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Yoho Group Holdings Limited
友和集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2347)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

The board (the "**Board**") of directors (the "**Directors**") of Yoho Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated financial results (the "**Annual Results**") of the Group for the year ended 31 March 2023 (the "**Reporting Period**") together with the comparative figures for the year ended 31 March 2022.

FY22/23 OPERATIONAL HIGHLIGHT

1. Gross merchandise value (the "**GMV**")*(Note 1)* achieved a growth of approximately 6.3% in FY22/23*(Note 2)*, reaching approximately HK$929.2 million (FY21/22: approximately HK$873.8 million)
2. Number of registered members*(Note 3)* increased to approximately 961,000 as at 31 March 2023 (as at 31 March 2022: approximately 775,000)
3. Number of orders intake*(Note 4)* increased to approximately 477,000 for FY22/23 (FY21/22: approximately 463,000), with basket value*(Note 5)* per order increased to approximately HK$1,950 for FY22/23 (FY21/22: approximately HK$1,887)

FY22/23 FINANCIAL HIGHLIGHT

1. Revenue increased by 8.2% to approximately HK$855.1 million for FY22/23 (FY21/22: approximately HK$790.1 million)
2. Achieved an overall gross profit margin of approximately 15.3% for FY22/23 (FY21/22: approximately 15.5%)
3. Adjusted net profit*(Note 6)* of approximately HK$23.0 million for FY22/23 (FY21/22: approximately HK$26.2 million)
4. Net profit of approximately HK$6.3 million for FY22/23 (FY21/22: net loss of approximately HK$225,000), the turnaround from net loss to net profit position was primarily attributable to:
   - the decrease in fair value change in convertible redeemable preferred shares of the Company from approximately HK$4.7 million for FY21/22 to approximately HK$2.3 million for FY22/23; and
   - the decrease in expenses relating to the listing of our shares (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from approximately HK$21.7 million for FY21/22 to approximately HK$12.5 million for FY22/23.
5. Strong cash position of approximately HK$209.9 million as at 31 March 2023 (as at 31 March 2022: approximately HK$126.3 million)
6. The Board recommends the payment of a final dividend of HK$0.024 per ordinary share for FY22/23 (FY21/22: Nil).

Notes:

1. The "GMV" for a particular financial year is equivalent to the total gross sales dollar value of all relevant orders intake for products and services during that financial year, regardless of whether the products and services are delivered, returned or cancelled; before deductions for discounts offered by us and set-offs by virtue of conversion of membership points; and inclusive of shipping and handling charges, duty and taxes.
2. FYX/Y: the financial year ended or ending (as the case may be) on 31 March of the year Y. For example, "FY22/23" refers to the year ended 31 March 2023.
3. An individual may enroll as a "registered member" through our e-commerce platform at **www.yohohongkong.com** (desktop version) or **m.yohohongkong.com** (mobile version) (the "**Yoho E-commerce Platform**") (as a prerequisite to the placement of any order on the platform), or upon a purchase completed at any of our retail stores (as he/she wishes).
4. The "number of orders intake" for a particular financial year consists of orders placed with us, orders made by our customers at our retail stores, and orders from consumers received via online redemption platform(s) of third-party reward scheme(s) and third-party online marketplaces during that financial year.
5. The "basket value" for a particular financial year is calculated by dividing our GMV by the number of orders intake during that financial year.
6. Adjusted net profit is defined as non-HKFRS measures as profit for the year adjusted by (i) fair value change in convertible redeemable preferred shares and (ii) expenses relating to the listing of our Shares on the Main Board of the Stock Exchange on 10 June 2022 (the "**Listing**"), and (iii) share-based payment settled by our controller shareholder.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

Please allow me to extend my heartfelt gratitude to all stakeholders, including our consumers, suppliers, business partners, staff and shareholders of Yoho Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") (the "**Shareholders**"), for their unwavering support and trust all along. Through this Chairman's statement, we hope to provide you with an in-depth report and analysis of our financial performance during the Reporting Period and articulate the direction of the Group's future development. We remain steadfast in creating value for all stakeholders and look forward to your continued support in this ever-evolving business landscape.

During the Reporting Period, thanks to the support and efforts from all stakeholders, we have achieved solid financial results. In the year ahead, we will continue to promote the sustainable development of the Group and strive for improving the quality of our products and services to meet the dynamic needs of consumers. Meanwhile, we will also strengthen our partnerships with suppliers and business partners to achieve a win-win situation. We believe that these endeavours will contribute to the long-term development of the Group and deliver greater value to all stakeholders.

Business Overview and Results Highlights

We operate our business on an online-merge-offline ("**OMO**") model (the "**Yoho OMO Business**") by harnessing our online and offline presence and the power of technology. The OMO model facilitates a seamless shopping experience for our customers, integrating the benefits of both online and offline retail channels. We operate our consumer electronics and electronic appliance business through our direct-to-consumer platform (the "**1P Business Model**"). During the Reporting Period, we launched our marketplace platform (the "**3P Business Model**") for other product categories, including beauty and skincare, health and wellness, mother and baby, household, pet supplies, wines and spirits and toys, etc.

Through the Yoho OMO Business model, we achieved GMV of approximately HK$929 million for FY22/23, representing a year-on-year increase of approximately 6.3% as compared with that of FY21/22 of approximately HK$874 million.

We recorded a moderate decrease in adjusted net profit in the current financial year, mainly as a result of a significant increase in additional operating expenses arising after the Listing for compliance purpose as compared to the last financial year, investment in system development for long-term growth and preliminary investment in certain new business development. Except the abovesaid factors, the performance of our core direct-to-consumer business remained substantially stable, while the net profit for the current financial year may not fully reflect our actual operational situation due to (i) the fact that an accounting entry of HK$2 million was made due to share-based payment rewarding the outstanding employees by our controlling shareholder; and (ii) the one-off listing expenses of approximately $12 million recorded for the current financial year, with no further listing-related expenses to be incurred in the upcoming financial year.

Considering investors' expectations towards the Company's dividend policy, and the opportunity cost derived from rising market interest rates, the Board has recommended the declaration of a final dividend of HK$0.024 per Share for FY22/23 (FY21/22: Nil), representing a total amount of approximately HK$12 million, subject to the approval of Shareholders at the forthcoming annual general meeting to be held on 31 August 2023.

Annual Review

COVID-19: The Reporting Period witnessed the ongoing spread of the COVID-19 pandemic globally, presenting immense challenges to Hong Kong. The city was significantly impacted by the pandemic for much of the first half of the Reporting Period. The Government has implemented stringent control and preventive measures, businesses grappled with maintaining operations, and the daily lives of citizens were profoundly affected. Only towards the last quarter of the Reporting Period did we see the pandemic's impact beginning to subside. As we now enter a new phase of post-pandemic normalisation, the Government has implemented various adjustments, such as lifting the mask mandate, ending the mandatory usage of the LeaveHomeSafe application and reopening borders. Therefore, this report is expected to be the last to detail our operations under anti-epidemic measures.

Consumption vouchers: To stimulate local consumption, the Government introduced the Consumption Voucher Scheme during the Reporting Period, under which eligible Hong Kong residents were distributed consumer vouchers to shop at designated merchants, which contributed to the Group's performance during the Reporting Period. Undoubtedly, the introduction of the consumption voucher has brought slightly adverse impact to the Group. For example, consumers would reduce their spending on consumer electronics for the period before receiving their consumption voucher, leading to a surge in consumption following the launch of the vouchers. This sudden shift put the Group's service under pressure in terms of stability and affected consumer experience.

Comprehensive systematic upgrade: The Group's systems have been in operation for a decade. Many of the systems' frameworks and designs have become outdated and are no longer suited to the progression we envisage over the next five to ten years. As such, we have allocated considerable resources in technological enhancements over the past year, restructuring the infrastructure and framework of our systems to enable the Company to achieve good results in a more efficient manner in the next five to ten years, akin to restructuring the building with the latest construction technology. If we were to forgo this comprehensive system upgrade, we could potentially save millions of Hong Kong dollars in talent expenses and increase the current financial year's profits. The resources invested have had minimal immediate contributions to our turnover. Moreover, the transition period following the launch may temporarily induce negative impacts. However, we believe that these resource investments are for the sake of our longer-term development. The path of e-commerce development in Hong Kong is lengthy, and investing resources for longer-term returns is the Group's operational philosophy in the long run.

