

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)

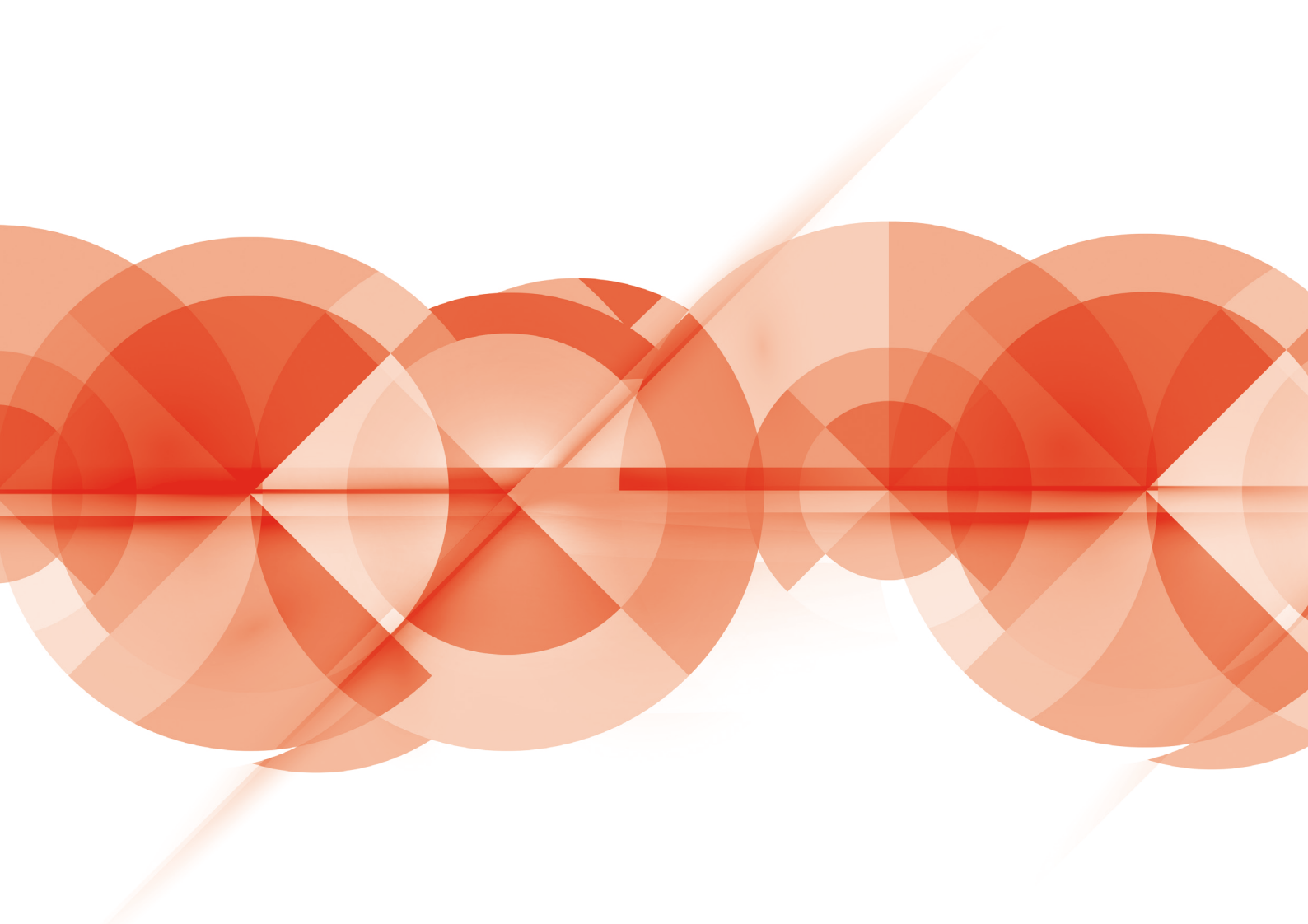
(Stock Code: 1715)



2024
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jie (*Chairman*)
Madam Maeck Can Yue (*Chief Executive*)
Mr. Wu Huizhang

