii) I Win Securities Limited (as placing agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

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## LETTER FROM THE BOARD

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The Placing Agent has conditionally agreed to place, or procure the placing of, up to 18,903,000 Placing Shares at the Placing Price of HK\$1.13 per Placing Share on a best effort basis and will receive a placing commission of 0.75% of the aggregate amount equal to the Placing Price multiplied by the actual number of Placing Shares placed by the Placing Agent (i.e. the gross proceeds from the Placing).

The placing commission payable to the Placing Agent under the Placing Agreement is arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market commission rate ranging from 0.5% to 3.0% (for placing of new shares conducted by the listed issuers of the Stock Exchange during the 3-month period immediately prior to the date of the Placing Agreement) and the size of the Placing. Having considered the above, the Board considers that placing commission is on normal commercial terms and the basis for determining the placing commission is fair and reasonable.

### **Placees**

The Placing Agent will place the Placing Shares, on a best effort basis, to individual, institutional or professional investors, who and whose ultimate beneficial owners are Independent Third Parties. It is expected that the Placing Shares will be placed to not less than six Placees.

### **Number of Placing Shares**

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 18,903,000 Placing Shares under the Placing represents (i) approximately 25.0% of the issued share capital of the Company as at the date of this announcement (assuming the Share Consolidation becoming effective); and (ii) approximately 20.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming the Share Consolidation becoming effective). The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$4,725,750 (assuming the Share Consolidation becoming effective).

The Board is aware that the Placing will have a potential dilution effect on the existing public Shareholders and their percentage of shareholding will be reduced from approximately 80.16% to approximately 64.13%. Having considered (i) none of the Placees is expected to become a substantial Shareholder immediately after completion of the Placing and each Placee will be one of the public Shareholders; (ii) the Placing is expected to improve the financial and liquidity positions of the Group and reduce its finance costs; and (iii) the Placing is subject to the Shareholders' approval at the EGM, which gives the opportunity and discretion to the Shareholders to consider the Placing and decide whether

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## LETTER FROM THE BOARD

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to vote in favour of or against the Placing, the Board considers that the benefits of the Placing outweigh the potential dilution effect to the existing public Shareholders and the Placing is in the interests of the Company and the Shareholders as a whole.

### **Placing Price**

The Placing Price is HK\$1.13 per Placing Share which represents:

- (i) a premium of approximately 18.9% to the closing price of HK\$0.95 per Share as quoted on the Stock Exchange on the date of the Placing Agreement (assuming the Share Consolidation becoming effective);
- (ii) a premium of approximately 15.3% to the average closing price of HK\$0.98 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Placing Agreement (assuming the Share Consolidation becoming effective); and
- (iii) a premium of approximately 9.7% to the average closing price of HK\$1.03 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Placing Agreement (assuming the Share Consolidation becoming effective).

The Placing Price was determined on an arm's length basis between the Company and the Placing Agent and with reference to the prevailing market price and liquidity of the Shares, market demand for the Placing Shares, the general market conditions, and the average closing price of HK\$1.13 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately preceding the date of the Placing Agreement (assuming the Share Consolidation becoming effective).

After detailed review of the terms of the Placing Agreement and taking into consideration that (i) the Placing Agreement was entered into between the Company and the Placing Agent after arm's length negotiations; (ii) the placing commission payable to the Placing Agent was comparable to the prevailing market commission rate for similar transactions; (iii) the benefits of the Placing are expected to outweigh the potential dilution effect to the existing public Shareholders for the reasons mentioned above; and (iv) the Placing Price was determined after arm's length negotiations between the Company and the Placing Agent and with reference to the prevailing market price of the Shares, the Board considers that the Placing Price and the terms of the Placing Agreement to be fair and reasonable based on the current market conditions and are in the best interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Specific Mandate**

The Placing Shares will be issued under the Specific Mandate to be sought and approved by the Shareholders at the EGM.

### **Application for listing of Placing Shares**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

### **Ranking of the Placing Shares**

The Placing Shares will rank *pari passu* in all respects with the existing Shares in issue on the date of allotment and issue of the Placing Shares.