Internal talent integration: Following the Company's listing, there has been a notable shift in our structure and talent qualification requirements. During the Reporting Period, the management has made adjustments to our internal structure and provided trainings to more effectively utilise the Group's resources and meet listing regulatory requirements. The Group places significant emphasis on talent cultivation and recruitment. We are actively developing a more robust talent management system to continuously improve the quality and comprehensive capability of our employees, so as to ensure the sustainable development of the Group.

Offline network expansion: In October 2022, our third flagship store was officially opened in the prime location of Causeway Bay, spanning an area of approximately 10,000 square feet, providing consumers in Hong Kong Island with a convenient location for shopping, experiencing our products, and accessing post-purchase support for online purchases, further perfecting our OMO strategic layout and deepening our foothold in the Hong Kong market. The Causeway Bay store offers over 24,000 items of consumer electronics and electronic appliances. As with the two existing flagship stores, electronic price tags are adopted throughout the Causeway Bay flagship store. The price tags are automatically updated daily and synchronised with the prices shown online. This practice aligns with the Company's store operating principle of maintaining transparency in pricing and treating customers honestly. The turnover of the Causeway Bay store has caught up with the existing two flagship stores within a short period of time after its opening, reflecting the synergy between online and offline traffic achieved by the Company under the OMO business model, shortening the break-even period for new store and mitigated the risk in early stage.

Marketplace platform: Our marketplace platform was officially launched in November 2022. The management believes that the marketplace platform will generate considerable turnover to the Company in the medium and long term, and it will mutually drive traffic and transactions with the products selling under our direct-to-consumer platform. Currently, our e-commerce platform is a long-standing leader in terms of both traffic and turnover, and our consumer electronics and electronic appliances on direct-to-consumer platform have remained profitable over the years, which lays a solid foundation for us to develop our marketplace platform. In addition, given the stable profitability of our core direct-to-consumer business, we have great flexibility in setting commission rates for merchants, so that merchants can adopt a more competitive approach in pricing their products. Our team has accumulated vast experience in marketing and warehousing logistics, which will definitely add great value to merchants in promoting e-commerce, creating a win-win situation for both parties.

Same-day collection service: In March 2023, the Group entered into a strategic partnership with Japan Home Centre (H.K.) Limited ("**JHC**"), a wholly-owned subsidiary of International Housewares Retail (whose shares are listed on the Stock Exchange (stock code: 01373)), on "Last-mile Delivery", offering free pick-up service for orders on the Yoho E-commerce Platform at 30 JHC shops in Hong Kong in the first phase. Orders placed in the morning can generally be collected in the afternoon, thereby effectively meeting the substantial demand for rapid delivery among consumers. The service has been warmly received by customers since its launch, with an extremely high fulfillment rate for same-day delivery. Through this strategic cooperation, both parties can fully leverage their respective strengths and synergise their resources. JHC's well-established offline retail network will help enhance the last-mile delivery capability of the Group, while the Group's large membership base of nearly 1 million will also bring new customer traffic to JHC. With more than 300 shops in Hong Kong, JHC offers an extensive self-pickup network for the Group, contributing to a win-win situation.

Talent loss: Over the past year, the ongoing issue of talent loss in Hong Kong has persisted, with many excellent talents choosing to leave Hong Kong and develop their careers elsewhere, which had a negative impact on Hong Kong's economic and social development and posed threats to the competitiveness and efficiency of enterprises. The Company has long valued talents and has a good mechanism for regularly reviewing our employees' remuneration packages. During the Reporting Period, the retention of the Group's talents remained at a healthy level. However, when venturing into new businesses, we felt that hiring suitable talents is now more difficult and expensive than before, and the Company needs to spend more to maintain a standard level of service. Undoubtedly, this is a new challenge for the Company's management, and the cost of trial and error for the Company will increase significantly. Management will need a better market sense and greater execution power to lead the enterprise to increase efficiency and reduce costs. Fortunately, the Company's structure has always been streamlined, and the operational process uses a more automated system, relying less on the input of human resources to drive performance growth. Therefore, in the context of the ongoing social talent loss, our Company may be able to take advantage of relative superiority.

Livestreaming sales: We have noticed that some of our peers have launched livestreaming sales and achieved desirable results. Over the past few years, our team has accumulated valuable experience in different forms of live broadcast sales through different platforms. We have also been looking for partners with stronger live streaming resources, including a number of business partners with cross-regional sales channels and agencies with vast KOL resources, in a view to launching live streaming sales at the right time in the future and bringing new growth points to the Group's business.

Application development: Over the past few years, I have been asked about the timeline for the launch of the "Yoho Shopping App" (the "**App**") on different occasions. In fact, the development schedule of the App has always been one of our discussion items at every quarterly meeting over the past few years. The management believes that it is vital to develop this application at the right time, but untimely launching of the App could bring great financial and operational burdens to the Company. We have roughly estimated that the initial investment required to develop a minimally satisfactory App is at least several million Hong Kong dollars, and it will not bring noticeable revenue to the Company in the short term after launch. The launch will obviously affect the development and maintenance of new features. Each feature requires longer development time to be compatible with both website and application, the Company will need to invest need higher maintenance costs to manage the functional stability of both website and application shopping platforms. Even if the Company is willing to invest in human resources, there are certain technical difficulties in maintaining the functional stability of both Web and App shopping platforms, which makes them more prone to user experience issues. On the other hand, purchasing consumer electronics and electrical appliances is not a frequent shopping behaviour and consumers may not be willing to keep the Company's App in their mobile phones for a long time. Nevertheless, with the launch of the marketplace platform last year, consumers are able to purchase a wide variety of products from the Company, which significantly drove the frequency of browsing and shopping, providing a sound foundation for launching the App. During the Reporting Period, the management eventually decided to invest key technology development resources into system infrastructure upgrade and the marketplace platform, as well as some non-core functions that support business development, such as same-day collection service at JHC. In the coming financial year, we are likely to launch the App, and we look forward to receiving your support if we do decide to do so.

User experience: User experience has been the top priority of the Company every year. Currently, the Company's public ratings on major search engines have accumulated approximately 6,000 reviews from customers, with an average score ranging from 4.5/5 to 4.9/5. Such rating is open and fair, and customers may leave negative comments as they like, while the Company may only respond to the comments without the mechanism to remove the feedback, hence the scoring results are definitely worth referencing. In addition, customers could comment on the level of service after completing an order. We received around 30,000 comments from customers during the Reporting Period, with an average score ranging from 4.5/5 to 4.7/5. There is always a certain distance between the team's efforts towards user experience and what consumers perceive. We hope to have sufficient communication with consumers to narrow this gap. It is impossible to find a company with a perfect customer experience in the world. Even some companies with enormous resources earning tens of billions every year receive a large number of complaints every day. Our team will make every effort to understand the concerns of our customers and address the issues with care to enhance their experience. During the Reporting Period, it was noted that the number of complaints dropped significantly. For example, the number of cases referred by the Consumer Council remained at a single digit per month in the second half of the year, representing a significant improvement compared to the first half of the year. Given the current number of orders, the number of complaints per month was considered at a reasonable level and several individual cases were irrelevant to the service provided by the Company. Since March 2023, our customer service department has published the number and nature of complaints for each quarter on the Company's bulletin, with a view to enhancing communication with our stakeholders and improving user experience.

Prospects

In the year to come, the global economy will be full of challenges. Inflation, interest rate hikes and geopolitical issues will continue to bring negative impacts, from which Hong Kong will not be immune. The local economy has been fairly weak due to years of turmoil caused by the pandemic, and it would take a certain period of time for the market to revive. However, our management stays positive about the development in the coming year. Currently, there is still plenty of room for improvement for our direct-to-consumer platform in terms of market share, and the newly launched marketplace platform has also proven its potential in e-commerce development around the world. The potential of cross-border e-commerce is huge and we are only operating on a small scale. We believe that it will contribute significant revenue to the Company at the right time.

