

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2024	2023
Revenue (<i>RMB'000</i>)	91,885	84,369
Gross profit (<i>RMB'000</i>)	6,485	21,217
Gross profit margin (%)	7.1%	25.1%
Net loss for the year (<i>RMB'000</i>)	(36,005)	(49,318)
		(Restated)
Loss per share		
– Basic and diluted (<i>RMB</i>)	(0.37)	(0.73)

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Volcano Spring International Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**”). These results have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
Revenue	3	91,885	84,369
Cost of sales		(85,400)	(63,152)
Gross profit		6,485	21,217
Other income		3,797	4,022
Other gains (losses), net		17	(492)
Selling and distribution expenses		(17,402)	(34,282)
Administrative expenses		(14,466)	(18,826)
Research and development expenses		(5,866)	(6,938)
Net impairment losses on financial assets		(4,024)	(5,715)
Operating loss		(31,459)	(41,014)
Finance income		5	12
Finance costs		(4,162)	(7,715)
Finance costs, net		(4,157)	(7,703)
Share of net loss of associates		(342)	(566)
Loss before taxation	4	(35,958)	(49,283)
Income tax expense	5	(47)	(35)
Loss for the year		(36,005)	(49,318)
Other comprehensive (loss) income:			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(518)	206
Reclassification of cumulative exchange reserve upon disposal of investment in a subsidiary		—	15
		(518)	221
Total comprehensive loss for the year		(36,523)	(49,097)

		2024	2023
	Notes	RMB'000	RMB'000
Loss attributable to:			
Owners of the Company		(35,850)	(49,318)
Non-controlling interests		<u>(155)</u>	<u>–</u>
Total loss for the year		<u>(36,005)</u>	<u>(49,318)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(36,368)	(49,097)
Non-controlling interests		<u>(155)</u>	<u>–</u>
Total comprehensive loss for the year		<u>(36,523)</u>	<u>(49,097)</u>
			(Restated)
Loss per share attributable to owners of the Company for the year			
Basic and diluted (RMB)	6	<u>(0.37)</u>	<u>(0.73)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		9,929	12,485
Right-of-use assets		250	1,867
Land use rights		7,952	8,163
Investments in associates		658	7,665
Investment in a joint venture		510	–
Intangible assets		150	267
Deposits	8	210	210
		<u>19,659</u>	<u>30,657</u>
Current assets			
Inventories		30,713	50,180
Trade receivables	7	24,645	18,406
Other receivables, deposits and prepayments	8	59,796	15,870
Amount due from a non-controlling interest		358	–
Amount due from an associate		–	16,676
Cash and cash equivalents	9	2,299	33,951
		<u>117,811</u>	<u>135,083</u>
Total assets		<u>137,470</u>	<u>165,740</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		25,758	16,109
Share premium		106,793	96,223
Reserves		(90,493)	(54,125)
		<u>42,058</u>	<u>58,207</u>
Non-controlling interests		<u>335</u>	<u>–</u>
Total equity		<u>42,393</u>	<u>58,207</u>

		2024	2023
	Notes	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		–	578
Borrowings		6,269	4,510
Deferred tax liabilities		322	275
		<u>6,591</u>	<u>5,363</u>
Current liabilities			
Trade and other payables	10	30,621	24,232
Borrowings		54,218	64,989
Lease liabilities		253	1,319
Amounts due to associates		1,000	8,200
Amount due to a joint venture		510	–
Amount due to the then non-controlling interest		–	1,650
Contract liabilities		1,465	1,361
Current income tax liabilities		419	419
		<u>88,486</u>	<u>102,170</u>
Total liabilities		<u>95,077</u>	<u>107,533</u>
Total equity and liabilities		<u>137,470</u>	<u>165,740</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements are presented in Renminbi (“**RMB**”) which is also the functional currency of the Company.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on a historical cost basis.

(a) Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(b) Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRS Accounting Standards in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(c) **New and amendments to HKFRS Accounting Standards in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-depending Electricity ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for new and amendments to HKFRS Accounting Standards mentioned below, the directors anticipate the application of all amendments to HKFRS Accounting Standards will have no material impact on the results and financial position of the Group.