Independent Non-executive Directors

Mr. Wang Shih-fang
Mr. Shen Shujing
Mr. Lin Dongming
Mr. Li Wei

COMMITTEES OF THE BOARD

Audit Committee

Mr. Shen Shujing (*Chairman*)
Mr. Wang Shih-fang
Mr. Lin Dongming
Mr. Li Wei

Remuneration Committee

Mr. Lin Dongming (*Chairman*)
Mr. Wang Shih-fang
Mr. Shen Shujing

Nomination Committee

Mr. Zhao Jie (*Chairman*)
Mr. Wang Shih-fang
Mr. Shen Shujing

COMPANY SECRETARY

Ms. Ho Wing Yan

AUTHORISED REPRESENTATIVES

Madam Maeck Can Yue
Ms. Ho Wing Yan

AUDITOR

Conpak CPA Limited
Certified Public Accountants and
Registered Public Interest Entity Auditor
Rooms 05–15, 13A/F, South Tower
World Finance Centre, Harbour City
17 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

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

HEAD OFFICE IN THE PRC

West Building No. 2
3585 Sanlu Road
Pujiang Industrial Zone
Caohejing Hi-tech Park
Shanghai
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2703
27/F Shui On Centre
No. 6–8 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL BANKS

Bank of China
Bank of Shanghai
Shanghai Rural Commercial Bank
China Construction Bank Corporation
DBS Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Hong Kong

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Cayman Islands

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

STOCK NAME

VOLCANO SPRING

STOCK CODE

1715

WEBSITE

www.volcanospring.com

BUSINESS REVIEW AND PROSPECTS

The board (the “**Board**”) of directors (the “**Directors**”) of Volcano Spring International Holdings Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024 (the “**Interim Period**”). These results have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

During the Interim Period, the Group puts its focus on the research and development, manufacturing and trading of kitchen appliances and 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 PRC economy is experiencing economic challenges in 2024. According to the data released by the National Bureau of Statistics of China, PRC’s GDP witnessed a year-on-year increase of 4.7% in the second quarter of 2024. This growth rate fell short of the anticipated 5.1% expansion. Further, retail sales for June 2024 also did not meet the projected estimates, registering a rise of 2% as opposed to the forecasted growth of 3.3%. The Group continues to suffer from declining PRC growth, as well as high inflation and interest rates. Despite the Group’s revenue for the Interim Period increased by 8.2% to RMB55.9 million from RMB51.7 million for the six months ended 30 June 2023, the reduction in the gross profit margin increased the Group’s net loss to RMB23.1 million for the Interim Period from RMB20.6 million for the six months ended 30 June 2023.

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. The Group's total revenue for the Interim Period increased by 8.2% to approximately RMB55.9 million from RMB51.7 million for the six months ended 30 June 2023.

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

| | Six months ended 30 June | | | |
|-----------------------------|--------------------------|--------------------|---------|--------------------|
| | 2024 | | 2023 | |
| | RMB'000 | % of total revenue | RMB'000 | % of total revenue |
| Hobs and stoves (Radiant) | 17,066 | 30.5 | 25,446 | 49.2 |
| Hobs and stoves (Induction) | 1,193 | 2.1 | 1,382 | 2.7 |
| Pots and pans | 3,123 | 5.6 | 2,927 | 5.7 |
| Healthcare products | 33,394 | 59.7 | 19,142 | 37.0 |
| Others (Note) | 1,173 | 2.1 | 2,813 | 5.4 |
| Total | 55,949 | 100.0 | 51,710 | 100.0 |

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

Revenue by geographical regions

During the six months ended 30 June 2024 and 2023, the Group's revenue was substantially derived in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Interim Period:

| | Six months ended 30 June | | | |
|--------------------------|--------------------------|--------------------|---------|--------------------|
| | 2024 | | 2023 | |
| | RMB'000 | % of total revenue | RMB'000 | % of total revenue |
| Direct Sales | | | | |
| Consignment stores | 7,501 | 13.4 | 7,276 | 14.1 |
| Corporate clients | 189 | 0.3 | 1,016 | 2.0 |
| Television platform | 2,728 | 4.9 | 7,934 | 15.3 |
| Subtotal | 10,418 | 18.6 | 16,226 | 31.4 |
| Distributors | | | | |
| Online platform | 5,497 | 9.8 | 10,679 | 20.7 |
| Physical sales locations | 40,034 | 71.6 | 24,805 | 47.9 |
| Subtotal | 45,531 | 81.4 | 35,484 | 68.6 |
| Total | 55,949 | 100.0 | 51,710 | 100.0 |

Consignment stores

During the Interim Period, the Group's direct sales revenue from consignment stores increased by 3.1% to RMB7.5 million from RMB7.3 million for the six months ended 30 June 2023, primarily attributable to the enhanced promotional activities and the strategic reduction in selling prices to stimulate sales.

