

Volcano Spring International Holdings Limited 火山邑動國際控股有限公司

(Formerly known as Miji International Holdings Limited 米技國際控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1715)



2023
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Madam Maeck Can Yue
(Chairperson 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

COMMITTEES OF THE BOARD

Audit Committee

Mr. Hooi Hing Lee *(Chairperson)*
Mr. Wang Shih-fang
Mr. Yan Chi Ming
Mr. Li Wei

Remuneration Committee

Mr. Yan Chi Ming *(Chairperson)*
Mr. Wang Shih-fang
Mr. Hooi Hing Lee

Nomination Committee

Madam Maeck Can Yue *(Chairperson)*
Mr. Wang Shih-fang
Mr. Hooi Hing Lee

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

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PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE IN THE PRC

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Caohejing Hi-tech Park
Shanghai
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
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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 2023 (the “Interim Period”). These results have been reviewed by the Company’s audit committee (the “Audit Committee”), and Conpak CPA Limited, the external auditor of the Group.

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 global economy is going through a tough period in 2023. According to the World Bank, the global growth is expected to decelerate from 3.1% in 2022 to 2.1% in 2023. Many enterprises, including the Group are facing unprecedented challenges from the declining global growth, high inflation and the rising interest rates. The Group’s revenue for the Interim Period increased by 20.4% to RMB51.7 million from RMB42.9 million for the six months ended 30 June 2022. However, due to the decrease in gross profit margin and increase in finance costs, the Group recorded a net loss of RMB20.6 million for the Interim Period.

Looking ahead, the Group has implemented plans to improve its financial performance. The Group will continue to develop new products that suit the needs of the consumers. During the Interim Period, the Group rolled out natural spring water and eye care devices to the market and received favourable responses. 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. During the Interim Period, the Group rolled out healthcare products to diversify its product portfolio and received favourable market response. The Group's total revenue for the Interim Period increased by 20.4% to approximately RMB51.7 million from RMB42.9 million for the six months ended 30 June 2022.

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

	Six months ended 30 June			
	2023		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Hobs and stoves (Radiant)	25,446	49.2	32,452	75.6
Hobs and stoves (Induction)	1,382	2.7	2,254	5.2
Pots and pans	2,927	5.7	2,516	5.9
Others (Note)	2,813	5.4	5,721	13.3
Healthcare products	19,142	37.0	–	–
Total	51,710	100.0	42,943	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 2023 and 2022, 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			
	2023		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Direct Sales				
Consignment stores	7,276	14.1	11,058	25.8
Corporate clients	1,016	2.0	1,977	4.6
Television platform	7,934	15.3	18,731	43.6
Subtotal	16,226	31.4	31,766	74.0
Distributors				
Online platform	10,679	20.7	8,464	19.7
Physical sales locations	24,805	47.9	2,713	6.3
Subtotal	35,484	68.6	11,177	26.0
Total	51,710	100.0	42,943	100.0

Consignment stores

During the Interim Period, the Group's direct sales revenue from consignment stores decreased by 34.2% to RMB7.3 million from RMB11.1 million for the six months ended 30 June 2022, primarily attributable to the decrease in consumer spending amid poor economic conditions.

Corporate clients

During the Interim Period, the Group's sales revenue from corporate clients decreased by 50.0% to RMB1.0 million from RMB2.0 million for the six months ended 30 June 2022, primarily attributable to the decrease in sales orders from PRC property developers.

MANAGEMENT DISCUSSION AND ANALYSIS

Television platform

During the Interim Period, the Group's direct sales revenue from television platforms decreased by 57.8% to RMB7.9 million from RMB18.7 million for the six months ended 30 June 2022, primarily attributable to the decrease in consumer spending amid poor economic conditions.

Online platform

During the Interim Period, the Group's sales revenue from online platforms operated by the Group's distributors increased by 25.9% to RMB10.7 million from RMB8.5 million for the six months ended 30 June 2022. The increase in sales revenue from online platforms operated by the Group's distributors was attributable to the increased use of social media platforms for marketing and sales of products.

Physical sales locations

During the Interim Period, the Group's sales revenue from physical sales locations increased by 8.2 times to RMB24.8 million from RMB2.7 million for the six months ended 30 June 2022, primarily attributable to roll-out of healthcare products during the Interim Period.

