

# Volcano Spring International Holdings Limited

## 火山邑動國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1715)

*Executive Directors:*

Mr. Zhao Jie

Madam Maeck Can Yue

Mr. Wu Huizhang

*Non-executive Director:*

Ms. Zheng Jingwen

*Independent non-executive Directors:*

Mr. Li Wei

Mr. Lin Dongming

Mr. Shen Shujing

Mr. Wang Shih-fang

*Registered office:*

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P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Principal place of business  
in Hong Kong:*

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Leahander Centre

28 Wang Wo Tsai Street

Tsuen Wan, New Territories

Hong Kong

14 May 2025

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

#### **INTRODUCTION**

Reference is made to the Announcement and the Circular in relation to, among other things, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

At the EGM, the resolutions for approving, among other things, the Rights Issue and the transactions contemplated thereunder, were duly passed by the Independent Shareholders by way of poll. Please refer to the announcement of the Company dated 29 April 2025 in relation to, among others, the poll results of the EGM.

The purpose of this Prospectus is to provide you with, among other things, (i) further details of the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares; (ii) the financial information of the Group; (iii) unaudited pro forma financial information of the Group; and (iv) other general information of the Group.

## PROPOSED RIGHTS ISSUE

The Board proposes 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. The Rights Issue is only available to the Qualifying Shareholders and will not be available to Non-Qualifying Shareholders.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Further details of the Rights Issue are set out below:

### Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every one (1) Share held on the Record Date
Subscription Price:	HK\$0.25 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	117,922,000 Shares
Maximum number of Rights Shares:	Up to 353,766,000 Rights Shares (assuming there is no change in the issued share capital of the Company on or before the Record Date)
Maximum aggregate nominal value of the Right Shares:	HK\$88,441,500 (assuming there is no change in the issued share capital of the Company on or before the Record Date)
Maximum total number of Shares in issue upon completion of the Rights Issue:	471,688,000 Shares
Gross proceeds from the Rights Issue:	Up to approximately HK\$88.4 million before expenses (assuming there is no change to the total issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

Net proceeds from the Rights Issue:

The net proceeds from the Rights Issue (after deducting the estimated expenses of HK\$1.6 million) are estimated to be approximately HK\$86.8 million

The estimated net Subscription Price per Rights Share is approximately HK\$0.245 (assuming there is no change to the total issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

Assuming there is no change to the total issued capital of the Company on or before the Record Date, 353,766,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 300% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) 75% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon Completion.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue, which confer any right to subscribe for, convert or exchange into Shares.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date: (i) be registered on the registers of members of the Company; and (ii) not be the Non-Qualifying Shareholders.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

## **Closure of register of members**

The register of members of the Company was closed from Thursday, 8 May 2025 to Monday, 12 May 2025 (both days inclusive) to determine the entitlements to the Rights Issue, during which period no transfer of Shares was registered.

## **Subscription Price**

The Subscription Price of HK\$0.25 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 15.25% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a premium of approximately 47.06% over the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 47.06% over the average closing price of HK\$0.17 per Share for the last five consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a premium of approximately 47.06% over the average closing price of HK\$0.17 per Share for the last ten consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (v) a premium of approximately 8.70% over the theoretical ex-rights price of approximately HK\$0.23 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after an arm's length negotiation, based on, among other things, the prevailing market price of the Shares and the Group's financial conditions.

Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Status of the Rights Shares**

The Rights Shares (when allotted, issued, and fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares will be entitled to receive all future dividends and distributions, which may be declared, made, or paid on or after the date of allotment and issue of the fully paid Rights Shares.

## **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Qualifying Shareholders may apply for all or any part of their respective provisional allotment by lodging a duly completed PAL(s) and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

## **Rights of the Overseas Shareholders (if any)**

The Prospectus Documents are not intended to be, have not been, and will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue.