As the COVID-19 pandemic becomes normalised and the lives of Hong Kong citizens have been returning to normal, the shopping rhythm of local consumers will definitely be adjusted. Coupled with the tourist consumption after the reopening of borders and the consumption circle in the Greater Bay Area that the Government has been promoting, Hong Kong enterprises are facing a new wave of challenges and opportunities. We are confident that we are able to capitalise on new opportunities and are optimistic about our future performance.

Finally, I would like to express my sincere gratitude for the efforts and contributions made by the Board and staff across the Group.

Wu Faat Chi
Chairman and Executive Director
23 June 2023

PROSPECTS

After three years of pandemic-induced disruption, the Hong Kong's retail sector is finally exhibiting signs of recovery. As restrictions are lifted and tourism slowly resumes, we maintain cautious optimism for the future, anticipating that the retail recovery will gain momentum. Although we are upbeat about the prospects, we acknowledge that it may take some time for Hong Kong's retail market to fully bounce back and reach pre-pandemic levels.

The pandemic has had dramatic knock-on effects on our daily lives, altering the way we live, work, and shop. The structural shift towards online shopping, driven by the pandemic, has proven to be a boon for e-commerce enterprises, positioning us for considerable growth potential in the years ahead. As the world continues to navigate the pandemic and its aftermath, we remain steadfast in our commitment to delivering exceptional customer experiences and staying at the forefront of the rapidly evolving e-commerce landscape.

1P Business Model

According to the 2022 retail sales statistics released by the Census and Statistics Department, the total value of retail sales reached approximately HK$349.9 billion, with electrical goods and other consumer durable goods accounting for approximately HK$42.8 billion. The data underscores the tremendous growth potential of our 1P Business Model, which primarily targets the consumer electronics and home appliances segment. Moving forward, we will strive to capture a larger market share through organic growth by strengthening the breadth and depth of our inventory level to ensure a more competitive supply of products that cater precisely for our customers' preferences. Additionally, we will maintain our commitment to excellent customer services as a key differentiator by investing in user experience enhancements and planning to launch our mobile application in FY23/24, thereby encouraging repeat purchases. As part of our growth strategy, we are also actively pursuing a merger and acquisition plan that targets small e-commerce platforms, upstream or downstream companies, or brands. Such strategic acquisition(s) will not only expand our market presence and customer base, but also enable us to fortify our supply chain and streamline operations.

Simultaneously, to fully harness the synergies of our OMO model and offer best-in-class experiential shopping to our customers in various districts, we will continue to expand our offline retail network beyond our three existing retail stores. We plan to establish two large retail stores in New Territories East and New Territories West by FY23/24, subject to the rental market condition and the availability of suitable premises for lease.

In the era of new retail, quick commerce has emerged as a game-changer. To bridge the gap between the instant availability of goods in physical retail and the convenience of online shopping, we have been actively deploying quick commerce services. In addition to the Partnership with JHC for last-mile delivery, we are exploring potential collaborations with leading logistics companies to offer on-demand delivery services, striving to make online shopping even more convenient and hassle-free.

3P Business Model

With the introduction of our 3P Business Model, we seek to capitalise on our significant website traffic and fuel growth by diversifying our product offerings and revenue streams. Our primary focus is to address the domestic consumption demands beyond consumer electronics and home appliances by supplying high-quality merchandise. By broadening our product categories, customers can enjoy a more extensive selection of products, making it easier for them to discover complementary items to their initial purchases. This approach will enhance upselling and cross-selling opportunities, ultimately boosting our revenue and growth potential.

Besides earning commissions from quality third-party merchants ("**Merchants**") for every completed sale, we plan to expand our revenue stream by offering additional value-added services in the future, including digital advertising services that are in high demand by Merchants. Effective marketing and advertising solutions will enable Merchants to boost traffic and conversions for their product offerings. The commission income and service income derived from the 3P Business Model is expected to serve as key growth drivers for the Group.

Furthermore, we plan to provide comprehensive fulfillment services to our Merchants in FY23/24. The initiative is designed to streamline and optimise the logistics process, allowing Merchants to focus on their core business while we manage storage, packaging, and shipping, in order to shorten delivery time and ultimately enhance the overall shopping experience for our end-users. In addition to improving customer satisfaction, our fulfillment services will enable Merchants to leverage our established logistics and warehouse system to scale their operations more efficiently. The value-added offering will not only strengthen our relationships with Merchants but also position us as a one-stop solution for their e-commerce needs, further increase our competitive advantages in the market.

Cross-border

In 2021, the Greater Bay Area ("**GBA**") emerged as one of the world's four major bay areas, boasting a population of approximately 86.7 million and a GDP exceeding approximately US$1.95 trillion. The combined consumer market of the nine mainland GBA cities is vast, fueled by increasing income levels and the mature shopping habits of mainland consumers. We recognise the immense potential of the GBA and are committed to grasping the opportunities it presents.

To tap into the GBA market, we plan to establish a dedicated China business team that will focus on understanding local market dynamics, customer preferences, and emerging trends to tailor our offerings accordingly. Furthermore, we are in the process of strengthening our marketing efforts within the GBA market by collaborating with key opinion leaders who wield significant influence among Chinese consumers and utilising livestream sales to bolster our brand reputation and drive sales. With the introduction of our 3P Business Model, the SKUs on the Yoho E-commerce Platform are poised for exponential growth through the onboarding of Merchants, providing us with a more diverse range of product sources to cater for the diverse demand from the GBA consumer group.

While we acknowledge the fierce competition in the mainland e-commerce sector and the presence of numerous established e-commerce giants, we also recognise the consistent demand for quality foreign goods among mainland customers. We are particularly confident in the caliber of electrical appliances and electronic products we have sourced from overseas. We believe these favorable conditions, coupled with the absence of any major Hong Kong e-commerce player in the GBA, will provide us with competitive advantages as we venture into this thriving market.

BUSINESS REVIEW

Overall Performance

The global economy faced persistent turbulence throughout 2022 due to a variety of unfavorable macroeconomic factors, including the enduring impact of the COVID-19 pandemic, heightened inflation, interest rate hikes, and geopolitical uncertainties. During the Reporting Period, the purchasing power of Hong Kong consumers was further constrained by the volatile external environment and the underperformance of the equity and real estate markets for a significant portion of the year. Although the stimulus voucher program and the easing of anti-pandemic restrictions in the fourth quarter of 2022 provided certain support for local retail sales, the surge in Hong Kong outbound travel following the relaxation of restrictions dampened domestic consumption demand. Consequently, the positive influences were unable to counterbalance the myriad challenges faced by retail sales. Local consumers maintained a conservative spending approach, leading to a sluggish retail market during the Reporting Period.

Despite the challenging business environment, we have exhibited resilience and adaptabiilty as one of the leading market players in the business-to-customer ("**B2C**") e-commerce industry in Hong Kong. Our business agility has been instrumental in helping us to navigate the difficulties and remaining profitable during the Reporting Period. The Group's performance was in line with the overall Hong Kong retail market. Our GMV and revenue experienced a healthy growth of approximately 6.3% and 8.2%, respectively, while Hong Kong's retail market recorded a comparable increase of approximately 6.9%, according to the reports on the Monthly Survey of Retail Sales published by the Census and Statistics Department. Our adjusted net profit for the Reporting Period amounted to approximately HK$23.0 million as compared to approximately HK$26.2 million in FY21/22. While this signifies a year-over-year decrease, we view this as a strategic reinvestment in the future of our business. The decline was mainly attributable to (i) the additional operating expenses incurred, including legal and professional fees after the Listing; (ii) the increase in investment in system development for long-term goal; and (iii) the increase in initial cost for new business development. We regard these moves as vital to our long-term growth strategy and as steps toward solidifying our leadership position in the dynamic of Hong Kong retail market.

Launch of 3P Business Model

In our ongoing efforts to further monetise our significant website traffic and create catalysts for growth, we capitalised on our well-developed Yoho E-commerce Platform and extensive customer base by launching our 3P Business Model in November 2022. Merchants may sell products beyond the categories we offered under our 1P Business Model, through the Yoho E-commerce Platform, and we charge commissions from Merchants for every completed sale. As a result, our product portfolio and revenue streams have been diversified and our sub-categories expanded to fourteen. As at 31 March 2023, we had over 270 registered Merchants and introduced approximately 10,000 new stock-keeping units ("**SKUs**") to the Yoho E-commerce Platform. By the end of 2023, we expect to provide 60,000 non-repetitive SKUs under our 1P Business Model and 3P Business Model.