Gross profit and gross profit margin

The Group's gross profit margin decreased to 32.3% for the Interim Period from 44.7% for the six months ended 30 June 2022, primarily attributable to the change in the mix of products sold during the Interim Period and the gross profit margin of healthcare products is lower than that of kitchen appliances. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Interim Period:

	Six months ended 30 June			
	2023		2022	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Hobs and stoves (Radiant)	12,458	49.0	14,792	45.6
Hobs and stoves (Induction)	631	45.7	974	43.2
Pots and pans	1,285	43.9	1,065	42.3
Others (Note)	1,025	36.4	2,348	41.0
Healthcare products	1,326	6.9	–	–
Total	16,725	32.3	19,179	44.7

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income mainly includes government grant, licensing income, management fee income and sundry income. The Group's other income increased by 25.0% to RMB2.0 million for the Interim Period as compared from RMB1.6 million for the six months ended 30 June 2022, primarily attributable to the increase in licensing income.

Other gains and losses

Other gains and losses mainly comprised exchange differences and net loss on inventories destruction. The Group recorded other losses of RMB1.0 million for the Interim Period as compared with other gains of RMB3.9 million for the six months ended 30 June 2022, primarily attributable to the decrease in net gain on disposals of investments.

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 28.3% to RMB16.2 million as compared with RMB22.6 million for the six months ended 30 June 2022. This was primarily attributable to the decrease in consignment fees along with the decreased proportion of sales through television platform.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, general office expenses, rental expenses, legal and professional fees, depreciation of property, plant and equipment, amortisation of land use right and amortisation of intangible assets, and other miscellaneous administrative expenses. Administrative expenses for the Interim Period decreased by 10.2% to RMB11.4 million from RMB12.7 million for the six months ended 30 June 2022. The decrease in administrative expenses for the Interim Period was primarily attributable to the decrease in legal and professional fee.

Research and development expenses

Research and development expenses for the Interim Period decreased by 14.3% to RMB3.6 million from RMB4.2 million for the six months ended 30 June 2022, 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 RMB0.01 million from RMB0.03 million for the six months ended 30 June 2022.

Finance costs

For the Interim Period, the Group's finance costs increased by 6.7 times to RMB4.6 million as compared with RMB0.6 million for the six months ended 30 June 2022, primarily attributable to the increase in borrowings to finance the Group's business operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

For the Interim Period, the Group's income tax expenses increased to approximately RMB0.4 million from RMB0.1 million for the six months ended 30 June 2022.

Net loss

For the reasons mentioned above, the Group recorded a net loss of RMB20.6 million and a net loss margin of 39.9% for the Interim Period as compared with a net loss of RMB18.3 million and a net loss margin of 42.7% for the six months ended 30 June 2022.

Dividend

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

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"). There has been no change in the capital structure of the Group since then.

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 2023, the Group had net current assets of approximately RMB45.4 million (31 December 2022: RMB58.3 million), cash and cash equivalents amounted to approximately RMB7.0 million (31 December 2022: RMB11.4 million) and borrowings amounted to approximately RMB84.1 million (31 December 2022: RMB78.6 million). The Group's cash and cash equivalents and borrowings as at 30 June 2023 were mainly denominated in RMB and HKD respectively. As at 30 June 2023, the Group had floating rate borrowings and fixed rate borrowings amounting to approximately RMB8.4 million (31 December 2022: RMB25.0 million) and RMB75.7 million (31 December 2022: RMB53.6 million), respectively. The weighted average interest rate of the Group's borrowings as at 30 June 2023 was approximately 10.32% (31 December 2022: 9.62%) per annum.

As at 30 June 2023, the Group had a current ratio of 1.4 times (31 December 2022: 1.5 times) and gearing ratio of 1.2 (calculated by dividing total debt by total equity) (31 December 2022: 1.0).

As at 30 June 2023 and 31 December 2022, the Group did not have any available unutilised banking facilities.

RESTRICTED BANK DEPOSITS

As at 30 June 2023, the Group did not have restricted bank deposits (31 December 2022: RMB0.2 million).

CAPITAL COMMITMENTS

As at 30 June 2023, the Group did not have any significant capital commitments (31 December 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities or guarantees (31 December 2022: nil).