According to the register of members of the Company as of the Record Date, there is no Overseas Shareholder. As such, based upon the register of members of the Company as of the Record Date, there is no Non-Qualifying Shareholder.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Directors have made inquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholder on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholder. In such circumstances, the Rights Issue will not be extended to any such Non-Qualifying Shareholder.

It is the responsibility of the Shareholders, including the Overseas Shareholders, wishing to make an application for the Rights Shares, to satisfy himself/herself/itself before taking up his/her/its provisional allotments under the Rights Issue, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdiction in connection with the taking up and onward sale of the Rights Shares.

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on a pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, if possible, be placed by the Placing Agent under the Compensatory Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are Independent Third Party(ies).

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

#### **No fractional entitlement**

On the basis of the entitlement to subscribe three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise from the Rights Issue.

**Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully paid forms to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Dealing in the Rights Shares in both their nil-paid and fully paid forms will be in the board lots of 10,000 Rights Shares.

**Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms, will be accepted as eligible securities by HKSCC for deposit, clearance, and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

**Stamp duty and other applicable fees**

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of (i) stamp duty, (ii) the Stock Exchange trading fee, (iii) SFC transaction levy, and (iv) any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

## **Share certificates and refund cheques for Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Wednesday, 18 June 2025.

If the Rights Issue does not become unconditional, refund cheques are expected to be despatched by ordinary post on or before Wednesday, 18 June 2025 at the respective Shareholders' own risk.

## **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent placees under the Compensatory Arrangements on a best effort basis. Any Unsubscribed Rights Shares that remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

The Cayman legal adviser of the Company has confirmed that there are no applicable statutory requirements under the Companies Act regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5) of the Listing Rules.

## **Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares**

Qualifying Shareholders will find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein.



If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Wednesday, 28 May 2025 (or, under bad weather and/or extreme conditions, such later date and/or time as mentioned in the section headed “Expected Timetable – Effect of Bad Weather and/or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares” on the Latest Time of Acceptance in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**TRICOR INVESTOR SERVICES LIMITED – A/C NO. 057**” and crossed “**ACCOUNT PAYEE ONLY**”. Such payment will constitute acceptance of the provisional allotment of Rights Shares on the terms of the Prospectus Documents and subject to the memorandum and articles of association of the Company. Any payments for the Rights Shares should be rounded up to nearest cent.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Wednesday, 28 May 2025 (or, under bad weather and/or extreme conditions, such later date and/or time as mentioned in the section headed “Expected Timetable – Effect of Bad Weather and/or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares” on the Latest Time of Acceptance in this Prospectus), whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer all or part of their rights to more than one person (not as joint holders), the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Tuesday, 20 May 2025 to the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company is not obliged to but may (at its sole and absolute discretion) treat PAL(s) as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require the relevant person(s) to complete such incomplete PAL(s) at a later stage.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

All cheques or cashier's orders accompanying completed PALs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order in payment for the Rights Shares whether by a Qualifying Shareholder or any nominated transferee, will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation, and in that event the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. Qualifying Shareholders must pay the exact amount payable upon application for Rights Shares, and any underpaid application will be rejected. In the event of an overpaid application, a refund cheque, without interest, will be made out to such applicant only if the overpaid amount is HK\$100 or above.

No receipt will be given in respect of any PAL and/or relevant application monies received. If any of the conditions of the Rights Issue as set out in the section headed "Letter from the Board – The Rights Issue – Conditions of the Rights Issue" is not fulfilled at or before 5:00 p.m. on Tuesday, 17 June 2025 (or such later date as the Company may determine), the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person, without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, on or before Wednesday, 18 June 2025.

## **Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements**

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

On 7 March 2025, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 12 June 2025, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares that are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders and Non-Qualifying Shareholders as set out below on a pro-rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Non-Qualifying Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) and Non-Qualifying Shareholders in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

## The Placing Agreement

The principal terms of the Placing Agreement are summarised below:

Date: 7 March 2025 (after trading hours)

Issuer: The Company

Placing Agent: Imperium International Securities Limited

As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) were Independent Third Party(ies).