New Flagship Shop in Causeway Bay

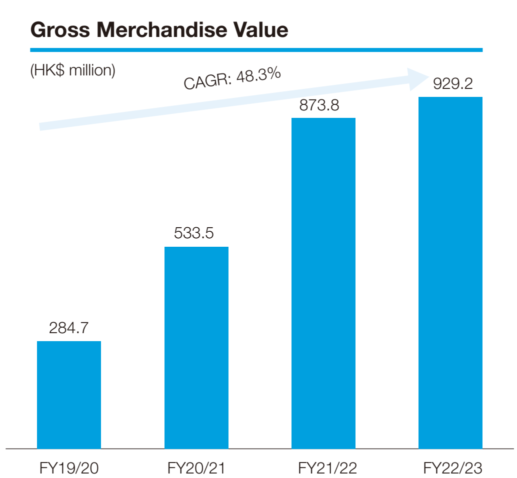
To maximise the synergies of our OMO model and further optimise our seamless retail network, we established our largest Yoho flagship store in Causeway Bay, Hong Kong Island in October 2022. Spanning 12,000 square feet on the 9th floor of Hang Lung Centre, Causeway Bay, the store features a diverse product portfolio with more than 24,000 active SKUs. With the addition of the Causeway Bay flagship store, our offline retail network now covers Kowloon East, Kowloon West and Hong Kong Island, offering enhanced shopping experiences for existing and potential customers across various districts.

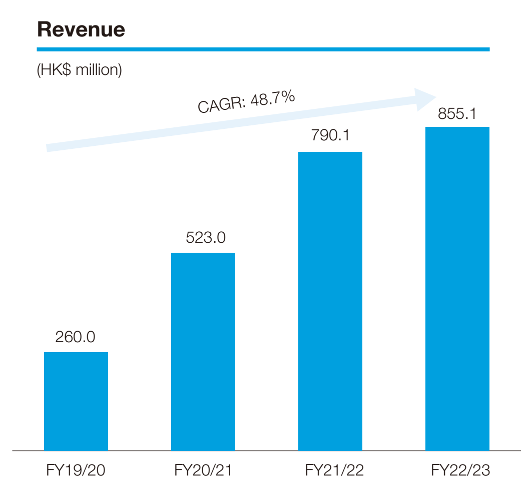
Strategic Partnership with JHC

To improve our last-mile delivery efficiency, we launched in March 2023 a strategic partnership ("**Partnership**") with JHC, a wholly-owned subsidiary of International Housewares Retail Company Limited (whose shares are listed on the Stock Exchange (Stock Code: 1373)). The Partnership provides free pickup services for customers who spend HK$300 or more on the Yoho E-commerce Platform at 30 JHC stores across Hong Kong in the first phase of the Partnership, ensuring "Same-day Collection" for orders placed before 9:00 a.m. on a daily basis. The expansion of the JHC pickup network is now under discussion, aiming to effectively address the burgeoning demand for quick commerce.

Business performance

As aforementioned, we achieved an approximately 6.3% and an approximately 8.2% growth in the GMV and the total revenue, respectively, and continued to be one of the leading market players in the Hong Kong B2C e-commerce industry, riding on the rapid growth in Hong Kong's online retail sales by 10.3% during FY22/23, according to government statistics.





Business Highlights

With established presence both online (via the Yoho E-commerce Platform) and offline (via our retail store network, which currently comprises our offline retail stores located in the Kwun Tong, Cheung Sha Wan and Causeway Bay) and utilising the power of technologies, we are primed to run our retail business under the Yoho OMO Business. Our customers enjoy a host of benefits resulting from the synergies created through the combination of online and offline retail channels.

OMO Business Model

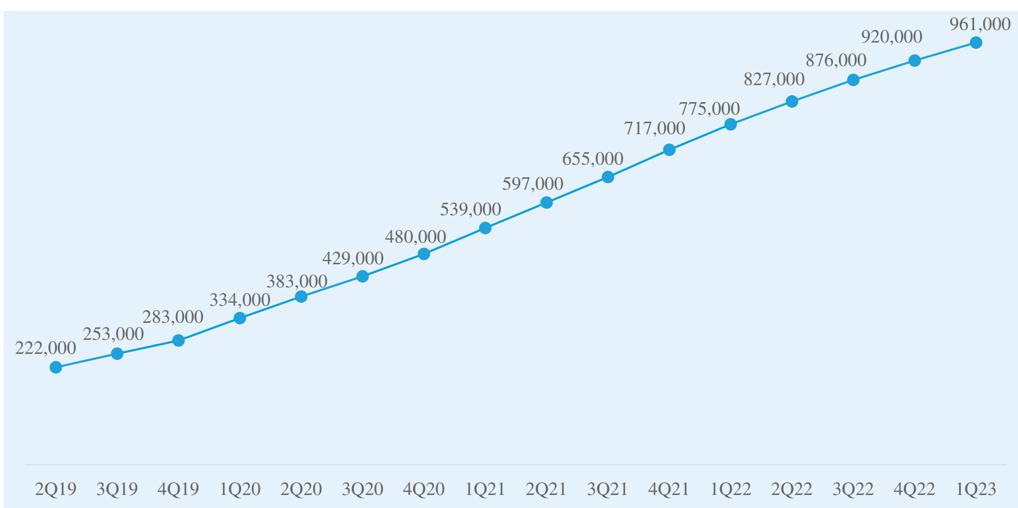
We believe our OMO business has enabled us to enhance customer experience, which helped drive the significant increase in our customer base and the scale of operation during the years indicated below:

	FY22/23	FY21/22	**Movement**
GMV *(HK$ million)*	**929.2**	873.8	+6.3%
Number of registered members	**961,000**	775,000	+24.0%
Number of orders intake	**477,000**	463,000	+3.0%
Basket value *(HK$)*	**1,950**	1,887	+3.3%

Growing Customer Base

The Yoho E-commerce Platform was one of the most-visited websites in Hong Kong, with over 1.7 million average monthly active users during FY22/23. We have established a customer base comprising over 961,000 registered members as at 31 March 2023.

Number of registered members

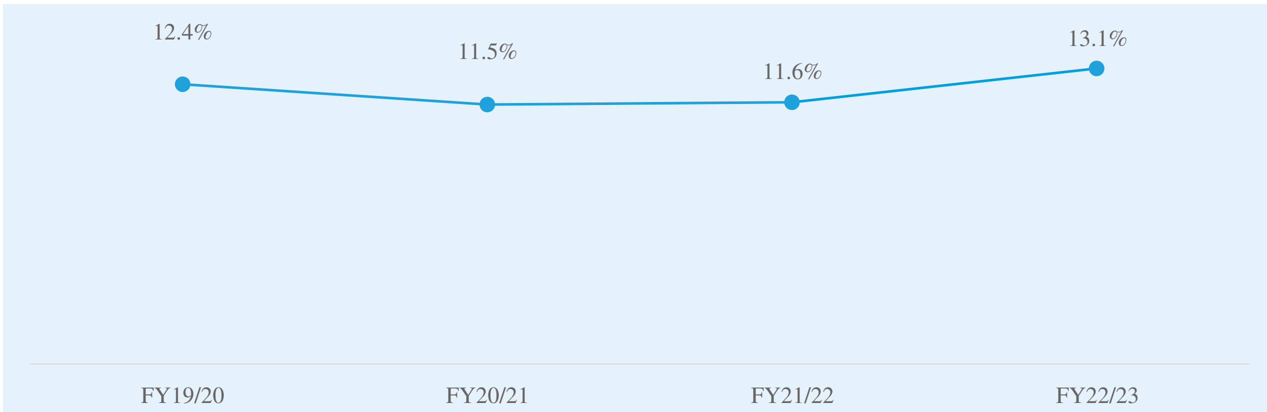


Source: internal system

Disciplined Cost Efficiency

We have implemented robust cost discipline while growing our business scale and revenue sustainably. We have managed to keep major cost items at a reasonable percentage to our revenue by achieving economies of scale. Total operating expenses, being the total sum of selling and distribution expenses and administrative expenses, for FY21/22 and FY22/23 remained relatively stable at approximately 11.6% and 13.1% of our total revenue for the relevant year, respectively.