Corporate clients

During the Interim Period, the Group's sales revenue from corporate clients decreased by 80.0% to RMB0.2 million from RMB1.0 million for the six months ended 30 June 2023, primarily attributable to the decrease in sales orders from PRC property developers.

Television platform

During the Interim Period, the Group's direct sales revenue from television platforms decreased by 65.8% to RMB2.7 million from RMB7.9 million for the six months ended 30 June 2023, primarily attributable to (i) the decrease in consumer spending amid poor economic conditions; and (ii) the reclassification of sales to a major customer from television platform to distributor sales due to change in logistics.

MANAGEMENT DISCUSSION AND ANALYSIS

Online platform

During the Interim Period, the Group's sales revenue from online platforms operated by the Group's distributors decreased by 48.5% to RMB5.5 million from RMB10.7 million for the six months ended 30 June 2023. The increase in sales revenue from online platforms operated by the Group's distributors was attributable to the decrease in consumer spending amid poor economic conditions.

Physical sales locations

During the Interim Period, the Group's sales revenue from physical sales locations increased by 61.4% to RMB40.0 million from RMB24.8 million for the six months ended 30 June 2023, primarily attributable to the increase in sale of healthcare products.

Gross profit and gross profit margin

The Group's gross profit margin decreased to 11.3% for the Interim Period from 32.3% for the six months ended 30 June 2023, primarily attributable to the (i) strategic reduction in selling prices aimed at boosting sales; and (ii) the increase in sale of healthcare products with lower gross profit margin.

Other income

Other income mainly includes government grant, licensing income, management fee income and sundry income. The Group's other income decreased by 30.0% to RMB1.4 million for the Interim Period from RMB2.0 million for the six months ended 30 June 2023, primarily attributable to the decrease in licensing income.

Other losses

The Group recorded other losses of RMB3.0 million for the Interim Period as compared with RMB1.0 million for the six months ended 30 June 2023, primarily attributable to the increase in impairment loss on inventories.

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, salaries, performance bonuses and 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 Interim Period decreased by 35.8% to RMB10.4 million as compared with RMB16.2 million for the six months ended 30 June 2023. 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, amortisation of land use right and amortisation of intangible assets, and other miscellaneous administrative expenses. Administrative expenses for the Interim Period decreased by 16.7% to RMB9.5 million from RMB11.4 million for the six months ended 30 June 2023. The decrease in administrative expenses for the Interim Period was primarily attributable to the decrease in employee benefit expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses

Research and development expenses for the Interim Period decreased by 22.2% to RMB2.8 million from RMB3.6 million for the six months ended 30 June 2023, primarily due to cost control measures implemented by the Group.

Finance income

Finance income represents bank interest income. For the Interim Period, the Group's finance income decreased to RMB5,000 from RMB11,000 for the six months ended 30 June 2023.

Finance costs

For the Interim Period, the Group's finance costs decreased by 32.6% to RMB3.1 million as compared with RMB4.6 million for the six months ended 30 June 2023, primarily attributable to a lower proportion of high-interest borrowings.

Income tax expenses

For the Interim Period, the Group's income tax expenses decreased to approximately RMB27,000 from RMB0.4 million for the six months ended 30 June 2023, primarily attributable to the decrease in tax assessable profits.

Net loss

For the reasons mentioned above, the Group recorded a net loss of RMB23.1 million and for the Interim Period as compared with a net loss of RMB20.6 million for the six months ended 30 June 2023.

Dividend

The Board does not declare the payment of dividend for the Interim Period.