### **Conditions of the Placing**

Completion of the Placing is conditional upon the fulfillment of all of the following:

- (i) the passing of necessary resolution(s) by the shareholders of the Company who are allowed to vote under the Listing Rules of the relevant resolution(s) to approve the Share Consolidation; the Placing Agreement and the transactions contemplated hereunder, including the grant of the Specific Mandate at the EGM;
- (ii) the granting by the Listing Committee of listing of, and permission to deal in, the Consolidated Shares being obtained;
- (iii) the granting by the Listing Committee of listing of, and permission to deal in, all of the Placing Shares being obtained and not being subsequently revoked; and
- (iv) there shall not have occurred any material breach or any event rendering materially untrue or inaccurate, any of the representations, warranties or undertakings by the Company under the Placing Agreement.

If any of the conditions are not fulfilled, the Placing Agreement shall be terminated and none of the parties to the Placing Agreement shall have any claim against the other for any matter arising out of or in connection with the Placing Agreement, except for any antecedent breach of any obligation under the Placing Agreement.

### **Completion**

Completion of the Placing will take place within seven Business Days immediately after the date on which all conditions as set out above have been fulfilled.

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## LETTER FROM THE BOARD

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### Termination

Pursuant to the Placing Agreement, the Placing Agent is entitled to terminate the Placing Agreement without liability to the Company by giving written notice to the Company at any time on or prior to 9:00 a.m. on the Completion Date, if any of the following events occur:

- (a) in the absolute opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in international financial, political or economic conditions, existing laws, currency exchange rates or exchange controls, as would be likely to materially adverse to the Company or its subsidiaries or would prejudice materially the consummation of the Placing or would otherwise make the Placing inadvisable or inexpedient;
- (b) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the Completion Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement;
- (c) there is any adverse change in the financial condition of the Company and its subsidiaries as a whole whether or not arising in the ordinary course of business which in the reasonable opinion of the Placing Agent is material in the context of the Placing; or
- (d) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which, in the reasonable opinion of the Placing Agent, would prejudice materially the consummation of the Placing or would otherwise make the Placing inadvisable or inexpedient.

In the event that the Placing Agreement is terminated in accordance with the relevant terms and conditions of the Placing Agreement, all obligations of the parties to the Placing Agreement shall cease and determine and none of the parties to the Placing Agreement shall have any claim against the other for any matter arising out of or in connection with the Placing Agreement, except for any antecedent breach of any obligation under the Placing Agreement.

The Directors are not aware of the occurrence of any of the above events as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### REASONS FOR THE PLACING AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The Group is principally engaged in the developing, manufacturing and trading of healthcare products and premium kitchen appliances with a major focus on the PRC market.

Assuming that all the Placing Shares are fully placed, the estimated gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing will amount to approximately HK\$21.4 million and approximately HK\$20.6 million respectively. The net placing price per Placing Share will be approximately HK\$1.09.

The Company intends to apply approximately HK\$20.0 million or 97.1% of the net proceeds from the Placing towards the repayment of the Group's other borrowing; and approximately HK\$0.6 million, or 2.9% of the net proceeds from the Placing to replenish the Group's general working capital. As at the Latest Practicable Date, the Group had total borrowing (including principal and interest) of approximately HK\$73.9 million, details of which are set out below:

	Maturity date	Interest rate per annum	Principal	Interest (Note 1)	Total	Sources of funding to repay the indebtedness
Other borrowing (secured)	5 July 2023 (Note 2)	15.00%	HK\$20,000,000	HK\$1,101,370	HK\$21,101,370	The principal will be settled by the net proceeds from the Placing and interest will be settled by the cash inflows from business operations
Other borrowing (unsecured)	15 August 2025	7.00%	HK\$4,000,000	HK\$240,110	HK\$4,240,110	A combination of cash inflows from business operations, debt financing and/or equity financing, depending on the prevailing market situation
Other borrowing (unsecured)	15 August 2025	12.00%	HK\$8,000,000	HK\$823,233	HK\$8,823,233	A combination of cash inflows from business operations, debt financing and/or equity financing, depending on the prevailing market situation
Other borrowing (unsecured)	19 August 2025	12.00%	HK\$8,000,000	HK\$823,233	HK\$8,823,233	A combination of cash inflows from business operations, debt financing and/or equity financing, depending on the prevailing market situation
Bank borrowing (secured)	16 May 2024	3.62%	HK\$3,815,000	HK\$31,783	HK\$3,846,783	Note 3
Bank borrowing (secured)	21 May 2024	3.95%	HK\$19,620,000	HK\$188,970	HK\$19,808,970	Note 3
Bank borrowing (unsecured)	29 May 2024	4.15%	HK\$1,635,000	HK\$18,032	HK\$1,653,032	Cash inflows from business operations
Bank borrowing (secured)	27 March 2033	4.00%	HK\$5,373,700	HK\$184,325	HK\$5,558,025	Cash inflows from business operations
					<u>HK\$73,854,756</u>	