Total operating expenses



LIQUIDITY AND CAPITAL RESOURCES

Since the shares of the Company was listed on the Main Board of the Stock Exchange on 10 June 2022 (the "**Listing Date**"), there has been no change in capital structure of the Group. The capital of the Group comprises of issued ordinary share capital and capital reserves. The Group had share capital of approximately HK$390,000 as at 31 March 2023.

The Group's sources of funding comprise of its cash and cash equivalents and short term bank deposits. As at 31 March 2023, the Group's total cash position recorded an increase by 66.3% from approximately HK$126.3 million as at 31 March 2022 to approximately HK$209.9 million (excluding the pledged deposits of approximately HK$1.3 million), which was mainly due to net cash generated from financing activities of approximately HK$99.7 million, which primarily consists of proceeds from initial public offering of approximately HK$115.5 million, offset by share issue costs paid of approximately HK$7.1 million and repayments of leases liabilities and related finance cost of approximately HK$8.6 million, net of the cashflow used in operating activities to settle the listing expense amounted to approximately HK$20.2 million. Excluding the settlement of the listing expense used in operating activities, our net cash generated from operating activities amounted to approximately HK$9.4 million. The cash and cash equivalents and short term bank deposits of the Group, mainly denominated in HK$, are generally deposited with authorised financial institutions.

As at 31 March 2023 and 31 March 2022, the Group had not utilised any uncommitted banking facilities. Our total cash and cash equivalents consisted of cash at bank and in hand and short term deposits within three months of maturity, if any. As at 31 March 2023, bank deposits of approximately HK$1.3 million (31 March 2022: Nil) had been pledged against the bank guarantee letters for a subsidiary of the Company. The Group was in a net cash position as of 31 March 2023 and 31 March 2022 and hence no gearing ratio was presented. The Directors are of the opinion that, after taking into consideration the internal available financial resources, the Group has sufficient funds to finance its operations and to meet the financial obligations as and when they fall due. During FY22/23, the Group invested approximately HK$8.0 million on capital expenditure as compared to approximately HK$4.6 million in FY21/22. For the upcoming capital expenditure requirements, we will remain cautious and it is expected to be funded by internal resources within the Group. Overall, the Group's financial position remains sound for continued business expansion.

Gearing ratio

Gearing ratio (i.e. interest-bearing gross debt divided by total equity) remained stable at nil as at 31 March 2022 and 31 March 2023.

Use of Net Proceeds from the Global Offering

On 26 May 2022, the Company offered 55,000,000 ordinary shares (the "**Shares**") for subscription by public in the Global Offering. The offer price per Share was determined at HK$2.10 and the Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds (after deduction of underwriting fees and commissions and other listing expense) from the Global Offering were approximately HK$74.7 million. The net proceeds would be applied in manners described under the section headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 26 May 2022 (the "**Prospectus**").

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2023 is set out below:

	Percentage	Allocated use of proceeds *(HK$ million)*	Utilised as of 31 March 2023 *(HK$ million)*	Unutilised balance as of 31 March 2023 *(HK$ million)*	Proposed timetable for the use of unutilised net proceeds
Capturing a larger market share through organic growth	20.4%	15.2	12.5	2.7	On or before 31 March 2025
Expanding the product offerings on our e-commerce platform(s) through the launch of online marketplace operations	7.1%	5.3	0.5	4.8	On or before 31 March 2026
Expanding our services to customers in the PRC and, in particular, the Greater Bay Area	8.6%	6.4	–	6.4	On or before 31 March 2026
Strengthening our supply chain capabilities	9.2%	6.9	–	6.9	On or before 31 March 2026
Further investing in brand management and marketing to increase mass awareness of our group and the effectiveness of our marketing activities	11.8%	8.8	1.0	7.8	On or before 31 March 2024
Expanding our teams of staff in support of our business strategies	19.2%	14.4	2.6	11.8	On or before 31 March 2026
Acquiring companies in e-commerce-related industries	13.7%	10.2	–	10.2	On or before 31 March 2024
General working capital	10.0%	7.5	2.6	4.9	On or before 31 March 2026
	100.0%	74.7	19.2	55.5	

As at 31 March 2023, the amount of unutilised net proceeds amounted to approximately HK$55.5 million. The unutilised net proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

Up to 31 March 2023, the utilised net proceeds were applied in accordance with the planned use as previously disclosed in the Prospectus and the remaining net proceeds are expected to be used as planned.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
Revenue	*4*	**855,076**	790,054
Cost of goods sold		**(723,876)**	(667,306)
		131,200	122,748
Other income		**6,243**	28
Other gains and losses		**(2,139)**	(4,643)
Selling and distribution expenses		**(76,456)**	(68,018)
Administrative expenses		**(35,697)**	(23,493)
Listing expenses		**(12,483)**	(21,703)
Finance costs		**(872)**	(419)
Profit before taxation		**9,796**	4,500
Income tax expense	*5*	**(3,493)**	(4,725)
Profit (loss) and total comprehensive income (expense) for the year		**6,303**	(225)
Earnings (loss) per share –			
Basic (HK cents)	*8*	**1.31**	(0.05)
Diluted (HK cents)		**1.31**	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**10,814**	5,807
Right-of-use assets	*9*	**26,880**	18,438
Deposits		**5,480**	4,309
		43,174	28,554
Current assets			
Inventories		**75,140**	66,282
Trade receivables	*10*	**7,016**	7,701
Other receivables, deposits and prepayments		**9,959**	11,494
Tax recoverable		**380**	–
Short term bank deposits with over 3 months maturity		**80,709**	–
Pledged bank deposits		**1,323**	–
Cash and cash equivalents		**129,234**	126,256
		303,761	211,733
Current liabilities			
Trade payables	*11*	**31,339**	38,094
Other payables and accruals		**7,582**	17,657
Contract liabilities		**12,971**	14,972
Convertible redeemable preferred shares	*12*	**–**	68,787
Income tax payable		**–**	1,487
Lease liabilities		**7,178**	7,584
		59,070	148,581
Net current assets		**244,691**	63,152
Total assets less current liabilities		**287,865**	91,706
Non-current liabilities			
Other payable		**–**	90
Lease liabilities		**22,835**	12,721
Deferred tax liabilities		**169**	149
		23,004	12,960
Net assets		**264,861**	78,746
Capital and reserves			
Share capital	*13*	**390**	142
Reserves		**264,471**	78,604
Total equity		**264,861**	78,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 13 April 2021. The shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and the principal place of business is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and 9A, Bamboos Centre, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company acts as an investment holding company and the operating subsidiaries are principally engaged in sales of consumer electronics and home appliances and lifestyle products.

The ultimate controlling shareholders of the Company are Mr. Wu Faat Chi ("Mr. Wu") and Ms. Tsui Ka Wing ("Ms. Tsui"), spouse of Mr. Wu (collectively referred as "Controlling Shareholders") who owned a total of 62.4% equity interests in the Company through their respective wholly-owned investment holding companies incorporated in the British Virgin Islands (the "BVI"), namely The Mearas Venture Limited ("The Mearas Venture"), which is owned by Mr. Wu, and The Wings Venture Limited ("The Wings Venture"), which is owned by Ms. Tsui. The Controlling Shareholders are the founders of the group entities now comprising the Group and have been acting in concert on their ownerships and exercise their control collectively over the companies now comprising the Group.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on Hong Kong Financial Reporting Standards ("HKFRSs") and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or 1 January 2024

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	2023	2022
	HK$'000	*HK$'000*
Direct merchant sales		
– Major appliances	**139,998**	120,135
– Kitchen appliances	**93,587**	84,644
– Mobile	**85,128**	63,989
– Digital entertainment	**104,602**	129,807
– Home appliances	**160,490**	140,149
– Beauty & personal care	**115,980**	115,372
– Computer	**108,367**	81,302
– Others	**43,590**	51,858
Revenue from direct merchandise sales	**851,742**	787,256
Provision of advertising services	**3,252**	2,798
Revenue from concessionaire sales	**82**	–
Total	**855,076**	790,054
Geographical markets:		
– Hong Kong	**822,194**	772,923
– The People's Republic of China (other than Hong Kong)	**28,225**	9,841
– Others	**4,657**	7,290
	855,076	790,054
Timing of revenue recognition:		
– A point in time	**851,824**	787,256
– Over time	**3,252**	2,798
	855,076	790,054

Performance obligations for contracts with customers

Direct merchandise sales

The Group sells products directly to customers through its own retail outlets, internet sales and wholesale.