Other receivables, deposits and prepayments

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|---|---|
| Non-current Deposits | 210 | 210 |
| Current Prepayments | 3,446 | 8,410 |
| Deposits paid to consignment stores | – | 3,175 |
| Other receivables | 3,101 | 4,493 |
| Less: Expected credit losses allowance of other receivables | (208) | (208) |
| | 6,339 | 15,870 |

Prepayments mainly include prepayments to suppliers for the purchase of inventories and prepaid expenses. Prepayments decreased by 59.0% to RMB3.4 million as at 30 June 2024 from RMB8.4 million as at 31 December 2023. The decrease in the prepayments as at 30 June 2024 was mainly due to the decrease in prepayments in suppliers. As at 31 July 2024, none of the prepayments as at 30 June 2024 was subsequently utilised.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables

Trade receivables increased by 38.6% to RMB41.2 million as at 30 June 2024 from RMB18.4 million as at 31 December 2023. The increase in the trade receivables as at 30 June 2024 was mainly attributed to the sales of healthcare products near the period end. 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 31 July 2024, 1.7% of the trade receivables (net of individual identified allowance) as at 30 June 2024 was subsequently settled.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Company's shares ("**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2018 (the "**Listing Date**").

On 27 March 2024, the Company held an extraordinary general meeting and an ordinary resolution was passed to approve the consolidation of every twenty-five issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company into one consolidated share of par value of HK\$0.25 each in the share capital of the Company. The share consolidation became effective on 2 April 2024 and the total number of issued shares of the Company became 75,612,000 shares. For details of the share consolidation, please refer to the announcements of the Company dated 8 February 2024 and 28 March 2024 and the circular of the Company dated 29 February 2024.

The Group mainly funds its business and working capital requirements by using a balanced mix of internal resources, bank and other borrowings and proceeds from placing of the Company's shares. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 30 June 2024, the Group had net current assets of approximately RMB11.6 million (31 December 2023: RMB32.9 million), cash and cash equivalents amounted to approximately RMB2.8 million (31 December 2023: RMB34.0 million) and borrowings amounted to approximately RMB72.5 million (31 December 2023: RMB69.5 million). The Group's cash and cash equivalents and borrowings as at 30 June 2024 were mainly denominated in RMB and HKD respectively. As at 30 June 2024, the Group had floating rate borrowings and fixed rate borrowings amounting to approximately RMB8.4 million (31 December 2023: RMB13.9 million) and RMB72.5 million (31 December 2023: RMB55.6 million), respectively. The weighted average interest rate of the Group's borrowings as at 30 June 2024 was approximately 10.32% (31 December 2023: 9.76%) per annum.

As at 30 June 2024, the Group had a current ratio of 1.1 times (31 December 2023: 1.3 times) and gearing ratio of 2.1 (calculated by dividing total debt by total equity) (31 December 2023: 1.2).

As at 30 June 2024 and 31 December 2023, the Group did not have any available unutilised banking facilities.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group did not have any significant capital commitments (31 December 2023: nil).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities or guarantees (31 December 2023: nil).

PLEDGE OF ASSETS

As at 30 June 2024, the Group pledged land use rights and buildings with carrying amount of approximately RMB16.2 million (31 December 2023: RMB16.1 million) to secure its borrowings of approximately RMB26.4 million (31 December 2023: RMB26.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Interim Period, the Group does not have any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed herein, during the Interim Period, the Group currently does not have any other future plans for material investments or capital assets.

FOREIGN EXCHANGE RISKS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had a total of 127 employees (31 December 2023: 205 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|-------------------------------------|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenue | 5 | 55,949 | 51,710 |
| Cost of sales | 8 | (49,651) | (34,985) |
| Gross profit | | 6,298 | 16,725 |
| Other income | 6 | 1,445 | 2,018 |
| Other losses, net | 7 | (2,965) | (1,050) |
| Selling and distribution expenses | 8 | (10,429) | (16,220) |
| Administrative expenses | 8 | (9,518) | (11,389) |
| Research and development expenses | 8 | (2,798) | (3,568) |
| Impairment loss on financial assets | | (1,817) | (1,530) |
| Operating loss | | (19,784) | (15,014) |
| Finance income | | 5 | 11 |
| Finance costs | | (3,130) | (4,607) |
| Finance costs, net | | (3,125) | (4,596) |
| Share of loss of associates, net | 11 | (213) | (615) |
| Loss before income tax | | (23,122) | (20,225) |
| Income tax expense | 9 | (27) | (385) |
| Loss for the period | | (23,149) | (20,610) |
| Loss attributable to: | | | |
| Owners of the Company | | (23,149) | (20,610) |
| Non-controlling interests | | - | - |
| | | (23,149) | (20,610) |