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and the consequential amendments to other standards will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors of the Company are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

3 SEGMENT INFORMATION AND REVENUE

(a) Disaggregation of revenue from contracts with customers

	2024 RMB'000	2023 RMB'000
Type of goods		
Kitchen appliance	46,821	64,627
Health-related products	45,064	19,742
	<u>91,885</u>	<u>84,369</u>
Total revenue	<u>91,885</u>	<u>84,369</u>
Timing of revenue recognition		
At a point in time	91,885	84,369
	<u>91,885</u>	<u>84,369</u>

(b) Liabilities related to contracts with customers

	2024 RMB'000	2023 RMB'000
Contract liabilities – sales of goods (<i>Note</i>)	1,465	1,361
	<u>1,465</u>	<u>1,361</u>

Note:

Revenue recognised in relation to contract liabilities

At 1 January 2023, contract liabilities amounted to RMB2,776,000.

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

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	1,361	2,776
	<u>1,361</u>	<u>2,776</u>

(c) **Segment information provided to the executive directors**

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

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

Year ended 31 December 2024	Development, manufacturing and selling of kitchen appliance <i>RMB'000</i>	Selling of health-related products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>46,821</u>	<u>45,064</u>	<u>91,885</u>
Segment loss	<u>(22,165)</u>	<u>(3,655)</u>	<u>(25,820)</u>
Unallocated expenses			(5,639)
Share of net loss of an associate			(342)
Finance costs, net			<u>(4,157)</u>
Loss before taxation			<u>(35,958)</u>
Year ended 31 December 2023	Development, manufacturing and selling of kitchen appliance <i>RMB'000</i>	Selling of health-related products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>64,627</u>	<u>19,742</u>	<u>84,369</u>
Segment loss	<u>(35,618)</u>	<u>(1,904)</u>	<u>(37,522)</u>
Unallocated expenses			(3,492)
Share of net loss of associates			(566)
Finance costs, net			<u>(7,703)</u>
Loss before taxation			<u>(49,283)</u>

There are no inter-segment sales for both years. All of the segment revenue reported above is from external customers.

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

Year ended 31 December 2024	Development, manufacturing and selling of kitchen appliance <i>RMB'000</i>	Selling of health-related products <i>RMB'000</i>	Total <i>RMB'000</i>
Assets			
Segment assets	<u>72,384</u>	<u>63,918</u>	<u>136,302</u>
Investment in an associate			658
Investment in a joint venture			<u>510</u>
Total consolidated assets			<u><u>137,470</u></u>
Liabilities			
Segment liabilities	<u>(32,292)</u>	<u>(788)</u>	<u>(33,080)</u>
Borrowings			(60,487)
Amount due to an associate			(1,000)
Amount due to a joint venture			<u>(510)</u>
Total consolidated liabilities			<u><u>(95,077)</u></u>
Year ended 31 December 2023	Development, manufacturing and selling of kitchen appliance <i>RMB'000</i>	Selling of health-related products <i>RMB'000</i>	Total <i>RMB'000</i>
Assets			
Segment assets	<u>90,528</u>	<u>67,547</u>	<u>158,075</u>
Investments in associates			<u>7,665</u>
Total consolidated assets			<u><u>165,740</u></u>
Liabilities			
Segment liabilities	<u>(28,738)</u>	<u>(1,096)</u>	<u>(29,834)</u>
Borrowings			(69,499)
Amounts due to associates			<u>(8,200)</u>
Total consolidated liabilities			<u><u>(107,533)</u></u>

The Group's activities are mainly carried out in the PRC and a majority of the Group's assets and liabilities of the operating companies are located in the PRC. As at 31 December 2024, non-current assets of RMB19,659,000 (2023: RMB30,657,000) of the Group were located in the PRC. For the year ended 31 December 2024, revenue of RMB91,885,000 (2023: RMB84,286,000) was derived from external customers in the PRC. Revenues of approximately RMB18,015,000 and RMB10,117,000 (2023: RMB15,294,000 and RMB8,960,000) were derived from two (2023: two) individual external customers, each of which contributed more than 10% of Group's revenue.