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## LETTER FROM THE BOARD

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*Notes:*

- 1) The interest is calculated by multiplying the principal by the interest rate and the period from the Latest Practicable Date to the maturity date of the borrowing or the year-end date, whichever is earlier.
- 2) The lender verbally agreed to extend the repayment period of this borrowing and the Group would fully repay this borrowing along with interest within one year from 5 July 2023.
- 3) The Group expects that it will not encounter any difficulties to renew this borrowing as it is secured by the Group's property, plant and equipment. Interest expense will be settled by cash inflows from business operations.

Among the Group's total borrowing set out above, as at the Latest Practicable Date, the Group had an outstanding other borrowing of HK\$20.0 million bearing interest at 15% per annum, and this borrowing was for the purpose of funding the Group's daily operations and replenishing its general working capital. This borrowing has been in arrears since 5 July 2023. The Group negotiated with the lender to extend the repayment period of the outstanding other borrowing and both parties reached a verbal agreement that the Group would fully repay the outstanding borrowing along with interest within one year from 5 July 2023. The Group has an urgent need to repay the outstanding other borrowing to lower the finance cost burden and to prevent the lender from pursuing legal actions against the Group. The Group intended to apply the net proceeds from the Placing to fully repay the principal of this borrowing and the interest up to the borrowing repayment date will be settled by the cash inflows from the Group's business operations. This intended repayment will reduce the Group's finance costs by approximately HK\$3.0 million per year. The net proceeds from the Placing for repayment of other borrowing will be utilised by the end of 2024.

In the past few years, the financial performance of the Group was adversely affected by the coronavirus outbreak. Based on the Company's 2023 interim report dated 18 August 2023, the Group had cash and cash equivalents of approximately RMB7.0 million, net current assets of approximately RMB45.4 million and total borrowings of approximately RMB84.1 million as at 30 June 2023. Gearing ratio as at 30 June 2023 (calculated by dividing total borrowings by total equity) was approximately 1.2 times. The Group's cash and cash equivalents on hand was not sufficient to repay the outstanding other borrowings. Besides, the Group had to maintain a sufficient level of cash and liquidity to fund its daily operations and to meet its general working capital needs. For illustrative purpose, assuming the Placing had been completed as at 30 June 2023 and the net proceeds of the Placing had been applied as mentioned above, the Group's gearing ratio as at 30 June 2023 would have significantly improved from 1.2 times to 0.9 times. The Board believes that the Placing will provide funding to reduce the gearing ratio and finance costs of the Group and it is also a good opportunity to broaden the Company's shareholder base.

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## LETTER FROM THE BOARD

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The Board has considered other alternative means of financing such as debt financing. In light of the current weak economic conditions, the banks are very prudent and it is very difficult to obtain loans from them. The Company approached a number of banks regarding debt financing, which is a common way for businesses to raise funds. However, the Board considered that debt financing may incur further interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and prevailing market conditions and it may be relatively uncertain and time-consuming.

The Board has also considered fundraising methods such as rights issue and open offer. The cost for conducting rights issue or open offer is relatively higher than the Placing. Besides, rights issue or open offer may also involve relatively substantial time to complete. The Board is of the view that the Placing will be the best means to raise fund and is in the best interest of the Company and the Shareholders as a whole for the time being.

The Board is of the view that the terms of the Placing Agreement and the transactions contemplated thereunder (including the Placing, the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

Date of announcement	Date of completion	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this circular
21 August 2023, 25 August 2023 and 31 August 2023	7 September 2023	Placing of 55,300,000 new Shares at the placing price of HK\$0.075 to one placee under general mandate	Approximately HK\$4.1 million	Approximately HK\$4.1 million for the partial repayment of other borrowing	Approximately HK\$4.1 million has been fully applied for the partial repayment of other borrowing
21 July 2023	31 July 2023	Placing of 163,120,000 new Shares at the placing price of HK\$0.08 each to not less than six placees under general mandate	Approximately HK\$12.9 million	Approximately HK\$12.9 million for the partial repayment of other borrowing	Approximately HK\$12.9 million has been fully applied for the partial repayment of other borrowing
18 May 2023	25 May 2023	Placing of 171,880,000 new Shares at the placing price of HK\$0.08 each to not less than six placees under general mandate	Approximately HK\$13.6 million	(a) Approximately HK\$11.0 million for the partial repayment of other borrowing; and (b) Approximately HK\$2.6 million for replenishment of working capital	(a) Approximately HK\$11.0 million has been fully applied for the partial repayment of other borrowing; and (b) Approximately HK\$2.6 million has been fully applied for replenishment of working capital