For sales of products to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer's specific location. When the customer initially purchases the goods online, the payment for transaction is due immediately. The transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

For sales of products through wholesale, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the wholesaler's specific location. Transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the wholesalers. The normal credit term is generally 30 days upon delivery.

Provision of advertising services

Revenue from the provision of advertising services is recognised over time over the period of service as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service. Revenue is recognised for the service based on the contract price. The normal credit term is generally 30 days from the date of issue of invoice.

Concessionaire sales

The Group receives income from concessionaire sales from its marketplace platform. For concessionaire sales, the Group acts as an agent and is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices and selecting sales is recognised on a net basis which is based on a fixed percentage of the sales amount, when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer's specific location.

Customer loyalty programme

The Group operates a customer loyalty programme for sales through the Group's retail stores and internet sales where customers are awarded points for purchases made to redeem as sales discounts in the future. The transaction price is allocated to the product and the award points on a relative stand-alone selling price basis. The customer loyalty award points expire every year and customers can redeem the award points any time before the specified expiration date. Revenue from the award points is recognised when the award points are redeemed or expired. Contract liabilities are recognised until the award points are redeemed by the award points holders or expired. The sales discounts is recognised and net to the revenue.

Transaction price allocated to the remaining performance obligation for contracts with customers

Contracts with customers with unsatisfied performance obligations, including customer loyalty programme, have original expected durations of one year or less. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts or customer loyalty programme are not disclosed.

Segment information

For the purposes of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive directors of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Geographical information

The geographical information of the Group's revenue based on the location of the goods delivered and services rendered is disclosed above. The Group's non-current assets are all located in Hong Kong.

Information about major customers

None of the Group's customers contributed over 10% of the Group's total revenue for both years.

5. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**3,401**	4,735
Under (over) provision in prior years		
– Hong Kong Profits Tax	**72**	(62)
Deferred tax charge	**20**	52
	3,493	4,725

Hong Kong Profits Tax for both years is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Group and at 16.5% on the estimated assessable profits above HK$2,000,000. The profits of other subsidiaries not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

The Company's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK$6,000 (2022: HK$10,000) for the year ended 31 March 2023.

6. PROFIT (LOSS) FOR THE YEAR

	2023	2022
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Auditor's remuneration		
– Audit service in respect of annual audit	**1,455**	250
– Non-audit services	**707**	20
– Listing related services*	**1,999**	4,950
	4,161	5,220
Directors' remuneration	**2,798**	1,262
Other staff costs (excluding the directors' remuneration)		
– Salaries, allowances and other benefits	**32,579**	27,796
– Share-based payment expenses	**1,989**	–
– Retirement benefits schemes contributions	**1,350**	1,199
Total staff costs	**38,716**	30,257
Depreciation of property, plant and equipment	**2,967**	1,526
Depreciation of right-of-use assets	**9,151**	7,349
Cost of inventories recognised as an expense (including allowance for provision of impairment loss on inventories of HK$94,000 (2022: HK$640,000), net of reversal)	**723,876**	667,306

* Included in the listing expenses

7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2023 of HK$0.024 (2022: Nil) per ordinary share, in an aggregate amount of HK$12,000,000 (2022: Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

8. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the following data:

	2023	2022
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share: (profit (loss) for the year attributable to owners of the Company)	**6,303**	(225)
Number of Shares:		
Weighted average number of shares for the purpose of basic and diluted earnings (loss) per share	**482,947,893**	411,085,443

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined on the assumption that the capitalisation issue as set out in note 13 had been effective on 1 April 2021.

During the year ended 31 March 2023, the Company had two category of potential ordinary shares – convertible redeemable preferred shares and the over-allotment option. The potential ordinary shares of convertible redeemable preferred shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. The computation of earnings per share did not assume the exercise of the over-allotment option because the exercise price of over-allotment option outstanding were higher than average market price of the shares.

During the year ended 31 March 2022, the Company had one category of potential ordinary shares – convertible redeemable preferred shares (as detailed in note 12). These potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current financial year, total additions to property, plant and equipment were HK$7,974,000 (2022: HK$4,577,000), which mainly included additions to leasehold improvements of approximately HK$5,214,000 (2022: HK$2,029,000), additions to office furniture and equipment of HK$2,088,000 (2022: HK$979,000) and additions to computer equipment of HK$672,000 (2022: HK$1,569,000).

During the current financial year, the Group renewed two lease agreements and entered into one new lease agreement with lease terms ranged from one to five years (2022: three to five years). On lease commencement, the Group recognised lease liabilities of HK$30,013,000 (2022: HK$20,305,000) and right-of-use assets were HK$26,880,000 (2022: HK$18,438,000).

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**7,016**	7,701

As at 1 April 2021, trade receivables from contracts with customers amounted to HK$5,975,000.

The Group generally grants credit terms of 30 days to its wholesale customers from the date of invoices. Sales made through retail stores or internet are settled by cash or credit cards through payment gateways, which will generally settle the amounts with the Group within 2 days after the sales made. An ageing analysis of the trade receivables, net of allowance for impairment losses, presented based on the invoice dates at the end of each reporting period is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**5,709**	6,688
31 to 60 days	**623**	402
61 to 90 days	**348**	419
Over 90 days	**336**	192
	7,016	7,701

11. TRADE PAYABLES

The credit period granted by suppliers ranged from 0 to 30 days. The ageing analysis of the trade payables of the Group presented based on the invoice dates at the end of each reporting period is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**25,241**	31,935
31 to 60 days	**3,102**	2,681
61 to 90 days	**253**	1,193
Over 90 days	**2,743**	2,285
	31,339	38,094

12. CONVERTIBLE REDEEMABLE PREFERRED SHARES

The movement of the fair value of the convertible redeemable preferred shares is set out as below:

	HK$'000
At 1 April 2021	–
Issued during the year	64,103
Fair value change	4,684
At 31 March 2022	68,787
Fair value change	**2,261**
Converted into ordinary shares during the year	**(71,048)**
At 31 March 2023	**–**

Following the successful listing of the shares of the Company on the Main Board of the Stock Exchange on 10 June 2022, all of the convertible redeemable preferred shares were converted into 15,031,101 ordinary shares of the Company.

The convertible redeemable preferred shares issued by the Company were measured at fair value at 21 May 2021, 31 March 2022 and 10 June 2022 by D&P China (HK) Limited, an independent qualified professional valuer engaged by the Company with the registered address as 3F, Three Pacific Place 1, Queens Road East, Hong Kong based on Black-Scholes Option Pricing Model.

13. SHARE CAPITAL

Authorised:

	Number of shares	Nominal value of ordinary shares *US$'000*
At 13 April 2021 (date of incorporation)	50,000	50
Share subdivision	499,950,000	–
At 31 March 2022 and 2023	**500,000,000**	**50**

On 20 May 2021, each issued and unissued share of US$1.0 par value in the authorised share capital of the Company was subdivided into 10,000 shares of US$0.0001 par value each.