4 LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cost of inventories recognised as an expense (including write-down of inventories amounting to RMB3,730,000 (2023: RMB3,451,000))	81,503	59,958
Auditor's remuneration	980	1,036
Depreciation of property, plant and equipment	2,662	2,941
Depreciation of right-of-use assets	1,248	2,182
Amortisation of land use rights	211	211
Amortisation of intangible assets	117	180
Consignment fee	2,659	8,933
Short-term lease expenses	442	1,292
	<u>442</u>	<u>1,292</u>

5 INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits arising in Hong Kong during the years ended 31 December 2024 and 2023.

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. The PRC corporate income tax rate of all the PRC subsidiaries during the years ended 31 December 2024 and 2023, was 25% except for Miji Electronics and Appliances (Shanghai) Ltd ("Miji Shanghai") whose corporate income tax rate was 15% as Miji Shanghai has obtained the High New Technology Enterprise Certificate.

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current income tax	–	21
Deferred tax	47	14
	<u>47</u>	<u>35</u>

6 LOSS PER SHARE

(a) Basic

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2024	2023
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u>(35,850)</u>	<u>(49,318)</u>
		(Restated)
Weighted average number of ordinary shares in issue (<i>Note</i>)	<u>96,651,399</u>	<u>67,618,713</u>
Basic loss per share (<i>RMB</i>)	<u>(0.37)</u>	<u>(0.73)</u>

Note: The weighted average number of ordinary shares used to calculate the basic loss per share attributable to owners of the Company for the years ended 31 December 2024 and 2023 have been adjusted to reflect the share consolidation that became effective on 2 April 2024. Accordingly, the weighted average number of ordinary shares for the year ended 31 December 2023 has been restated.

(b) Diluted

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

7 TRADE RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	38,578	28,315
Less: Expected credit losses (“ECL”) allowance	<u>(13,933)</u>	<u>(9,909)</u>
	<u>24,645</u>	<u>18,406</u>

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

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
1–30 days	15,425	8,704
31–60 days	907	2,732
61–90 days	9,810	745
Over 90 days	<u>12,436</u>	<u>16,134</u>
	<u>38,578</u>	<u>28,315</u>

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Non-current		
Deposits	210	210
Current		
Prepayments (i)	48,161	8,410
Deposits paid to consignment stores	5,525	3,175
Value added tax recoverable	1,182	1,522
Other receivables	5,136	2,971
	60,004	16,078
Less: ECL allowance of other receivables	(208)	(208)
	59,796	15,870
	60,006	16,080

(i) Nature of prepayments

	2024 RMB'000	2023 RMB'000
Purchase of inventories*	48,161	7,605
Prepaid expenses	–	805
	48,161	8,410

* The amount is expected to be utilised within twelve months after the end of reporting period, therefore it is classified as current assets.

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

9 CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
Cash and cash equivalents		
– Cash at bank	2,285	33,932
– Cash on hand	14	19
	2,299	33,951

10 TRADE PAYABLES

As at 31 December 2024, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
1–30 days	5,336	4,806
31–60 days	1,527	1,940
61–90 days	319	280
Over 90 days	5,528	4,320
	<u>12,710</u>	<u>11,346</u>

11 DIVIDENDS

No dividend was declared by the Company for the years ended 31 December 2024 and 2023.

12 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, as set out in the announcement of the Company dated 7 March 2025 in relation to the proposed increase in authorized share capital of the Company from HK\$100,000,000 divided into 400,000,000 shares of HK\$0.25 each to HK\$150,000,000 divided into 600,000,000 shares of HK\$0.25 each by the creation of an additional 200,000,000 unissued shares of HK\$0.25 each. Subject to the passing of an ordinary resolution by the shareholders of the Company at the extraordinary general meeting to approve the increase in authorised share capital, the increase in authorised share capital will become effective on the date of the extraordinary general meeting.

In addition, as set out in the announcement of the Company dated 7 March 2025 in relation to the proposed rights issue, where the board of directors propose to raise gross proceeds of up to approximately HK\$88.4 million before expenses by way of the rights issue of 353,766,000 rights shares at the subscription price of HK\$0.25 per rights share on the basis of three (3) rights shares for every one (1) share held by the qualifying shareholders on the record date. For details, please refer to the Company's announcement dated 7 March 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group puts its focus on the research and development, manufacturing and trading of kitchen appliances and selling of health-related 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 Reporting Period increased by 8.9% to RMB91.9 million from RMB84.4 million for the year ended 31 December 2023, the reduction in gross profit margin and the decrease in selling expense and finance costs, the Group recorded a net loss of RMB35.5 million for the Reporting Period.