Placing Period: The period from Thursday, 5 June 2025 up to 4:00 p.m. Thursday, 12 June 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

Placing Price: The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process.

Placing Commission: Subject to the completion of the Placing, the Company shall pay the Placing Agent a placing commission, being 1.0% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.

Placees: The placees shall be any individuals, corporate, institutional investors and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be Independent Third Party(ies).

Ranking of the Unsubscribed Rights Shares: The placed Unsubscribed Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of completion of the Placing.

Conditions of the Placing Agreement:

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among other things, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):

- (a) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (b) the Listing Committee having granted the approval for the listing of, and the permission to deal in, the Rights Shares, including the Unsubscribed Rights Shares;
- (c) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and
- (d) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the termination events.

For the avoidance of doubt, if all the Rights Shares are fully subscribed under the Rights Issue, the Placing will not proceed.

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any or any part of the conditions (other than those set out in paragraphs (a), (b) and (d) above) by notice in writing to the Company.

In the event that the above condition precedents have not been fulfilled or waived on or before the Friday, 13 June 2025 (or such later date as may be agreed between the Placing Agent and the Company in writing) (the **“Placing Long Stop Date”**), all rights, obligations and liabilities of the Placing Agent and the Company in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

Termination:

The Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to 4:00 p.m. on Monday, 16 June 2025 (the **“Latest Placing Time for Termination”**), to terminate the Placing Agreement, if, prior to the Latest Placing Time for Termination:

- (a) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:
  - (i) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (ii) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or
  - (iii) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares (for more than ten (10) consecutive trading days) generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (iv) any adverse change in the business or in the financial or trading position of any members of the Group, which in the reasonable opinion of the Placing Agent, is material in the context of the Placing; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing; or

- (c) any material breach of any of the representations and warranties by the Company that comes to the knowledge of the Placing Agent, or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Latest Placing Time for Termination which, if it had occurred or arisen before the date of the Placing Agreement, would have rendered any of such representations and warranties untrue or incorrect in any material respect, or there has been a material breach by the Company of any other provision of the Placing Agreement.

Upon the giving of such notice as referred to above by the Placing Agent, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other party, save for any prior breaches of the Placing Agreement.

The Compensatory Arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) given that the Unsubscribed Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company.

The Company will ensure that it will continue to comply at all times with the public float requirement under Rule 8.08 of the Listing Rules upon completion of the Placing and the Rights Issue. After the Placing Period, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees will become a substantial Shareholder after completion of the Placing and the Rights Issue, further announcement will be made by the Company.

The Placing Agent confirms that it is an Independent Third Party. The terms of the Placing Agreement, including the placing commission, were determined after an arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable and on normal commercial terms.



The Company considers that the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interests of the Independent Shareholders, and be fair and reasonable, in the interests of the Company and the Shareholders as a whole.

Given that the Company has put in place the Compensatory Arrangements as required by Rule 7.21(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the following conditions:

- (a) the Increase in Authorised Share Capital having become effective;
- (b) the Rights Issue having been approved by the Independent Shareholders at the EGM;
- (c) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong, respectively, one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having being approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding-Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (d) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders (and where applicable, the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purposes only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully paid forms) by no later than the first day of their dealings;
- (f) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (g) all other necessary waivers, consents, and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the conditions referred to above are not fulfilled at or before 5:00 p.m. on Tuesday, 17 June 2025 (or such later date as the Company may determine), the Rights Issue will not proceed.

As at the Latest Practicable Date, conditions (a) and (b) above had been fulfilled.