PLEDGE OF ASSETS

As at 30 June 2023, the Group pledged land use rights and buildings with carrying amount of approximately RMB16.5 million (31 December 2022: RMB17.2 million) to secure its borrowings of approximately RMB26.4 million (31 December 2022: RMB25.0 million).

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

On 21 June 2023, the Group has considered and approved the proposal regarding the incorporation of a wholly-owned subsidiary with a registered capital of RMB5,000,000 for the purpose of entering into the hydrogen energy business in the PRC. For details, please refer to the Company's announcement dated 21 June 2023.

On 4 July 2023, the Group has considered and approved the proposal regarding the incorporation of a wholly-owned subsidiary in the PRC with a registered capital of RMB5,000,000. This subsidiary will be set up for the purpose of designing and launching artificial intelligence chatbot (ChatGPT 4) and artificial intelligence live streaming platform, which will be used for marketing the Group's products and improving customer experience. For details, please refer to the Company's announcement dated 4 July 2023.

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 2023, the Group had a total of 174 employees (31 December 2022: 173 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS IN RELATION TO THE PLACING UNDER GENERAL MANDATE

On 18 May 2023, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 300,000,000 placing shares at the placing price of HK\$0.08 per placing share to not less than six Placees (who are individual, institutional or professional investors), who and whose ultimate beneficial owners are independent third parties. The placing shares would be allotted and issued pursuant to the general mandate.

This placing was completed on 25 May 2023. The net proceeds from this placing at the time of its completion were approximately HK\$13.6 million, of which approximately HK\$11.0 million would be applied towards the partial repayment of other borrowing of the Group; and approximately HK\$2.6 million would be applied towards replenishment of the working capital of the Group to support its business operations and for the payment of its administrative expenses.

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

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

Intended use of net proceeds	Original allocation of net proceeds (HK\$ million) (approximately)	Utilised amount of net proceeds up to 30 June 2023 (HK\$ million) (approximately)	Unutilised amount of net proceeds up to 30 June 2023 (HK\$ million) (approximately)	Expected time period
Partial repayment of other borrowing of the Group	11	11	–	The balance is expected to be fully utilized by the end of 2023
Replenishment of the working capital of the Group	2.6	2.6	–	The balance is expected to be fully utilized by the end of 2023
Total	13.6	13.6	–	

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



CONPAK CPA LIMITED | 康栢會計師事務所有限公司

To the Board of Directors of Volcano Spring International Holdings Limited (formerly known as “Miji International Holdings Limited”)

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 36, which comprises the condensed consolidated interim statement of financial position of Volcano Spring International Holdings Limited (formerly known as “Miji International Holdings Limited”) (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Conpak CPA Limited

Certified Public Accountants

Hong Kong, 18 August 2023

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	51,710	42,943
Cost of sales	8	(34,985)	(23,764)
Gross profit		16,725	19,179
Other income	6	2,018	1,622
Other (losses)/gains, net	7	(1,050)	3,854
Selling and distribution expenses	8	(16,220)	(22,608)
Administrative expenses	8	(11,389)	(12,669)
Research and development expenses	8	(3,568)	(4,246)
Impairment loss on financial assets		(1,530)	(2,306)
Operating loss		(15,014)	(17,174)
Finance income		11	32
Finance costs		(4,607)	(621)
Finance costs, net		(4,596)	(589)
Share of loss of associates, net	11	(615)	(393)
Loss before income tax		(20,225)	(18,156)
Income tax expense	9	(385)	(117)
Loss for the period		(20,610)	(18,273)
Loss attributable to:			
Owners of the Company		(20,610)	(18,207)
Non-controlling interests		-	(66)
		(20,610)	(18,273)

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 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(123)	(21)
Other comprehensive loss for the period, net of tax		(123)	(21)
Total comprehensive loss for the period		(20,733)	(18,294)
Total comprehensive loss attributable to:			
Owners of the Company		(20,733)	(18,228)
Non-controlling interests		-	(66)
Total comprehensive loss for the period		(20,733)	(18,294)
Loss per share attributable to owners of the Company for the period			
Basic and diluted (RMB cents)	10	(1.34)	(1.21)