The Group established a joint venture with Shanghai Yougu Health Technology Co., Ltd.* (上海游固健康科技有限公司) in December 2024 to formally expand into the big health industry. The joint venture will focus on the application of biopharmaceutical research and development and artificial intelligence technology in the field of personal health management services, and build an innovative health management platform by integrating the technical advantages and industry resources of both parties.

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.

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) health-related products. During the Reporting Period, the Group rolled out health-related products to diversify its product portfolio. The Group's total revenue for the Reporting Period amounted to approximately RMB91.9 million.

* For identification purposes only

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

	Year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Hobs and stoves (Radiant)	30,535	33.2	51,424	61.0
Hobs and stoves (Induction)	2,773	3.0	3,073	3.6
Pots and pans	10,298	11.2	3,754	4.4
Health-related products	45,064	49.1	19,742	23.4
Others (<i>Note</i>)	3,215	3.5	6,376	7.6
Total	91,885	100.0	84,369	100.0

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

Revenue by geographical regions

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

Revenue by sales channels

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

	Year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Direct Sales				
Consignment stores	14,415	15.7	18,192	21.6
Corporate clients	561	0.6	2,719	3.2
Television platforms	3,542	3.9	14,699	17.4
Subtotal	18,518	20.2	35,610	42.2
Distributors				
Online platforms	7,927	8.6	22,456	26.6
Physical sales locations	65,440	71.2	26,303	31.2
Subtotal	73,367	79.8	48,759	57.8
Total	91,885	100.0	84,369	100.0

Consignment stores

During the Reporting Period, the Group's direct sales revenue from consignment stores decreased by 20.9% to RMB14.4 million from RMB18.2 million for the year ended 31 December 2023, primarily attributable to the decrease in consumer spending amid poor economic conditions.

Corporate clients

During the Reporting Period, the Group's sales revenue from corporate clients decreased by 77.8% to RMB0.6 million from RMB2.7 million for the year ended 31 December 2023, primarily attributable to the decrease in sales orders from PRC property developers.

Television platforms

During the Reporting Period, the Group's direct sales revenue from television platforms decreased by 76.2% to RMB3.5 million from RMB14.7 million for the year ended 31 December 2023, primarily attributable to the decrease in consumer spending through television platforms.

Online platforms

During the Reporting Period, the Group's sales revenue from online platforms operated by the Group's distributors decreased by 64.9% to RMB7.9 million from RMB22.5 million for the year ended 31 December 2023, primarily attributable to the decrease in consumer spending amid poor economic conditions.

Physical sales locations

During the Reporting Period, the Group's sales revenue from physical sales locations increased by 148.7% to RMB65.4 million from RMB26.3 million for the year ended 31 December 2023, primarily attributable to the roll-out of health-related products during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit margin decreased to 7.1% for the Reporting Period as compared with 25.1% for the year ended 31 December 2023, primarily attributable to the change in the mix of products sold during the Reporting Period; and the gross loss margin of health-related products, resulting from the recognition of impairment loss on inventories. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Reporting Period:

	Year ended 31 December			
	2024		2023	
	Gross profit/(loss) RMB'000	Gross profit/(loss) margin %	Gross profit/(loss) RMB'000	Gross profit/(loss) margin %
Hobs and stoves (Radiant)	6,398	21.0	17,154	33.4
Hobs and stoves (Induction)	846	30.5	1,434	46.7
Pots and pans	2,041	19.8	1,275	34.0
Health-related products	(4,033)	(8.9)	(1,141)	(5.8)
Others (<i>Note</i>)	1,233	38.4	2,495	39.1
Total	<u>6,485</u>	<u>7.1</u>	<u>21,217</u>	<u>25.1</u>

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

Other income

Other income mainly includes government grant, licensing income, management fee income, insurance claim recovered and sundry income. The Group's other income for the Reporting Period decreased by 5.0% to RMB3.8 million from RMB4.0 million for the year ended 31 December 2023. Such decrease was primarily attributable to the decrease in licensing income.