**As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.**

### **Undertaking**

The Company had not received, as at the Latest Practicable Date, any irrevocable undertaking from any substantial Shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

### **REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS**

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

As disclosed in the annual reports of the Company for the years ended 31 December 2023 (the “**2023 Annual Report**”) and 31 December 2024 (the “**2024 Annual Report**”), the Group recorded consecutive losses of approximately RMB49.3 million and RMB36.0 million for the years ended 31 December 2023 (“**FY2023**”) and 2024 (“**FY2024**”), respectively.

In addition, the Group also incurred total administrative and operating expenses (the “**Operating Expenses**”) of (i) approximately RMB60.1 million for FY2023, comprising (a) selling and distribution expenses of approximately RMB34.3 million; (b) administrative expenses of approximately RMB18.8 million; and (c) research and development expenses of approximately RMB6.9 million; and (ii) approximately RMB37.7 million for FY2024, comprising (a) selling and distribution expenses of approximately RMB17.4 million; (b) administrative expenses of approximately RMB14.5 million; and (c) research and development expenses of approximately RMB5.9 million.

As at 31 December 2024, the Group had (i) limited cash and cash equivalents of only approximately RMB2.3 million; and (ii) total borrowings (including principal and interest) of approximately HK\$66.1 million, comprising (a) other borrowings (the “**Other Borrowings**”) with an aggregate amount of approximately HK\$28.9 million which are intended to be repaid with part of the net proceeds of the Rights Issue; (b) bank borrowings (the “**Bank Borrowings**”) with an aggregate amount of approximately HK\$30.2 million; and (c) a loan from Madam Maeck Can Yue, an executive Director, (the “**Director’s Loan**”) of approximately HK\$7.0 million details of which are as follows:

**(a) the Other Borrowings**

No.	Type	Maturity date	Interest rate per annum	Outstanding Principal	Outstanding Interest (Approx.)	Total
1.	Other borrowing (unsecured)	11 April 2025	15.00%	HK\$2,150,000	HK\$67,000	HK\$2,217,000
2.	Other borrowing (unsecured)	12 May 2025	15.00%	HK\$2,000,000	HK\$132,000	HK\$2,132,000
3.	Other borrowing (unsecured)	21 May 2025	5.00%	HK\$2,000,000	HK\$9,300	HK\$2,009,300
4.	Other borrowing (unsecured)	15 August 2025	7.00%	HK\$4,000,000	–	HK\$4,000,000
5.	Other borrowing (unsecured)	15 August 2025	12.00%	HK\$8,000,000	–	HK\$8,000,000
6.	Other borrowing (unsecured)	15 August 2025	7.00%	HK\$3,500,000	–	HK\$3,500,000
7.	Other borrowing (unsecured)	15 August 2025	12.00%	HK\$2,600,000	–	HK\$2,600,000
8.	Other borrowing (unsecured)	21 December 2025	15.00%	HK\$2,550,000	HK\$7,300	HK\$2,557,300
9.	Other borrowing (unsecured)	8 March 2026	7.00%	HK\$1,900,000	–	HK\$1,900,000
Grand total				<u>HK\$28,700,000</u>	<u>HK\$215,600</u>	<u>HK\$28,915,600</u>

**(b) the Bank Borrowings**

No.	Type	Maturity date	Interest rate per annum	Outstanding Principal	Outstanding Interest (Approx.)	Total
1.	Bank borrowing (secured)	14 May 2025	3.75%	HK\$19,438,200	–	HK\$19,438,200
2.	Bank borrowing (unsecured)	13 November 2025*	2.80%	HK\$1,620,000	–	HK\$1,620,000
3.	Bank borrowing (secured)	18 December 2025*	2.80%	HK\$3,780,000	–	HK\$3,780,000
4.	Bank borrowing (secured)	27 March 2033	3.65%	HK\$5,324,000	–	HK\$5,324,000
Grand total				<u>HK\$30,162,200</u>	<u>–</u>	<u>HK\$30,162,200</u>

\* It represents the final repayment date. The Company is required to pay according to the specific repayment terms.