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 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	14,419	15,064
Right-of-use assets	13	970	1,172
Land use rights	14	8,269	8,374
Investment in associates	11	7,085	1,220
Intangible assets	15	337	450
Deposits		–	64
		31,080	26,344
Current assets			
Inventories	16	67,600	84,125
Trade receivables	17	15,834	13,303
Other receivables, deposits and prepayments		54,558	58,309
Amount due from an associate		16,676	–
Amount due from a non-controlling interest		–	130
Restricted bank deposit		–	237
Cash and cash equivalents		6,983	11,356
		161,651	167,460
Total assets		192,731	193,804
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	18	14,109	12,561
Share premium	18	82,888	72,173
Reserves		(25,761)	(4,371)
		71,236	80,363
Non-controlling interests		–	(457)
Total equity		71,236	79,906

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 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	–	64
Borrowings	20	4,630	4,380
Deferred tax liabilities		646	261
		5,276	4,705
Current liabilities			
Trade and other payables	19	23,761	27,539
Borrowings	20	79,481	74,263
Lease liabilities	13	1,031	1,218
Amount due to associates		7,700	1,301
Amount due to the then non-controlling interest		1,650	1,650
Contract liabilities		2,177	2,776
Current income tax liabilities		419	446
		116,219	109,193
Total liabilities		121,495	113,898
Total equity and liabilities		192,731	193,804

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 2023

	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 2022	12,561	72,173	39,534	(120)	124,148
Loss for the period	-	-	(18,207)	(66)	(18,273)
Other comprehensive loss:					
Currency translation differences	-	-	(21)	-	(21)
Total comprehensive loss for the six months ended 30 June 2022	-	-	(18,228)	(66)	(18,294)
Balance as at 30 June 2022	12,561	72,173	21,306	(186)	105,854
(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

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 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Net cash used in operations		(14,696)	(5,981)
Income tax paid		(27)	(3)
Net cash used in operating activities		(14,723)	(5,984)
Cash flows from investing activities			
Purchase of property, plant and equipment		(755)	(106)
Interest received		11	32
Proceeds from disposal of interest in an associate	11	–	3,662
Proceeds from disposal of assets classified as held for sale		–	12,000
Proceeds from sale of property, plant and equipment		13	–
Net cash (used in)/generated from investing activities		(731)	15,588
Cash flows from financing activities			
Proceeds from issuance of shares		12,263	–
Interest paid		(4,102)	(621)
Dividend paid to the then non-controlling interest		–	(1,059)
Payment for acquisition of partial interest of a subsidiary to the then non-controlling interest		(70)	–
Proceeds from bank and other borrowings		45,651	7,000
Repayment of bank and other borrowings		(42,154)	(10,310)
Withdrawal of restricted bank deposit		237	–
Payment for lease liabilities, principal portion		(841)	(1,456)
Payment for lease liabilities, interest portion		(28)	–
Net cash generated from/(used in) financing activities		10,956	(6,446)
Net (decrease)/increase in cash and cash equivalents		(4,498)	3,158
Cash and cash equivalents as at 1 January		11,356	32,346
Effect of exchange difference		125	250
Cash and cash equivalents as at 30 June		6,983	35,754

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 2023

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.

On 6 June 2023, the Company changed its English name from "Miji International Holdings Limited" to "Volcano Spring International Holdings Limited" and the dual foreign name in Chinese of the Company from "米技國際控股有限公司" to "火山邑动国际控股有限公司".

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 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2022, 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.

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

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

(b) New standards, amendments to standards and interpretations not yet adopted and revised HKFRSs issued but not yet effective

Certain new and amended standards have been issued but not yet to be effective for the financial year beginning 1 January 2023 and have not been early adopted by the Group:

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

Management is in the process of assessing the financial impact of the above new and amended standards but is not yet in a position to state whether they will result in substantial changes to the Group's significant accounting policies and the presentation of its financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk and foreign currency risk), credit risk, and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since 31 December 2022.

3.2 Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the six months ended 30 June 2023.