Issued:

	Number of ordinary shares	Number of series A Preferred Shares	Equivalent nominal value of ordinary shares *US$'000*	Equivalent nominal value of ordinary shares *HK$'000*
At 13 April 2021 (date of incorporation)	1	–	–	–
Issuance of ordinary shares to The Mearas Venture *(Note a)*	74,459,999	–	7	58
Issuance of ordinary shares to The Wings Venture *(Note a)*	71,540,000	–	7	56
Issuance of Series A Preferred Shares *(Note a)*	–	36,195,122	4	28
At 31 March 2022	146,000,000	36,195,122	18	142
Conversion of series A Preferred Shares *(Note b)*	**36,195,122**	**(36,195,122)**	**–**	**–**
Conversion of convertible redeemable preferred shares *(Note b)*	**15,031,101**	**–**	**2**	**12**
Capitalisation issue *(Note b)*	**247,773,777**	**–**	**24**	**193**
Issuance of shares under the initial public offerings *(Note b)*	**55,000,000**	**–**	**6**	**43**
At 31 March 2023	**500,000,000**	**–**	**50**	**390**

Notes:

(a) On 20 May 2021, each issued and unissued share of US$1.0 par value in the authorised share capital of the Company was subdivided into 10,000 shares of US$0.0001 par value each. On 21 May 2021, Mr. Wu Faat Chi, Ms. Tsui Ka Wing and Biz Cloud Investments Limited ("**Beyond Ventures Vehicle**") transferred their respective shares in Yoho Holdings (BVI) Limited ("**Yoho BVI**") to the Company, which was settled by way of allotment and issue of 74,459,999 ordinary shares, 71,540,000 ordinary shares and a total of 36,195,122 series A preferred shares of the Company to The Mearas Venture Limited, The Wings Venture Limited and Beyond Ventures Vehicle by the Company. Upon the completion of the aforesaid transfer, Yoho BVI has become a wholly owned subsidiary of the Company.

(b) On the Listing Date, the 36,195,122 series A preferred shares and the 15,031,101 convertible redeemable preferred shares, were converted into 36,195,122 and 15,031,101 ordinary shares, respectively. On the same date, 247,773,777 new shares of the Company of US$0.0001 each were issued through capitalisation of HK$193,264 and such amount is credited to share premium. Also, 55,000,000 new shares of the Company of par value US$0.0001 each were issued at an offer price of HK$2.1 per share. The difference of HK$115,457,100 between offer price and the par value of the shares have been credited to share premium.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK$790.1 million for FY21/22 to approximately HK$855.1 million for FY22/23, representing an increase of approximately 8.2%. The increase in our revenue was primarily due to the increase in revenue through online sales and offline retail store sales in the Yoho OMO Business, as a result of (i) the increase in various operating data including our registered members, number of orders intake and basket value per order; (ii) our Group's continuing proactive market share acquisition strategy and its product portfolio expansion strategy resulting in the increase in brand diversity; (iii) the increase in marketing campaigns resulting in the increase in brand awareness and customer bases of our Group; (iv) more and lengthened promotional campaigns launched in collaboration with several financial institutions and financial technology companies; and (v) the implementation of supportive government policies including the Consumption Voucher Scheme.

Cost of goods sold

Our cost of goods sold increased from approximately HK$667.3 million for FY21/22 to approximately HK$723.9 million for FY22/23, representing an increase of approximately 8.5%. The increase in our cost of goods sold was primarily in line with revenue growth for the same period.

Gross profit

Our gross profit increased from approximately HK$122.7 million for FY21/22 to approximately HK$131.2 million for FY22/23, representing an increase of approximately 6.9%, which was mainly due to our rapid development and revenue growth mentioned above. Furthermore, our gross profit margin decreased from approximately 15.5% for FY21/22 to approximately 15.3% for FY22/23, mainly due to our continuous expansion of product portfolio, a more aggressive position in our pursuit of competitive pricing and launches of promotional campaigns during FY22/23, which became new dimensions of our proactive market share acquisition strategy. Since January 2021, the gross profit margin of our Group has largely stabilised at around 15.0%. For details, please refer to the section headed "Financial Information" of the Prospectus.

Other income

Our other income increased from approximately HK$28,000 for FY21/22 to approximately HK$6.2 million for FY22/23, which was primarily due to (i) the increase in government grants of approximately HK$2.2 million, which mainly include the wages subsidy under the Employment Support Scheme, an anti-epidemic fund launched by the Hong Kong Government; and (ii) the increase in interest income of approximately HK$4.0 million.

Other gains and losses

We recorded other losses of approximately HK$4.6 million and HK$2.1 million for FY21/22 and FY22/23, respectively. The decrease in other losses was primarily due to the decrease in negative fair value change in convertible redeemable preferred shares from approximately HK$4.7 million for FY21/22 to approximately HK$2.3 million for FY22/23.

Selling and distribution expenses

Our selling and distribution expenses increased from approximately HK$68.0 million for FY21/22 to approximately HK$76.5 million for FY22/23 primarily due to (i) the increase in logistics and storage cost charged by the third party service providers as a result of the increase of revenue of our Group of approximately 8.2% from FY21/22 to FY22/23; and (ii) the increase in investment for new business development.

Administrative expenses

Our administrative expenses increased from approximately HK$23.5 million for FY21/22 to approximately HK$35.7 million for FY22/23 primarily due to (i) the increase in staff cost as a result of the increase in headcount from 95 in FY21/22 to 105 in FY22/23 due to the business growth and future expansion; (ii) additional operating expenses including legal and professional fees after the Listing.

Finance costs

Our finance costs increased from approximately HK$419,000 for FY21/22 to approximately HK$872,000 for FY22/23, representing the increase in the interest on lease liabilities attributable to the increase of lease liabilities.

Income tax expense

Our income tax expense decreased from approximately HK$4.7 million for FY21/22 to approximately HK$3.5 million for FY22/23 primarily due to the decrease in accessible profit for the same period.

Notwithstanding we recorded a profit before tax of approximately HK$9.8 million (FY21/22: approximately HK$4.5 million), the income tax expense of approximately HK$3.5 million (FY21/22: approximately HK$4.7 million) was recognised and hence we recorded effective tax rate of approximately 35.7% for FY22/23 (FY21/22: approximately 105.0%). The decrease in effective tax rate is mainly due to the decrease in the expenses which are not deductible for tax purpose of (i) the decrease in fair value change in convertible redeemable preferred shares of the Company from approximately HK$4.7 million for FY21/22 to approximately HK$2.3 million for FY22/23; and (ii) the decrease in expenses relating to the listing of our shares on the Stock Exchange from approximately HK$21.7 million for FY21/22 to approximately HK$12.5 million for FY22/23.

Profit (loss) for the year

As a result of the foregoing, we recorded a net profit of approximately HK$6.3 million for FY22/23 as compared with a net loss of approximately HK$225,000 for FY21/22. Our net profit margin increased from approximately 0.0% for FY21/22 to net profit margin of approximately 0.7% for FY22/23. We recorded the turnaround from net loss to net profit position was primarily attributable to (i) the decrease in fair value change in convertible redeemable preferred shares of the Company from approximately HK$4.7 million for FY21/22 to approximately HK$2.3 million for FY22/23; and (ii) the decrease in expenses relating to the listing of our shares on the Stock Exchange from approximately HK$21.7 million for FY21/22 to approximately HK$12.5 million for FY22/23.

Trade receivables

Our trade receivables decreased from approximately HK$7.7 million as at 31 March 2022 to approximately HK$7.0 million as at 31 March 2023 which was attributable to the settlement of trade receivable from debtors within 30 days during FY22/23. Our days sales outstanding remained stable at 3 days as of 31 March 2023 and 31 March 2022, respectively.

The Group's trade receivables are of high quality. Current and overdue balances of less than 30 days were 81% of gross trade receivables during FY22/23 (FY21/22: 87%).

An ageing analysis of trade receivables, net of allowance for impairment losses, presented based on the invoice dates at the end of each reporting period is as follows:

	As at 31 March 2023	As at 31 March 2022
	HK$'000	*HK$'000*
Within 30 days	**5,709**	6,688
31 to 60 days	**623**	402
61 to 90 days	**348**	419
Over 90 days	**336**	192
	7,016	7,701

Trade payables

Our trade payables decreased from approximately HK$38.1 million as at 31 March 2022 to approximately HK$31.3 million as at 31 March 2023 primarily due to settlement of trade payables to suppliers within 30 days. Our days purchases outstanding remained stable at 18 days as of 31 March 2023 and 31 March 2022, respectively.