Other gains and losses

Other gains and losses mainly comprised net gain on disposals of investments and loss on damage of inventories. The Group recorded other gains of RMB0.02 million for the Reporting Period as opposed to other losses of RMB0.5 million for the year ended 31 December 2023. The Group had an increase in net gain on disposal of investment in an associate during the Reporting Period, leading to the turnaround from other losses to other gains.

Selling and distribution expenses

Selling and distribution expenses mainly represent consignment fee for the Group's direct sales through consignment stores and television platforms, sundry expenses of consignment stores, employee benefits expenses of sales and marketing staff, business travelling and entertainment expenses, advertising and promotion expenses, rental expenses and transportation expenses for delivery of products to customers. Selling and distribution expenses for the Reporting Period decreased by 49.3% to RMB17.4 million as compared with RMB34.3 million for the year ended 31 December 2023. This was primarily attributable to the decrease in consignment fees along with the decreased proportion of sales through television platforms and consignment stores and also the decrease of promotion fee.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, general office expenses, rental expenses, legal and professional fees, depreciation of property, plant and equipment, depreciation of land use rights, amortisation of intangible assets and other miscellaneous administrative expenses. Administrative expenses for the Reporting Period decreased by 22.9% to RMB14.5 million as compared with RMB18.8 million for the year ended 31 December 2023, primarily attributable to cost control.

Research and development expenses

Research and development expenses for the Reporting Period decreased by 14.5% to RMB5.9 million as compared with RMB6.9 million for the year ended 31 December 2023, primarily attributable to cost control.

Finance income

For the Reporting Period, the Group's finance income decreased by 58.3% to RMB5,000 from RMB12,000 for the year ended 31 December 2023.

Finance costs

For the Reporting Period, the Group's finance costs decreased by 45.5% to RMB4.2 million from RMB7.7 million for the year ended 31 December 2023, mainly because the Group repaid a borrowing in July 2024.

Share of net loss of associates

For the Reporting Period, the Group's share of net loss of associates amounted to RMB0.3 million as compared with RMB0.6 million for the year ended 31 December 2023, primarily due to the reduced losses from associates.

Income tax expenses

The Group's income tax expenses for the Reporting Period amounted to RMB47,000 as compared with RMB35,000 for the year ended 31 December 2023.

Net loss

As a result of the above factors, the Group's net loss for the Reporting Period decreased to RMB36.0 million from RMB49.3 million for the year ended 31 December 2023.

Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (31 December 2023: nil).

Other receivables, deposits and prepayments

	2024 RMB'000	2023 RMB'000
Non-current		
Deposits	<u>210</u>	<u>210</u>
Current		
Prepayments	48,161	8,410
Deposits paid to consignment stores	5,525	3,175
Value added tax recoverable	1,182	1,522
Other receivables	5,136	2,971
Less: Expected credit losses ("ECL") allowance of other receivables	<u>(208)</u>	<u>(208)</u>
	<u>59,796</u>	<u>15,870</u>

Prepayments mainly include prepayments to suppliers for the purchase of inventories and prepaid expenses. Prepayments increased by 4.7 times to RMB48.2 million as at 31 December 2024 from RMB8.4 million as at 31 December 2023. The increase in the prepayments as at 31 December 2024 was mainly due to the increase of prepayments to suppliers. As at 28 March 2025, 16.3% of the prepayments as at 31 December 2024 was subsequently refunded and utilised.

Trade receivables

Trade receivables increased by 33.7% to RMB24.6 million as at 31 December 2024 from RMB18.4 million as at 31 December 2023. The increase in the trade receivables as at 31 December 2024 was mainly due to the prolonged outstanding status of certain receivables. The Group has been regularly liaising with the respective customers to ensure the eventual recovery of these amounts. The Group's credit terms to trade receivables are generally 60 to 270 days. As at 28 March 2025, 64% of the trade receivables (net of individual identified allowance) as at 31 December 2024 was subsequently settled.

The Group applied the HKFRS 9 simplified approach to measure lifetime ECL allowance for all trade receivables.

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

For the year ended 31 December 2024, the Group recognised provision for loss allowance of trade receivables of RMB4.0 million, representing a decrease of 27.3% from RMB5.5 million for the year ended 31 December 2023.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

On 8 February 2024, the Board proposed to implement the share consolidation on the basis that every twenty-five (25) issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of HK\$0.25 each (the “**Share Consolidation**”).