3.3 Fair value estimation

The carrying values of the Group's current financial assets, including trade receivables, other receivables, due from an associate and cash and cash equivalents, and current financial liabilities, including trade and other payables, current borrowings, lease liabilities, amount due to associates and amount due to the then non-controlling interest, approximate their fair values due to their short maturities. The carrying amounts of non-current borrowings approximate their fair values as they bear floating interest rate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5 REVENUE FROM SALES OF GOODS AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Type of goods		
Kitchen appliance	32,568	42,943
Healthcare products	19,142	–
Total revenue	51,710	42,943
Timing of revenue recognition		
At a point in time	51,710	42,943

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 2023, one component is the development, manufacturing and selling of kitchen appliance and the other component is the selling of healthcare products. During the six months ended 30 June 2022, there is only one component which is the development, manufacturing and selling of kitchen appliance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

5 REVENUE FROM SALES OF GOODS AND SEGMENT INFORMATION *(Continued)*

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 2023 and also the basis on which revenue is recognised:

	Development, manufacturing and selling of kitchen appliance RMB'000 (Unaudited)	Selling of healthcare products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2023			
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 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 RMB30,878,000 (31 December 2022: RMB25,843,000) of the Group are located in the PRC as at 30 June 2023. For the six months ended 30 June 2023, revenues of approximately RMB20,651,000 (2022: RMB14,154,000) was derived from two (2022: one) 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 2023

6 OTHER INCOME

The Group's other income recognised during the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income:		
– Government grant (Note)	251	191
– Insurance claim recovered	109	–
– Licensing income from an associate	–	378
– Licensing income from independent third parties	1,417	746
– Management fee income from an associate	–	73
– Management fee income from independent third party	220	147
– Sundry income	21	87
	2,018	1,622

Note: The amounts mainly represent the Group's entitlements to value-added tax refund and government subsidies as an incentive to the Group for the devotion of resources to stimulate the PRC's economic development. There are no unfulfilled conditions or other contingencies attaching to these grants.

7 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Exchange (losses)/gains, net	(367)	894
Gain on disposal of assets classified as held for sale	–	6,253
Loss on disposal of investment in an associate	–	(3,293)
Loss on disposal of property, plant and equipment	(3)	–
Others	(680)	–
	(1,050)	3,854

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

8 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of materials used	33,316	21,530
Auditor's remuneration	355	428
Amortisation of intangible assets (Note 15)	117	133
Depreciation of property, plant and equipment (Note 12)	1,394	2,177
Depreciation of right-of-use assets (Note 13)	820	1,230
Amortisation of land use rights (Note 14)	105	105
Employee benefit expenses (including directors' emoluments)	13,153	13,107
Consignment fee	4,757	7,781
Short-term leases expenses	512	265

9 INCOME TAX EXPENSE

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits in Hong Kong during the period ended 30 June 2023 (2022: Same).

(iii) The PRC enterprise income tax ("EIT")

Under the Enterprise Income Tax Law of the PRC (the "New EIT Law"), the applicable income tax rate for the Group's entities in the PRC, except for Miji Electronics and Appliances (Shanghai) Ltd ("Miji Shanghai"), is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on income of Miji Shanghai will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Miji Shanghai renewed the Certificate which will be expired on 11 November 2023.

The Group is entitled to a tax relief from the tax authority in the PRC on eligible research and development cost incurred for the six months ended 30 June 2023 and 2022. The Group can claim an extra 75% tax deduction based on those eligible research and development cost incurred at an applicable tax rate. It is credited to the total comprehensive loss during the period in which they are incurred.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

9 INCOME TAX EXPENSE *(Continued)*

(iv) Corporate income tax in Germany

The Group did not have any assessable profit in Germany during the six months ended 30 June 2023 and 2022.

(v) Withholding tax on distributed profits

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared by the PRC companies to their foreign investors. Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the future.

(vi) Tax expense for the period

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax	1	–
Deferred income tax	384	117
	385	117

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.

10 LOSS PER SHARE

(i) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to owners of the Company (RMB'000)	(20,610)	(18,207)
Weighted average number of ordinary shares in issue	1,535,135,691	1,500,000,000
Basic loss per share (RMB cents)	(1.34)	(1.21)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

10 LOSS PER SHARE *(Continued)*

(ii) 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.

11 INVESTMENT IN ASSOCIATES

The carrying amount of the investment in associates have changed as follows:

	RMB'000 (Unaudited)
<hr/>	
(Unaudited)	
For the six months ended 30 June 2022	
As at 1 January 2022	7,348
Share of loss	(393)
Disposal of interest in an associate	(6,955)
<hr/>	
As at 30 June 2022	–
<hr/>	
(Unaudited)	
For the six months ended 30 June 2023	
As at 1 January 2023	1,220
Capital contribution to an associate	6,480
Share of loss	(615)
<hr/>	
As at 30 June 2023	7,085
<hr/>	

During the period ended 30 June 2023, the Group increased its investment in Shanghai Volcano Spring Technology Co., Ltd. (“**Shanghai Volcano Spring**”) with the same proportion as other investors and the committed investment amounted to RMB6,480,000 which remains 24% equity interest in Shanghai Volcano Spring.