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|--|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Other comprehensive loss: | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Currency translation differences | | (245) | (123) |
| Other comprehensive loss for the period, net of tax | | (245) | (123) |
| Total comprehensive loss for the period | | (23,394) | (20,733) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (23,394) | (20,733) |
| Non-controlling interests | | – | – |
| Total comprehensive loss for the period | | (23,394) | (20,733) |
| Loss per share attributable to owners of the Company for the period | | | (Restated) |
| Basic and diluted (RMB) | 10 | (0.31) | (0.34) |

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

| | Note | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 11,029 | 12,485 |
| Right-of-use assets | 13 | 1,521 | 1,867 |
| Land use rights | 14 | 8,058 | 8,163 |
| Investments in associates | 11 | 7,452 | 7,665 |
| Intangible assets | 15 | 196 | 267 |
| Deposits | | 210 | 210 |
| | | 28,466 | 30,657 |
| Current assets | | | |
| Inventories | 16 | 74,654 | 50,180 |
| Trade receivables | 17 | 41,157 | 18,406 |
| Other receivables, deposits and prepayments | | 6,339 | 15,870 |
| Amount due from an associate | | – | 16,676 |
| Cash and cash equivalents | | 2,835 | 33,951 |
| | | 124,985 | 135,083 |
| Total assets | | 153,451 | 165,740 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 18 | 16,109 | 16,109 |
| Share premium | 18 | 96,223 | 96,223 |
| Reserves | | (77,519) | (54,125) |
| | | 34,813 | 58,207 |
| Non-controlling interests | | – | – |
| Total equity | | 34,813 | 58,207 |

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

| | Note | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | 13 | 487 | 578 |
| Borrowings | 20 | 4,510 | 4,510 |
| Deferred tax liabilities | | 301 | 275 |
| | | 5,298 | 5,363 |
| Current liabilities | | | |
| Trade and other payables | 19 | 31,756 | 24,232 |
| Borrowings | 20 | 68,024 | 64,989 |
| Lease liabilities | 13 | 1,068 | 1,319 |
| Amount due to associates | | 8,200 | 8,200 |
| Amount due to the then non-controlling interest | | 1,650 | 1,650 |
| Contract liabilities | | 1,433 | 1,361 |
| Current income tax liabilities | | 1,209 | 419 |
| | | 113,340 | 102,170 |
| Total liabilities | | 118,638 | 107,533 |
| Total equity and liabilities | | 153,451 | 165,740 |

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

| | Share capital RMB'000 | Share premium RMB'000 | Reserves RMB'000 | Non- controlling interests RMB'000 | Total RMB'000 |
|---|-----------------------------|-----------------------------|---------------------|---|------------------|
| (Unaudited) | | | | | |
| Balance as at 1 January 2023 | 12,561 | 72,173 | (4,371) | (457) | 79,906 |
| Loss for the period | – | – | (20,610) | – | (20,610) |
| Other comprehensive loss: | | | | | |
| Currency translation differences | – | – | (123) | – | (123) |
| Total comprehensive loss for the six months ended 30 June 2023 | – | – | (20,733) | – | (20,733) |
| Acquisition of additional interest in a subsidiary | – | – | (657) | 457 | (200) |
| Issuance of shares, net of transaction costs | 1,548 | 10,715 | – | – | 12,263 |
| Total transactions with owners | 1,548 | 10,715 | (657) | 457 | 12,063 |
| Balance as at 30 June 2023 | 14,109 | 82,888 | (25,761) | – | 71,236 |
| (Unaudited) | | | | | |
| Balance as at 1 January 2024 | 16,109 | 96,223 | (54,125) | – | 58,207 |
| Loss for the period | – | – | (23,149) | – | (23,149) |
| Other comprehensive loss: | | | | | |
| Currency translation differences | – | – | (245) | – | (245) |
| Total comprehensive loss for the six months ended 30 June 2024 | – | – | (23,394) | – | (23,394) |
| Balance as at 30 June 2024 | 16,109 | 96,223 | (77,519) | – | 34,813 |