**(c) the Director's Loan**

No.	Type	Maturity date	Interest rate per annum	Outstanding Principal	Outstanding interest (Approx.)	Total
1.	Loan from a Director (unsecured)	31 December 2025 <sup>^</sup>	2.9%	HK\$6,911,000	HK\$90,000	HK\$7,001,000

<sup>^</sup> On 18 August 2023, Madam Maeck Can Yue entered into an agreement with a bank for obtaining working capital for revolving credit of RMB6,400,000, which is guaranteed by Miji Smart Home Appliance Manufacturing (Shanghai) Co., Ltd., a subsidiary of the Group. The proceeds from this revolving credit are used to replenish the Group's general working capital, with the Group responsible for the interest expenses. According to the agreement, the facility will expire on 21 July 2031.

The net proceeds of the Rights Issue to be received by the Company after deducting all estimated expenses payable by the Group (assuming full acceptance of the Rights Issue and no new Shares will be allotted or issued on or before the Record Date) are estimated to be up to approximately HK\$86.8 million.

In consideration of (a) the Operating Expenses of approximately RMB60.1 million for FY2023 and RMB37.7 million for FY2024; (b) the consecutive losses of the Group during recent years; (c) the limited cash and cash equivalents of the Group of approximately RMB2.3 million as at 31 December 2024; (d) the forthcoming repayment obligations for the Other Borrowings as detailed in the above table; and (e) the Group is falling short of the required working capital, the Company plans to utilise the net proceeds of the Rights Issue (after deducting the estimated expenses (including but not limited to the commission payable to the Placing Agent, if any) of HK\$1.6 million) of up to approximately HK\$86.8 million as follows:

- (i) approximately HK\$28.9 million (representing approximately 33.3% of the net proceeds of the Rights Issue) towards repayment of the Other Borrowings; and
- (ii) approximately HK\$57.9 million (representing approximately 66.7% of the net proceeds of the Rights Issue) towards the Group's general working capital for the daily operations of its existing principal business, including but not limited to (a) selling and distribution expenses of approximately HK\$33.6 million; (b) administrative expenses of approximately HK\$17.3 million; and (c) research and development expenses of approximately HK\$7.0 million.

In the event that the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from the Rights Issue will be applied in the following order of priority:

- (i) for the repayment of the Other Borrowings, prioritizing repayment according to the maturity dates of each obligation; and
- (ii) for the Group's general working capital for the daily operations of its existing principal business, on a pro-rata basis based on the allocation (i.e. selling and distribution expenses, administrative expenses and research and development expenses) set out above.

It is noted that (a) certain Other Borrowings would become due before the expected completion date of the Rights Issue. In this regard, the Group has negotiated with the lender(s) of the relevant Other Borrowings, and it is understood by the parties that (i) the Group intends to repay the outstanding principal and/or interest using the funds generated from the Rights Issue, which is expected to complete by June 2025; (ii) the relevant lender(s) is willing to extend the repayment date to a date shortly after the completion date of the Rights Issue; and (iii) it is agreed between the Group and the relevant lender to extend the repayment date to 30 September 2025 in respect of the Other Borrowing with the principal amount of HK\$2,150,000 which was due on 11 April 2025; and (b) certain Bank Borrowings would become due on or before May 2025. These bank loans have been in place for a considerable duration for supporting the Group's operational needs over the years. The Group has maintained long term relationships with the relevant banks, and has successfully renewed these bank loans in the past. Recently, the Group has also reached out to these banks, which have indicated their willingness to renew the loans with favourable terms (such as interest rates) upon maturity.

Furthermore, the Board has considered other alternative means of debt or equity fundraising alternatives such as bank borrowings, placing or open offer. In light of the current weak economic conditions, the banks are very prudent and it is very difficult to obtain loans from them. The Company approached a number of banks regarding debt financing, which is a common way for businesses to raise funds. However, the Board considered that debt financing may incur further interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and prevailing market conditions and it may be relatively uncertain and time-consuming. Placing of new shares dilutes the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to open offer, the Rights Issue allows the Shareholders to sell the nil-paid Rights Shares in the market.