During the period ended 30 June 2022, the Group disposed of its 33% equity interest in Sky Asia Construction Engineering Limited (“**Sky Asia**”) to an independent third party at a consideration of HK\$4,500,000 (equivalent to RMB3,662,000). A loss on disposal of investment in an associate of RMB3,293,000 has been recognised in other (losses)/gains, net in the condensed consolidated interim statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
(Unaudited)						
Balance as at 1 January 2023						
Cost	14,857	15,557	2,808	1,291	3,128	37,641
Accumulated depreciation	(6,266)	(10,731)	(2,177)	(1,001)	(2,402)	(22,577)
Net book amount	8,591	4,826	631	290	726	15,064
Six months ended 30 June 2023						
Opening net book amount	8,591	4,826	631	290	726	15,064
Additions	-	-	64	472	219	755
Write off	-	-	-	(16)	-	(16)
Depreciation (Note 8)	(334)	(781)	(99)	(80)	(100)	(1,394)
Currency translation differences	-	-	5	5	-	10
Closing net book amount	8,257	4,045	601	671	845	14,419
Balance as at 30 June 2023						
Cost	14,857	15,557	2,872	1,606	3,347	38,239
Accumulated depreciation	(6,600)	(11,512)	(2,271)	(935)	(2,502)	(23,820)
Net book amount	8,257	4,045	601	671	845	14,419

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

13 RIGHT-OF-USE ASSETS

(i) Amounts recognised in the condensed consolidated interim statement of financial position

The condensed consolidated interim statement of financial position shows the following balances relating to the leases in respect of office premises and warehouses:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Right-of-use assets		
Office premises and warehouses	970	1,172
Lease liabilities		
Current	1,031	1,218
Non-current	–	64
	1,031	1,282

No additions to the right-of-use assets during the six months ended 30 June 2023 (six months ended 30 June 2022: Same). During the period ended 30 June 2023, the Group extended the lease term of a office premise until May 2024 and modified the consideration, which resulted in an increase in the net carrying amount of the right-of-use assets and of lease liabilities by RMB618,000 (six months ended 30 June 2022: There was no modification of a lease).

(ii) Amounts recognised in the condensed consolidated interim statement of comprehensive income

The condensed consolidated interim statement of comprehensive income shows the following amounts relating to the leases in respect of office premises and warehouses:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets (Note 8)	820	1,230
Interest expense	28	90

The total cash outflow for leases (including interest portion) in the six months ended 30 June 2023 is RMB1,365,000 (six months ended 30 June 2022: RMB1,811,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

14 LAND USE RIGHTS

The Group's interests in land use rights represent a right-of-use asset for land and their net carrying values are analysed as follows:

	RMB'000
<hr/>	
(Unaudited)	
Balance as at 1 January 2023	
Cost	9,386
Accumulated amortisation	(1,012)
<hr/>	
Net book value as at 1 January 2023	8,374
<hr/>	
Six months ended 30 June 2023	
Opening net book amount	8,374
Amortisation (Note 8)	(105)
<hr/>	
Net book value as at 30 June 2023	8,269
<hr/>	
Balance as at 30 June 2023	
Cost	9,386
Accumulated amortisation	(1,117)
<hr/>	
Net book amount	8,269
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The Group's land use rights are located in the PRC and are held on leases with terms between 47 to 50 years. Amortisation of the Group's land use rights has been charged to administrative expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

15 INTANGIBLE ASSETS

	Software RMB'000	Website RMB'000	Total RMB'000
(Unaudited)			
Balance as at 1 January 2023			
Cost	1,241	382	1,623
Accumulated amortisation	(849)	(324)	(1,173)
Net book value as at 1 January 2023	392	58	450
Six months ended 30 June 2023			
Opening net book amount	392	58	450
Amortisation (Note 8)	(62)	(55)	(117)
Currency translation differences	–	4	4
Net book value as at 30 June 2023	330	7	337
Balance as at 30 June 2023			
Cost	1,241	382	1,623
Accumulated amortisation	(911)	(375)	(1,286)
Net book amount	330	7	337

16 INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Parts and components	8,591	8,985
Finished goods	59,009	75,140
	67,600	84,125

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

17 TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	21,766	17,705
Less: loss allowance	(5,932)	(4,402)
Trade receivables, net	15,834	13,303

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.