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|--|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Cash flows from operating activities | | | |
| Net cash used in operations | | (31,601) | (14,696) |
| Income tax paid | | – | (27) |
| Net cash used in operating activities | | (31,601) | (14,723) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (88) | (755) |
| Interest received | | 5 | 11 |
| Proceeds from sale of property, plant and equipment | | – | 13 |
| Net cash used in investing activities | | (83) | (731) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of shares | | – | 12,263 |
| Interest paid | | (3,130) | (4,102) |
| Payment for acquisition of partial interest of a subsidiary to the then non-controlling interest | | – | (70) |
| Proceeds from bank and other borrowings | | 6,050 | 45,651 |
| Repayment of bank and other borrowings | | (2,020) | (42,154) |
| Withdrawal of restricted bank deposit | | – | 237 |
| Payment for lease liabilities, principal portion | | (310) | (841) |
| Payment for lease liabilities, interest portion | | (32) | (28) |
| Net cash generated from financing activities | | 558 | 10,956 |
| Net decrease in cash and cash equivalents | | (31,126) | (4,498) |
| Cash and cash equivalents as at 1 January | | 33,951 | 11,356 |
| Effect of exchange difference | | 10 | 125 |
| Cash and cash equivalents as at 30 June | | 2,835 | 6,983 |

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information of the Group

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, Cayman Islands.

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 July 2018.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Basis of preparation

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the annual consolidated financial statements for the year ended 31 December 2023, except for estimation of income tax and the adoption of new and amended standards and framework as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New standards and amendments adopted by the Group

A number of new standards and amendments became applicable for the current reporting period:

| | |
|----------------------------------|---|
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

The adoption of the amendments listed above did not have material impact on the Group's accounting policies and financial statements.

The Group has not applied any new standards or interpretation that is not yet effective for the current reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

3 REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

| | Six months ended 30 June | |
|--------------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Type of goods | | |
| Kitchen appliances | 22,555 | 32,568 |
| Healthcare products | 33,394 | 19,142 |
| | 55,949 | 51,710 |
| Timing of revenue recognition | | |
| At a point in time | 55,949 | 51,710 |

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 for the six months ended 30 June 2024 and 2023, one component is the development, manufacturing and selling of kitchen appliance and the other component is the selling of healthcare products.

Segment information provide to the executive directors

The table below shows the segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2024 and also the basis on which revenue is recognised:

| Six months ended 30 June 2024 | Development, manufacturing and selling of kitchen appliance RMB'000 (Unaudited) | Selling of healthcare products RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|----------------------------------|--|--|---------------------------------|
| Segment revenue | 22,555 | 33,394 | 55,949 |
| Segment loss | (14,913) | (770) | (15,683) |
| Unallocated expenses | | | (4,101) |
| Share of loss of associates, net | | | (213) |
| Finance costs, net | | | (3,125) |
| Loss before income tax | | | (23,122) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information provide to the executive directors *(Continued)*

The table below shows the segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2023 and also the basis on which revenue is recognised:

| Six months ended 30 June 2023 | Development, manufacturing and selling of kitchen appliance RMB'000 (Unaudited) | Selling of healthcare products RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|----------------------------------|--|--|---------------------------------|
| Segment revenue | 32,568 | 19,142 | 51,710 |
| Segment (loss)/profit | (14,661) | 990 | (13,671) |
| Unallocated expenses | | | (1,343) |
| Share of loss of associates, net | | | (615) |
| Finance costs, net | | | (4,596) |
| Loss before income tax | | | (20,225) |

There are no inter-segment sales for the six months ended 30 June 2024 and 2023.

All of the segment revenue reported above is from external customers.

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

The Group's activities are mainly carried out in the PRC and the majority of the Group's assets and liabilities are located in the PRC. Non-current assets of RMB24,867,000 (31 December 2023: RMB30,657,000) of the Group are located in the PRC as at 30 June 2024. For the six months ended 30 June 2024, revenue of approximately RMB40,528,000 (2023: RMB20,651,000) was derived from three (2023: two) individual external customers, each of which contributed more than 10% of Group's revenue.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

4 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Cost of materials used | 49,651 | 33,316 |
| Auditor's remuneration | – | 355 |
| Amortisation of intangible assets | 71 | 117 |
| Depreciation of property, plant and equipment | 752 | 1,394 |
| Depreciation of right-of-use assets | 346 | 820 |
| Amortisation of land use rights | 105 | 105 |
| Employee benefit expenses (including directors' emoluments) | 8,466 | 13,153 |
| Consignment fee | 1,742 | 4,757 |
| Short-term leases expenses | 603 | 512 |

5 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Current income tax | 1 | 1 |
| Deferred income tax | 26 | 384 |
| | 27 | 385 |