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## LETTER FROM THE BOARD

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Save for the aforesaid, the Company did not conduct any other fund raising activities involving the issue of its equity securities in the last twelve months immediately preceding the date of this circular.

### EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this circular; (ii) immediately after the Share Consolidation but before the Completion; and (iii) immediately after the Share Consolidation and the Completion, assuming that there is no change in the issued share capital of the Company between the date of this circular and the Completion:

Shareholders	As at the date of this circular		Immediately after the Share Consolidation but before the Completion		Immediately after the Share Consolidation and the Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Seashore Global Enterprises Limited (“Seashore Global”) (Note)	375,000,000	19.84	15,000,000	19.84	15,000,000	15.87
The Places	–	–	–	–	18,903,000	20.00
Other public Shareholders	<u>1,515,300,000</u>	<u>80.16</u>	<u>60,612,000</u>	<u>80.16</u>	<u>60,612,000</u>	<u>64.13</u>
<b>Total</b>	<b><u>1,890,300,000</u></b>	<b><u>100</u></b>	<b><u>75,612,000</u></b>	<b><u>100</u></b>	<b><u>94,515,000</u></b>	<b><u>100</u></b>

Note: The issued shares of Seashore Global are wholly-owned by Mr. Wu Huizhang. On 5 July 2022, the Company signed an agreement to pledge a total of 375,000,000 Existing Shares, which owned by Seashore Global to Kingston Finance Limited as security for loan facilities provided to the Company.

### GENERAL

None of the Directors has a material interest in the Share Consolidation and the Placing and hence no Director was required to abstain from voting on the Board resolutions approving the Share Consolidation and the Placing.

The Placing Shares will be allotted and issued under the Specific Mandate. The Share Consolidation and the Placing will be subject to the Shareholders’ approval at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placing within the twelve-month period immediately preceding the date of this circular, or prior to such twelve-month period where dealing in respect of the Shares issued pursuant thereto commenced within such twelve-month period, nor has it issued any bonus securities, warrants or other convertible securities within such twelve-month period. The Placing does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Placing is in compliance with Rule 7.27B of the Listing Rules.

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## LETTER FROM THE BOARD

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### EGM

Set out on pages EGM-1 to EGM-3 of this circular is a notice of the Company convening the EGM which will be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Wednesday, 27 March 2024 at 4:00 p.m. for the purpose of considering and if thought fit approving, among others, the Share Consolidation, the Placing Agreement and the transaction contemplated thereunder, including allotment and issue of the Placing Shares, and grant of the Specific Mandate.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Share Consolidation, the Placing, the Placing Agreement, the allotment and issue of the Placing Shares pursuant to the Specific Mandate and the transactions contemplated thereunder and no Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Share Consolidation, the Placing, the Placing Agreement, the allotment and issue of the Placing Shares pursuant to the Specific Mandate and the transactions contemplated thereunder at the EGM.

A form of proxy for the EGM is enclosed in this circular and can also be downloaded from the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours (i.e. 4:00 p.m. on Monday, 25 March 2024) before the time appointed for the EGM (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM (or any adjourned meeting) if you so wish. If the Shareholder attends and votes at the EGM, the instrument appointing the proxy will be deemed to have been revoked.