Pursuant to an ordinary resolution passed on 27 March 2024, the Share Consolidation was approved by the Shareholders and became effective on 2 April 2024. Immediately after the Share Consolidation, the total number of issued shares of the Company was adjusted from 1,890,300,000 to 75,612,000.

For details of the Share Consolidation, please refer to the announcements of the Company dated 8 February 2024 and 28 March 2024, the circular of the Company dated 29 February 2024 and the poll results announcement of the extraordinary general meeting dated 27 March 2024.

On 8 February 2024, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis, up to 18,903,000 placing shares to not less than six placees at the placing price of HK\$1.13 per placing share under specific mandate. This placing was terminated on 10 May 2024. Details of which were disclosed in the Company's announcements dated 8 February 2024 and 10 May 2024 and the circular of the Company dated 29 February 2024.

On the same day, 10 May 2024, the Company entered into a new placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 42,310,000 placing shares at the placing price of HK\$0.52 per placing share to not less than six placees, under specific mandate.

On 3 July 2024, a total of 42,310,000 placing shares of the Company at nominal value of HK\$0.25 each were successfully placed by the placing agent to not less than six placees at the placing price of HK\$0.52 per placing share pursuant to the terms and conditions of the placing agreement. Details of which were disclosed in the announcements of the Company dated 10 May 2024 and 3 July 2024 and the circular of the Company dated 31 May 2024. Upon completion of the placing, the total number of issued shares of the Company increased from 75,612,000 shares of HK\$0.25 each to 117,922,000 shares of HK\$0.25 each.

As at 31 December 2024, the Company's issued share capital was HK\$29,480,500 divided into 117,922,000 shares of HK\$0.25 each.

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

As at 31 December 2024, the Group had net current assets of RMB29.3 million (31 December 2023: RMB32.9 million), cash and cash equivalents amounted to RMB2.3 million (31 December 2023: RMB34.0 million) and borrowings amounted to RMB60.5 million (31 December 2023: RMB69.5 million). The Group's cash and cash equivalents as at 31 December 2024 were mainly denominated in RMB and HKD. As at 31 December 2024, the Group's borrowings (denominated in RMB and HKD) amounting to RMB33.9 million and RMB26.6 million (31 December 2023: RMB13.9 million and RMB55.6 million) carried interest at floating rate and fixed rate respectively. The weighted average interest rates are 4.54% (2023: 9.76%) per annum.

As at 31 December 2024, the Group had a current ratio of 1.3 times (31 December 2023: 1.3 times) and gearing ratio of 1.4 (calculated by dividing total borrowings by total equity) (31 December 2023: 1.2).

As at 31 December 2024, the Group did not have any available unutilised banking facilities (31 December 2023: nil).

RESTRICTED BANK DEPOSIT

As at 31 December 2024, the Group did not have any restricted bank deposit (31 December 2023: nil).

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2024, the Group pledged land use rights and buildings with carrying amount of RMB14.8 million to secure its borrowings of RMB27.5 million.

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

The Company entered into a joint venture agreement with Shanghai Yougu Health Technology Co., Ltd* (上海游固健康科技有限公司) for the establishment of a joint venture in the PRC to explore the field of big healthcare. Details of which were disclosed in the Company's announcement dated 12 December 2024.

Saved as disclosed herein, during the Reporting Period, the Group did not have any other material acquisitions and disposals of assets, subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed herein, as at 31 December 2024, the Group does not have any future plans for material investments and capital assets.

* For identification purposes only

FOREIGN EXCHANGE RISKS

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

EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at 31 December 2024, the Group had a total of 69 staff (31 December 2023: 205 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments.

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

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2023 and 31 December 2024, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2023 and 2024.

For each of the two years ended 31 December 2023 and 2024, the Group did not have any defined benefit plan.

USE OF PROCEEDS IN RELATION TO THE PLACING UNDER SPECIFIC MANDATE

On 10 May 2024, 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 42,310,000 placing shares at the placing price of HK\$0.52 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 specific mandate. The net placing price per placing share will be approximately HK\$0.50. The closing price of HK\$0.61 per share as quoted on the Stock Exchange on the date of the placing agreement. This placing was completed on 3 July 2024. A total of 42,310,000 shares with the nominal value of HK\$0.25 each have been successfully placed by the placing agent to not less than six placees at the placing price pursuant to the terms and conditions of the placing agreement.