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

6 LOSS PER SHARE

(a) Basic

| | Six months ended 30 June | |
|--|--------------------------|--------------------------|
| | 2024 (Unaudited) | 2023 (Unaudited) |
| Loss attributable to owners of the Company (RMB'000) | (23,149) | (20,610) |
| Weighted average number of ordinary shares in issue (Note) | 75,612,000 | 61,405,428 (Restated) |
| Basic loss per share (RMB) | (0.31) | (0.34) |

(b) Diluted

Diluted loss per share is the same as the basic loss per share as there were no potential dilutive ordinary shares in existence during the period (six months ended 30 June 2023: same).

Note: The weighted average number of ordinary shares used to calculate the basic and diluted loss per share for the six months ended 30 June 2024 and 2023 have been adjusted to reflect the share consolidation that became effective on 2 April 2024. Accordingly, the basic and diluted loss per share for the six months ended 30 June 2023 are restated.

7 TRADE RECEIVABLES

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|------------------------|---|---|
| | Trade receivables | 42,974 |
| Less: loss allowance | (1,817) | (9,909) |
| Trade receivables, net | 41,157 | 18,406 |

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 180 days.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

7 TRADE RECEIVABLES *(Continued)*

As at 30 June 2024, the ageing analysis of gross trade receivables, based on invoice date, is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|-------------------------------------|---|---|
| Trade receivables, by invoice date: | | |
| 1–30 days | 29,412 | 8,704 |
| 31–60 days | 277 | 2,732 |
| 61–90 days | 698 | 745 |
| Over 90 days | 10,770 | 16,134 |
| | 41,157 | 28,315 |

8 TRADE PAYABLES

As at 30 June 2024, the ageing analysis of the trade payables based on invoice date is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--------------|---|---|
| 1–30 days | 5,613 | 4,806 |
| 31–60 days | 1,373 | 1,940 |
| 61–90 days | 4,257 | 280 |
| Over 90 days | 5,443 | 4,320 |
| | 16,686 | 11,346 |

9 DIVIDENDS

No dividend was declared by the Company during the six months ended 30 June 2024 and 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

10 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting period, as set out in the announcement of the Company dated 10 May 2024 and 3 July 2024, in relation to the placing of 42,310,000 new shares of the Company to not less than six placees at the placing price of HK\$0.52 per placing share pursuant to the terms and conditions of a placing agreement entered into between the Company and a placing agent dated 10 May 2024. This placing was completed on 3 July 2024 and the net proceeds from this placing at the time of its completion were approximately HK\$21.0 million. The Company intends to apply approximately HK\$20.0 million or 95.2% of the net proceeds from the Placing towards the repayment of the Group's other borrowing; and approximately HK\$1.0 million, or 4.8% of the net proceeds from the Placing to replenish the Group's general working capital.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) are as follows:

Interest in the Company

| Name of Director | Capacity/ nature of interest | Number of Shares held (Note 1) | Percentage of shareholding in the Company (Approximate) |
|--|--------------------------------------|--------------------------------------|--|
| Mr. Wu Huizhang ("Mr. Wu") (Note 2) | Interest in a controlled corporation | 15,000,000 (L) | 19.84% |
| | Interest in a controlled corporation | 15,000,000 (S) (Note 3) | 19.84% |

Notes:

1. The letter "L" denotes long position of the shares and the letter "S" denotes short position of the shares.
2. The issued shares of Seashore Global are wholly-owned by Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the 15,000,000 ordinary shares of the Company held by Seashore Global by virtue of the SFO.
3. On 5 July 2022, the Company signed an agreement to pledge a total of 15,000,000 ordinary shares of the Company, which owned by Seashore Global to Kingston Finance Limited ("Kingston") as security for loan facilities provided to the Company.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 30 June 2024, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in this report, at no time from the Listing Date up to 30 June 2024 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, the following persons (other than the interests of the Directors or chief executives of the Company as disclosed above) had interests or short positions in the ordinary shares of the Company or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

| Name | Capacity/ nature of interest | Number of Shares held (Note 1) | Percentage of shareholding in the Company (Approximate) |
|---|---|--------------------------------------|--|
| Seashore Global (Note 2) | Beneficial owner | 15,000,000 (L) | 19.84% |
| | Beneficial owner | 15,000,000 (S) | 19.84% |
| Kingston (Note 3) | Person having a security interest in shares | 15,000,000 (L) | 19.84% |
| Ample Cheer Limited ("Ample Cheer") (Note 3) | Interest in a controlled corporation | 15,000,000 (L) | 19.84% |
| Ms. Chu Yuet Wah ("Ms. Chu") (Note 3) | Interest in a controlled corporation | 15,000,000 (L) | 19.84% |