As at 30 June 2023, the ageing analysis of gross trade receivables, based on invoice date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables, by invoice date:		
1-30 days	4,523	6,314
31-60 days	473	2,700
61-90 days	3,191	461
Over 90 days	13,579	8,230
	21,766	17,705

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

18 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of ordinary shares HKD'000
Authorised:		
(Unaudited)		
Ordinary shares of HKD0.01 each		
As at 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	10,000,000,000	100,000

	Number of shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:				
(Unaudited)				
As at 1 January 2022 and 30 June 2022	1,500,000,000	15,000	12,561	72,173
As at 1 January 2023	1,500,000,000	15,000	12,561	72,173
Issued of shares (a)	171,880,000	1,719	1,548	10,715
As at 30 June 2023	1,671,880,000	16,719	14,109	82,888

- (a) On 25 May 2023, a total of 171,880,000 placing shares have been successfully placed to not less than six places, who and whose ultimate beneficial owners are independent third parties, at the placing price of HK\$0.08 per placing share pursuant to the terms and conditions of the placing agreement, representing (i) approximately 11.46% of the issued share capital of the Company immediately before Completion; and (ii) approximately 10.28% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

19 TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables (Note (a))	13,884	15,836
Other payables and accruals	9,877	11,703
	23,761	27,539

Trade payables and other payables approximate their fair values and were mainly denominated in RMB.

Note:

(a) TRADE PAYABLES

As at 30 June 2023, the ageing analysis of the trade payables based on invoice date is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
1–30 days	4,467	8,931
31–60 days	664	2,887
61–90 days	2,082	2,991
Over 90 days	6,671	1,027
	13,884	15,836

20 BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current		
Borrowings	79,481	74,263
Non-current		
Borrowings	4,630	4,380
	84,111	78,643

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

20 BORROWINGS (Continued)

As at 30 June 2023, the borrowings amounting to RMB8,370,000 and RMB75,741,000 were carried at floating rate and fixed rate respectively (31 December 2022: RMB25,047,000 and RMB53,596,000 were carried at floating rate and fixed rate respectively). The weighted average interest rate are 10.32% (31 December 2022: 9.62%) per annum.

As at 30 June 2023, bank borrowings of RMB26,370,000 were secured by the land use rights and buildings of the Group with total carrying value of RMB16,526,000 (31 December 2022: RMB25,047,000 were secured by the land use rights, buildings and restricted bank deposit of the Group with total carrying value of RMB17,202,000). The other borrowings of RMB37,801,000 (31 December 2022: RMB53,596,000) were secured by the Company's ordinary shares of 375,000,000 with total value of HK\$43,875,000 (equivalent to RMB40,452,000) (31 December 2022: HK\$37,500,000 (equivalent to RMB34,570,000)).

As at 30 June 2023, the Group's borrowings were repayable as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 6 months	37,921	26,581
Between 6 and 12 months	41,560	47,682
Between 1 and 2 years	240	708
Between 2 and 5 years	1,260	2,389
Over 5 years	3,130	1,283
	84,111	78,643

21 DIVIDENDS

No dividend was declared by the Company during the six months ended 30 June 2023 and 2022.

22 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

22 RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the six months ended 30 June 2023 and 2022:

Name of the related parties	Relationship with the Group
Shanghai Volcano Spring	Associate of the Group
Shanghai Xiaoyu Network Technology Co., Ltd. ("Shanghai Xiaoyu")	Associate of the Group
Miji Xuanshang Intelligence Home Appliances (Shanghai) Company Limited ("Miji Xuanshang")	Associate of the Group (Note)

Note:

During the year ended 31 December 2021, the Group has entered into a sale and purchase agreement to dispose of its 40% equity interest in Miji Xuanshang. The transaction has completed in February 2022 and Miji Xuanshang ceased to be an associate of the Group upon the completion of the transaction.