The net proceeds from this placing at the time of its completion were approximately HK\$21.0 million, of which approximately HK\$20.0 million would be applied towards the repayment of other borrowing of the Group; and approximately HK\$1.0 million would be applied towards replenishment of the general working capital of the Group.

Further information of this placing can be found in the Company's announcements dated 10 May 2024 and 3 July 2024 and the circular of the Company dated 31 May 2024.

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

Intended use of net proceeds	Original allocation of net proceeds (HK\$ million) (approximately)	Utilised	Unutilised	Expected time period
		amount of net proceeds up to 31 December 2024 (HK\$ million) (approximately)	amount of net proceeds up to 31 December 2024 (HK\$ million) (approximately)	
Repayment of other borrowing of the Group	20.0	20.0	–	N/A
Replenishment of the general working capital of the Group	1.0	1.0	–	N/A
Total	21.0	21.0	–	

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

Save as disclosed herein, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries for the year ended 31 December 2024.

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

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

SHARE OPTION SCHEME

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE

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

Code provision C.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, Madam Maeck Can Yue (“**Madam Maeck**”) was our chairperson and chief executive. With her extensive experience in the industry, the Directors believed that vesting the roles of both chairperson and chief executive in the same person provided the Company with strong and consistent leadership, allowing effective and efficient planning and implementation of business decisions and strategies, and was beneficial to the business prospects and management of the Group. Although Madam Maeck performed both the roles of chairperson and chief executive, the division of responsibilities between the chairperson and chief executive was clearly established. In general, the chairperson is responsible for supervising the functions and performance of the Board, while the chief executive is responsible for the management of the business of the Group. The two roles were performed by Madam Maeck distinctly. Further, this structure did 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.

On 1 August 2024, the Company appointed Mr. Zhao Jie as the Executive Director and Chairperson of the Company. Upon which, Madam Maeck has resigned from the position as the Chairperson of the Company. Upon the effective date of such change (i.e. 1 August 2024), the CG Code Provision C.2.1 has been complied with.

Following the sustained development and growth of the Company, the Company will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies can meet the general rules and standards required by the Stock Exchange.

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

ANNUAL GENERAL MEETING

The date of the annual general meeting of the Company (the “**AGM**”) will be announced in due course. Shareholders of the Company should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

AUDIT COMMITTEE

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

CHANGE IN AUDITOR

On 4 October 2024, a directors' resolution to appoint CL Partners CPA Limited as the auditors of the Company and to authorise the Board to fix the auditors' remuneration was duly passed.

SCOPE OF WORK OF AUDITOR

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

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, as set out in the announcement of the Company dated 7 March 2025 in relation to the proposed increase in authorized share capital of the Company from HK\$100,000,000 divided into 400,000,000 shares of HK\$0.25 each to HK\$150,000,000 divided into 600,000,000 shares of HK\$0.25 each by the creation of an additional 200,000,000 unissued shares of HK\$0.25 each. Subject to the passing of an ordinary resolution by the shareholders of the Company at the extraordinary general meeting to approve the increase in authorised share capital, the increase in authorized share capital will become effective on the date of the extraordinary general meeting.

In addition, as set out in the announcement of the Company dated 7 March 2025 in relation to the proposed rights issue, where the board of directors propose to raise gross proceeds of up to approximately HK\$88.4 million before expenses by way of the rights issue of 353,766,000 rights shares at the subscription price of HK\$0.25 per rights share on the basis of three (3) rights shares for every one (1) share held by the qualifying shareholders on the record date. For details, please refer to the Company's announcement dated 7 March 2025.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 31 March 2025

As at the date of this announcement, the executive Directors of the Company are Mr. Zhao Jie, Madam Maeck Can Yue and Mr. Wu Huizhang, the non-executive Director of the Company is Ms. Zheng Jingwen, and the independent non-executive Directors of the Company are Mr. Li Wei, Mr. Lin Dongming, Mr. Shen Shujing and Mr. Wang Shih-fang.