### LISTING RULES REQUIREMENT ON VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will therefore demand a poll for every resolution put to the vote of the EGM. An announcement will be made by the Company following the conclusion of the EGM to inform Shareholders of the results of EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Wednesday, 20 March 2024 to Wednesday, 27 March 2024 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for the right to attend and vote at the EGM, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on from Tuesday, 19 March 2024.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the Share Consolidation, the Placing, the Placing Agreement, the allotment and issue of the Placing Shares pursuant to the Specific Mandate and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

### STATEMENT OF RESPONSIBILITY

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

**Shareholders and potential investors of the Company shall be aware that: (i) the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this circular; and (ii) the Placing is on a best effort basis and Completion is subject to fulfillment of the conditions set out in the paragraph headed “Conditions of the Placing” in this circular. Accordingly, the Share Consolidation and the Placing may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

By order of the Board

**Volcano Spring International Holdings Limited**  
**Maeck Can Yue**

*Chairperson and Executive Director*

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## NOTICE OF EGM

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# Volcano Spring International Holdings Limited

## 火山邑動國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1715)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Volcano Spring International Holdings Limited (the “**Company**”) will be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Wednesday, 27 March 2024 at 4:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

- (1) “**THAT** subject to the fulfilment of all the conditions (the “**Conditions**”) set out in the section headed “Conditions of the Share Consolidation” in the circular of the Company dated 29 February 2024 (the “**Circular**”), a copy of which has been produced to the EGM and initialled by the chairman of the EGM for the purpose of identification, with effect from the second business day immediately following the date on which this resolution is passed or the Conditions are fulfilled (whichever is later):
  - (a) the every twenty-five (25) existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of HK\$0.25 (the “**Consolidated Share(s)**”) (the “**Share Consolidation**”), such Consolidated Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions as contained in the articles of association of the Company;
  - (b) all fractional entitlements (if any) to the issued Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to the shareholders of the Company but all such fractional Consolidated Shares will be aggregated and, if possible, sold and the net proceeds shall be retained for the benefit of the Company in such manner and on such terms as the directors of the Company (the “**Directors**”) may think fit; and
  - (c) any one of the Directors be and is hereby authorised generally to do all such acts and things and sign, execute and deliver all documents (including affixing the common seal of the Company if appropriate) he or she considers necessary, desirable or expedient to give effect to the Share Consolidation and the transactions contemplated thereunder.”

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## NOTICE OF EGM

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- (2) “**THAT** conditional upon the passing of the resolution numbered 1 as set out above and subject to the fulfilment of all the conditions set out in the section headed “Conditions of the Placing” in the Circular:
- (a) the conditional placing agreement (the “**Placing Agreement**”) dated 8 February 2024 and entered into between the Company as issuer and I Win Securities Limited as the placing agent in relation to the placing of up to 18,903,000 new Consolidated Shares (the “**Placing Shares**”) at the placing price of HK\$1.13 per Placing Share (a copy of the Placing Agreement having been produced to the EGM and initialled by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Placing Shares) be and are hereby approved, confirmed and ratified;
  - (b) the board of directors of the Company be and is hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Placing Shares, subject to and in accordance with the terms and conditions of the Placing Agreement; and
  - (c) any one or more director(s) of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Placing Agreement, and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the directors of the Company, amendment or waiver as, in the opinion of the directors of the Company, in the interests of the Company and its shareholders as a whole.”

By order of the Board

**Volcano Spring International Holdings Limited**  
**Maeck Can Yue**

*Chairperson and Executive Director*

Hong Kong, 29 February 2024

*Registered office:*

Windward 3, Regatta Office  
Park PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Principal place of business in Hong Kong:*

Suite 2703  
27/F Shui On Centre  
No. 6-8 Harbour Road  
Wanchai  
Hong Kong

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## NOTICE OF EGM

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*Notes:*

1. A form of proxy for use at the EGM or any adjournment thereof is enclosed.
2. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at the above meeting.
3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours (i.e. 4:00 p.m. on Monday, 25 March 2024) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
4. For the purpose of determining the shareholders of the Company who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 20 March 2024 to Wednesday, 27 March 2024 (both dates inclusive). In order to qualify for attending and voting at the EGM, all transfer documents together with the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Tuesday, 19 March 2024.
5. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
7. Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the EGM.
8. If tropical cyclone warning signal no.8 or above, "extreme conditions" caused by super typhoons or a black rainstorm warning is in effect at 12:00 noon on the date of the extraordinary general meeting of the Company, the meeting will be postponed. The Company will post an announcement on its website (<http://www.volcanospring.com>) and designated website of the Stock Exchange (<http://www.hkexnews.hk>) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
9. As at the date of this notice, the executive Directors are Madam Maeck Can Yue and Mr. Wu Huizhang; and the independent non-executive Directors are Mr. Wang Shih-fang, Mr. Yan Chi Ming, Mr. Hooi Hing Lee and Mr. Li Wei.