(b) Transactions with related party

Save as disclosed elsewhere in the interim financial information, during the period, the following transactions were carried out with the related party at terms mutually agreed by both parties:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of goods to		
– Miji Xuanshang	–	59
– Shanghai Volcano Spring	15,294	–
Purchases of goods from		
– Miji Xuanshang	–	1,968
Licensing income from		
– Miji Xuanshang	–	378
Management fee income from		
– Miji Xuanshang	–	73

The pricing of these transactions was determined based on mutual negotiation between the Group and the related party.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

22 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

(c) Balances with the related parties

	30 June 2023 RMB'000	31 December 2022 RMB'000
Amount due from/(to) associates		
Shanghai Volcano Spring (Note i)	16,676	–
Shanghai Volcano Spring (Note ii)	(7,200)	(801)
Shanghai Xiaoyu (Note iii)	(500)	(500)

- (i) As at 30 June 2023, the balance represents receivables in trade nature amounted to RMB16,676,000 (31 December 2022: Nil).
- (ii) As at 30 June 2023, the balance represents the consideration payable for the acquisition of 24% equity interest in Shanghai Volcano Spring amounted to RMB720,000 and unpaid capital of committed investment amounted to RMB6,480,000 respectively (31 December 2022: the balance represents the consideration payable for the acquisition of 24% equity interest in Shanghai Volcano Spring amounted to RMB720,000 and contract liabilities amounted to RMB81,000 respectively).
- (iii) As at 30 June 2023, the balance represents the unpaid capital for 10% equity interest in Shanghai Xiaoyu amounted to RMB500,000 (31 December 2022: Same).

23 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting period, as set out in the announcement of the Company dated 21 July and 31 July 2023 in relation to the placing of 163,120,000 new shares of the Company to not less than six placees at the placing price of HK\$0.08 per placing share pursuant to the terms and conditions of a placing agreement entered into between the Company and a placing agent dated 21 July 2023 (“**Placing**”). This Placing was completed on 31 July 2023 and the net proceeds from this Placing at the time of its completion were approximately HK\$12.9 million. The Company will utilise all net proceeds from this Placing towards the partial repayment of other borrowing of the Group by end of 2023.

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 2023, 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 10 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	375,000,000 (L)	22.43%
	Interest in a controlled corporation	375,000,000 (S) (Note 3)	22.43%

Notes:

- The letter "L" denotes long position of the shares and the letter "S" denotes short position of the shares.
- The issued shares of Seashore Global are wholly-owned by Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the 375,000,000 ordinary shares of the Company held by Seashore Global by virtue of the SFO.
- On 5 July 2022, the Company signed an agreement to pledge a total of 375,000,000 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 2023, 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 2023 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 2023, 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	375,000,000 (L)	22.43%
	Beneficial owner	375,000,000 (S)	22.43%
Kingston (Note 3)	Person having a security interest in shares	375,000,000 (L)	22.43%
Ample Cheer Limited ("Ample Cheer") (Note 3)	Interest in a controlled corporation	375,000,000 (L)	22.43%
Ms. Chu Yuet Wah ("Ms. Chu") (Note 3)	Interest in a controlled corporation	375,000,000 (L)	22.43%

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 375,000,000 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 2023, 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.

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 2023 and discussed the related financial matters with the Board. The unaudited condensed consolidated interim financial information and the interim results of the Group for the six months ended 30 June 2023 has been reviewed by the Company's auditor, Conpak CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 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 14 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.

OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 21 July 2023 and 31 July 2023, in relation to the placing of 163,120,000 new shares of the Company to not less than six placees at the placing price of HK\$0.08 per placing share pursuant to the terms and conditions of a placing agreement entered into between the Company and a placing agent dated 21 July 2023. This placing was completed on 31 July 2023 and the net proceeds from this placing at the time of its completion were approximately HK\$12.9 million. The Company will utilise all net proceeds from this placing towards the partial repayment of other borrowing of the Group by end of 2023.

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:

Three of the independent non-executive Directors, namely Mr. Wang Shih-fang, Mr. Yan Chi Ming and Mr. Hooi Hing Lee, have entered into a service contract with the Company for a term of one year commencing from 24 June 2022 to 23 June 2023, 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 2023 to 23 June 2024.

One of the independent non-executive Director, namely Mr. Li Wei, have entered into a service contract with the Company for a term of one year commencing from 25 January 2022 to 24 January 2023, 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 2023 to 24 January 2024.

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

Hong Kong, 18 August 2023