The ageing analysis of trade payables of our Group presented based on the invoice dates at the end of each reporting period is as follows:

	As at 31 March 2023 *HK$'000*	As at 31 March 2022 *HK$'000*
Within 30 days	**25,241**	31,935
31 to 60 days	**3,102**	2,681
61 to 90 days	**253**	1,193
Over 90 days	**2,743**	2,285
	31,339	38,094

Non-HKFRS measures

In order to supplement our consolidated statements of profit or loss and other comprehensive income, which are presented in accordance with HKFRS, we also use adjusted net profit as non-HKFRS measures as an additional financial measure, which is not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures help identify underlying trends in our business that could otherwise be distorted by the effect of the expenses that we include in income from operations and net profit, and therefore provide useful information to investors and others in understanding and evaluating our results of operation by eliminating potential impacts of such items. We also believe that these non-HKFRS measures provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects, and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

We define adjusted net profit as non-HKFRS measures as profit for the year adjusted by (i) fair value change in convertible redeemable preferred shares, (ii) Listing expenses and (iii) share-based payment rewarding the outstanding employees by our controlling shareholder. Given that (i) fair value change in convertible redeemable shares was resulted from the conversion right to ordinary share granted to the holders of the Series A Preferred Shares which has been exercised upon Listing and (ii) the Listing expenses were incurred for the purpose of the Listing, these items will no longer exist after the Listing. The use of adjusted net profit as non-HKFRS measures has material limitations as an analytical tool because they do not reflect all items of income and expenses that affect our operations. When assessing our operating and financial performance, you should not consider adjusted net profit as non-HKFRS measures in isolation from or as a substitute for our profit or loss for the year, gross profit or any other financial performance measure that is calculated in accordance with HKFRS. The term "adjusted net profit as non-HKFRS measures" is not defined under HKFRS, and such term may not be comparable to other similarly titled measures used by other companies.

The following table sets forth our adjusted net profit as non-HKFRS measures for the years indicated:

	FY22/23	FY21/22
	HK$'000	*HK$'000*
Profit (loss) for the year	**6,303**	(225)
Adjusted for:		
Fair value change in convertible redeemable preferred shares	**2,261**	4,684
Listing expenses	**12,483**	21,703
Share-based payment rewarding the outstanding employees by our controlling shareholder	**1,989**	–
Adjusted net profit as non-HKFRS measures	**23,036**	26,162

OTHER INFORMATION

Talent remuneration

Including the Directors, as at 31 March 2023, our Group had 105 permanent full-time employees as compared with 95 as at 31 March 2022. Our Group provides remuneration package consisting of basic salary, bonus, and other benefits to them. Bonus payments are discretionary and dependent on both our Group's and individual performances. Our Group also provides comprehensive medical and life insurance coverage, competitive retirement benefits schemes, and staff training programs and operates a share option scheme.

Capital expenditure

During FY22/23, our Group acquired items of property, plant and equipment of approximately HK$8.0 million (FY21/22: HK$4.6 million).

Capital commitments and contingent liabilities

As at 31 March 2023, the Group did not have any significant capital commitment and contingent liability (2022: Nil).

Foreign exchange exposure

Substantially all of our Group's monetary assets and liabilities are primarily denominated in Hong Kong dollars ("**HK$**"), United States dollars ("**US$**") and Japanese yen ("**JPY**"). Given the pegged exchange rate between HK$ and US$, the exposure of entities that use HK$ as their respective functional currencies to the fluctuations in US$ is minimal. However, exchange rate fluctuations between HK$ and JPY could affect our Group's performance and asset value. Our Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates and will consider hedging arrangements for significant foreign currency exposure should the need arise.

Treasury policy

Several principal subsidiaries of the Group are exposed to foreign currency risk primarily through sales and purchases which give rise to monetary assets and monetary liabilities that are denominated in HK$, US$ and JPY. During the Year, the Group did not enter into any financial derivatives for hedging purpose. However, the management monitors foreign exchange exposure from time to time. Appropriate measures would be undertaken by the management when the exchange rate fluctuations become significant.

Material acquisitions, disposals, significant investments and future plans of material investments

During the Reporting Period, the Group did not have material acquisition, disposal, significant investments and future plans of material investment.

Events after the Reporting Period

There were no significant events that may affect our Group since the end of the Reporting Period.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

Compliance with the corporate governance practices

The Board has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the period from the Listing Date to 31 March 2023.

In the opinion of the Directors, save for the deviation from the code provision C.2.1 of the CG Code, the Company has complied with all applicable code provisions set out in the CG Code throughout the period from the Listing Date to 31 March 2023.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

The positions of chairman and chief executive officer are held by Mr. Wu Faat Chi ("**Mr. Wu**"). While this will constitute a deviation from code provision C.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decisions to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of eight Directors, and the Company believes there is sufficient check and balance on the Board; (ii) Mr. Wu and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of the Company and will make decisions of our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Group.

Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both the Board and senior management levels.

Finally, as Mr. Wu is one of the founders of the Yoho OMO Business, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Code of conduct for securities transactions by Directors

The Company has adopted its own securities dealing code regarding the code of conduct of Directors on dealings in the Company's securities (the "**Securities Handling Policy**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. As the Company was listed on the Stock Exchange on the Listing Date, having made specific enquiry to all Directors, all Directors have confirmed that they have complied with the required provisions set out in the Securities Handling Policy throughout the period from the Listing Date to 31 March 2023.

Review by the Audit Committee

The audit committee of the Board (the "**Audit Committee**") has reviewed and discussed with the management of the Company the audited financial results of the Group for the year ended 31 March 2023.

The Audit Committee has also discussed matters in relation to the accounting policies and practices adopted by the Company and internal control with senior management members and the auditor.

The Audit Committee comprises two independent non-executive Directors, namely, Mr. Ho Yun Tat (the chairman of the Audit Committee) and Mr. Chan Shun, and one non-executive Director, namely, Mr. Adamczyk Alexis Thomas David.

Scope of work of Messers. Deloitte Touche Tohmatsu

The figures in respect of our Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by our Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of our Group for the year as approved by the Board on 23 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Final dividend

The Board has recommended the declaration of a final dividend of HK$0.024 per Share for FY22/23 (FY21/22: Nil) representing a total amount of approximately HK$12,000,000, subject to the approval of shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 31 August 2023. The proposed final dividend will be paid to the Shareholders on or about Wednesday, 27 September 2023 whose names appear on the Company's register of members on Tuesday, 12 September 2023.

Annual general meeting

The annual general meeting of the Company ("**AGM**") will be held on Thursday, 31 August 2023. Notice of the AGM and the Company's annual report for the year ended 31 March 2023 will be published and despatched respectively in the manner as required by the Listing Rules in due course.

Closure of register of members

For the purposes of determining the eligibility of the Shareholders to attend and vote at the 2023 AGM, and the eligible Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed as appropriate as set out below:

(i) For determining the Shareholders' eligibility to attend and vote at the 2023 AGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Friday, 25 August 2023
Closure of the Register of Members	Monday, 28 August 2023 to Thursday, 31 August 2023 (both days inclusive)
Record Date	Thursday, 31 August 2023

(ii) Subject to the passing of the final dividend resolution at the 2023 AGM, for determining the eligible Shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Wednesday, 6 September 2023
Closure of the Register of Members	Thursday, 7 September 2023 to Tuesday, 12 September 2023 (both days inclusive)
Record Date	Tuesday, 12 September 2023

For purposes mentioned above, all properly completed transfer form(s) accompanied by the relevant share certificate(s) must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

Publication of the annual results announcement and annual report

This announcement has been published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.yohohongkong.com**. The annual report of the Company for the year ended 31 March 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due course.

By Order of the Board
Yoho Group Holdings Limited
友和集團控股有限公司
Wu Faat Chi
Chairman and Executive Director

Hong Kong, 23 June 2023

As at the date of this announcement, the executive Directors are Mr. Wu Faat Chi and Ms. Tsui Ka Wing; the non-executive Directors are Mr. Man Lap, Mr. Hsieh Wing Hong Sammy and Mr. Adamczyk Alexis Thomas David; and the independent non-executive Directors are Dr. Qian Sam Zhongshan, Mr. Chan Shun and Mr. Ho Yun Tat.