Notes:

1. The letter "L" denotes long position of the shares and the letter "S" denotes short position of the shares.
2. The issued shares of Seashore Global are wholly-owned by Mr. Wu who is deemed to be interested in the shares held by Seashore Global by virtue of the SFO.
3. On 5 July 2022, the Company signed an agreement to pledge a total of 15,000,000 ordinary shares of the Company, which owned by Seashore Global to Kingston as security for loan facilities provided to the Company. Kingston is a wholly-owned subsidiary of Ample Cheer, which is in turn wholly-owned by Ms. Chu. Accordingly, Ample Cheer and Ms. Chu are deemed to be interested in the shares held by Kingston by virtue of the SFO.

Save as disclosed above, as at 30 June 2024, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 24 June 2018. The purpose of which is to motivate the relevant participants to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

During the Interim Period, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

As at 1 January 2024 and 30 June 2024, there is 6,000,000 options available for grant under the share option scheme mandate; and the number of shares that may be issued in respect of options granted under the Share Option Scheme for the six months ended 30 June 2024 is nil, representing 0% of the weighted average number of shares of the relevant class in issue of the Company for the six months ended 30 June 2024.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

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

For the Interim 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 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.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the interim results for the six months ended 30 June 2024 and discussed the related financial matters with the Board.

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 Interim 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 Interim 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 officer. With her extensive experience in the industry, the Directors believe that vesting the roles of both chairperson and chief executive officer 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 officer, the division of responsibilities between the chairperson and chief executive officer is clearly established. In general, the chairperson is responsible for supervising the functions and performance of the Board, while the chief executive officer 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.

With effect from 1 August 2024, Madam Maeck has resigned as the chairperson of the Board and the chairperson of Nomination Committee, and still holds the office of executive Director and chief executive. Mr. Zhao Jie is appointed as an executive Director, the Chairman of the Board and the chairman of Nomination Committee. The Company has complied with all code provisions under the CG Code with effect from 1 August 2024 and up to the date of this report.

OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 10 May 2024 and 3 July 2024, in relation to the placing of 42,310,000 new shares of the Company to not less than six placees at the placing price of HK\$0.52 per placing share pursuant to the terms and conditions of a placing agreement entered into between the Company and a placing agent dated 10 May 2024. This placing was completed on 3 July 2024 and the net proceeds from this placing at the time of its completion were approximately HK\$21.0 million. The Company intends to apply approximately HK\$20.0 million or 95.2% of the net proceeds from the Placing towards the repayment of the Group's other borrowing; and approximately HK\$1.0 million, or 4.8% of the net proceeds from the Placing to replenish the Group's general working capital.

Save as disclosed above, no significant events affecting the Group have occurred since the end of the reporting period.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on the Directors are as follows:

One of the independent non-executive Director, namely Mr. Wang Shih-fang, has entered into a service contract with the Company for a term of one year commencing from 24 June 2023 to 23 June 2024, which can be terminated by either party giving not less than one month's notice in writing. The specific term of the independent non-executive Directors has been renewed for a term of one year commencing from 24 June 2024 to 23 June 2025.

One of the independent non-executive Director, namely Mr. Li Wei, has entered into a service contract with the Company for a term of one year commencing from 25 January 2023 to 24 January 2024, which can be terminated by either party giving not less than one month's notice in writing. The specific term of the independent non-executive Director has been renewed for a term of one year commencing from 25 January 2024 to 24 January 2025.

One of the executive Directors, namely Madam Maeck Can Yue, has entered into a service contract with the Company for a term of three years commencing from 24 June 2021 to 23 June 2024, which can be terminated by either party giving not less than three months' notice in writing. The specific term of the executive Director has been renewed for a term of three years commencing from 24 June 2024 to 23 June 2027.

By order of the Board
Volcano Spring International Holdings Limited
Zhao Jie
Executive Director

Hong Kong, 23 August 2024