The Board considers that the Rights Issue would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, or (subject to availability) acquiring additional rights entitlement or disposing of their rights entitlements in the open market.

In view of the above, the Board considers that raising funds by way of the Rights Issue is beneficial to the Company and its Shareholders as a whole.

## **FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has conducted the following equity fundraising activities in the past twelve months immediately prior to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
10 May 2024	Placing of 42,310,000 new Shares at the placing price of HK\$0.52 under specific mandate	approximately HK\$21.0 million	(i) approximately HK\$20.0 million for the repayment of the Group's other borrowing; and  (ii) approximately HK\$1.0 million to replenish the Group's general working capital	Fully utilised as intended

Save as disclosed above, the Company has not conducted any equity fundraising activities in the past twelve months immediately prior to the Latest Practicable Date.

## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company, which are for illustration purposes only, (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming all Shareholders have taken up their entitled Rights Shares in full, there are no changes in the share capital of the Company on or before the Record Date; and (iii) immediately after completion of the Rights Issue assuming none of the Shareholders have taken up any of their entitlement to Rights Shares with all the Placing Shares placed to Independent Third Parties under the Placing, and there are no changes in the share capital of the Company on or before the Record Date:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Shareholders take up their respective entitlements to the Rights Shares in full		Immediately after completion of the Rights Issue assuming none of the Shareholders have taken up any of their entitlement to Rights Shares with all the Placing Shares placed to Independent Third Parties under the Placing <sup>(Note 2)</sup>	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Mr. Wu Huizhang ("Mr. Wu"), an executive Director <sup>(Note 1)</sup>	9,200,000	7.80	36,800,000	7.80	9,200,000	1.95
Mr. Zhao Jie, an executive Director	25,780,000	21.86	103,120,000	21.86	25,780,000	5.47
The Placees	—	—	—	—	353,766,000	75.00
Other public Shareholders	82,942,000	70.34	331,768,000	70.34	82,942,000	17.58
Total	<u>117,922,000</u>	<u>100.00</u>	<u>471,688,000</u>	<u>100.00</u>	<u>471,688,000</u>	<u>100.00</u>

*Notes:*

1. Mr. Wu is directly interested in 1,200,000 shares. Mr. Wu beneficially owns the entire issued share capital of Seashore Global Enterprises Limited (“**Seashore Global**”). Therefore, Mr. Wu is deemed, or taken to be, interested in all the 8,000,000 shares held by Seashore Global for the purpose of the SFO. Therefore, Mr. Wu, directly and indirectly, held 9,200,000 shares of the Company in total.
2. This scenario is for illustrative purposes only. The Company has entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best-effort basis, to subscribe for the Unsubscribed Rights Shares. The Company will take all appropriate steps to ensure that sufficient public float is maintained in compliance with Rule 8.08 of the Listing Rules. In the event that the Rights Issue would result in public float not being maintained, the Company and/or the Placing Agent will take necessary action to place down the Shares such that sufficient public float could be maintained in compliance with Rule 8.08 of the Listing Rules. The Company will ensure that it will continue to comply at all times with the public float requirement under Rule 8.08 of the Listing Rules upon completion of the Placing and the Rights Issue.

## **WARNING OF THE RISK OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM**

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this Prospectus.

Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not satisfied, the Rights Issue will not proceed. Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.



## **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

## **MISCELLANEOUS**

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

Yours faithfully,  
For and on behalf of the Board  
**Volcano Spring International Holdings Limited**

Handwritten signature of Zhao Jie in black ink, consisting of two characters: '赵' (Zhao) and '杰' (Jie).

**Zhao Jie**  
*Chairman of the Board and Executive Director*