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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 unaudited condensed consolidated interim results (the "**Interim Results**") of the Group for the six months ended 30 September 2023 (the "**Reporting Period**" or "**1H23/24**") together with the unaudited comparative figures for the corresponding period in 2022 ("**1H22/23**").

1H23/24 OPERATIONAL HIGHLIGHT

1. Gross merchandise value (the "**GMV**")*(Note 1)* reached approximately HK$434.7 million, representing a decrease in the amount of approximately 10.0% in 1H23/24*(Note 2)* compared to 1H22/23 (1H22/23: approximately HK$482.9 million).
2. Number of registered members*(Note 3)* increased to approximately 1,048,000 as at 30 September 2023 (as at 30 September 2022: approximately 876,000).
3. Number of orders intake*(Note 4)* decreased to approximately 235,000 for 1H23/24 (1H22/23: approximately 257,000), with basket value*(Note 5)* per order decreased to approximately HK$1,849 for 1H23/24 (1H22/23: approximately HK$1,880).

1H23/24 FINANCIAL HIGHLIGHT

1. Revenue reached HK$396.3 million for 1H23/24, representing a decrease of approximately 11.6% compared to 1H22/23 (1H22/23: approximately HK$448.2 million).
2. Achieved an overall gross profit margin of approximately 14.9% for 1H23/24 (1H22/23: approximately 15.1%).
3. Adjusted net profit*(Note 6)* of approximately HK$10.5 million for 1H23/24 (1H22/23: approximately HK$15.8 million), the decrease was primarily attributable to the purchasing power of Hong Kong consumers being constrained by the volatile global economic environment and the market sentiment in Hong Kong.
4. Net profit of approximately HK$10.3 million for 1H23/24 (1H22/23: approximately HK$1.0 million), was primarily attributable to:
   (i) decrease in expenses relating to the Listing; and
   (ii) increase in bank interest income.
5. Strong net cash position of approximately HK$217.5 million as at 30 September 2023 (as at 31 March 2023: approximately HK$209.9 million).
6. The Board does not recommend any payment of interim dividend for 1H23/24 (1H22/23: nil).

Notes:

1. The "GMV" for a particular financial period is equivalent to the total gross sales dollar value of all relevant orders intake for products and services during that financial period, 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. 1HX/Y refers to the financial period six months ended 30 September of the year X. For example, "1H23/24" refers to the six months ended 30 September 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 period 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 period.
5. The "basket value" for a particular financial period is calculated by dividing our GMV by the number of orders intake during that financial period.
6. Adjusted net profit is defined as non-HKFRS measures as profit for the period adjusted by (i) fair value change in convertible redeemable preferred shares and (ii) expenses relating to our listing of our shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 June 2022 (the "**Listing Date**") (the "**Listing**"), and (iii) share options grant to directors and certain employees.

CONTENTS

BUSINESS REVIEW

Overall performance

During the Reporting Period, the Hong Kong retail landscape continued to grapple with a multitude of challenges. Notwithstanding the retreat of gloom from the COVID-19 pandemic, the global economic recovery has lagged behind expectations, and the local retail sector has yet to regain its pre-pandemic vitality. Amidst a high-interest rate environment, the performance of Hong Kong's real estate and stock markets remained lackluster, further clouding the economic outlook and prompting consumers to exercise increased caution towards significant expenditures. Moreover, the revival of outbound tourism by Hong Kong residents coupled with their heightened spending in mainland China and shifts in consumption patterns by mainland visitors have led to a noticeable net outflow of consumption, adding hurdles to the local retail sector's path to recovery.

Given the persistent economic headwinds and external volatilities, the Group strategically moderated its growth pace during the Reporting Period, emphasizing the steady development of our direct-to-consumer platform ("**1P Business Model**") and marketplace platform ("**3P Business Model**") whilst maintaining profitability. Our GMV and revenue reached approximately HK$434.7 million and HK$396.3 million, respectively, representing a decrease of approximately 10.0% and 11.6% from HK$482.9 million and HK$448.2 million reported for 1H22/23. The decline is primarily attributable to the volatile global economic environment and an overall weakened local consumer sentiment. With our product portfolio being significantly anchored in electronic and electrical products, which are closely tied to discretionary spending, the public has adopted a more conservative approach towards such durable goods amidst economic uncertainties. While the sluggish retail market exerted short-term pressures on our sales, the Group remains unwaveringly focused on the pursuit of long-term and sustainable profitability. By implementing stringent and effective working capital management strategies, we have fortified our operational resilience, ensuring continued profitability and preserving a healthy financial performance against the odds. Despite these turbulent times, our profit for the period stood at approximately HK$10.3 million, representing a substantial increase of approximately 921.2% from HK$1.01 million reported for 1H22/23. The increase is primarily attributable to (i) a decrease in expenses relating to the Listing; and (ii) an increase in bank interest income.

1P Business Model

During the Reporting Period, the business environment in Hong Kong was rife with challenges and marked by high uncertainty. In response, the Group recalibrated its developmental strategy, focusing on further strengthening its core competencies.

Leveraging our position as a leading B2C e-commerce enterprise in Hong Kong, we actively capitalized on our long-standing supply chain advantages to continuously refine our product portfolio to resonate with the ever-evolving needs of consumers and market trends. Moreover, the Group dedicated substantial resources towards enhancing the customer experience across the online shopping journey, including continuous refinements to the user interface design and functionality of the Yoho e-commerce platform ("**Yoho Platform**"), efficiency enhancement of logistics and fulfillment rates, and improvement on the quality of post-sales services and customer support. Our commitment is to facilitate the structural shift of consumers from offline to online shopping through impeccable customer experiences, thereby expanding the Group's customer base. As of 30 September 2023, the number of registered members of the Group reached approximately 1.05 million, representing an increase of 87,000 since 31 March 2023, indicating a continued rise in brand penetration.

3P Business Model

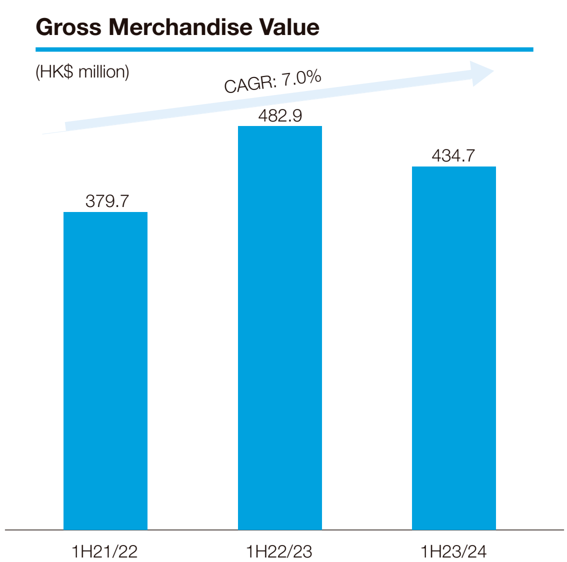
During the Reporting Period, the Group further deepened the development strategy of the 3P Business Model to drive diversification in our product portfolio and revenue streams. Leveraging our strong financial position, we successfully attracted high-quality third-party merchants to the Yoho Platform through a more flexible commission mechanism, enabling them to adopt more competitive pricing strategies for their products.

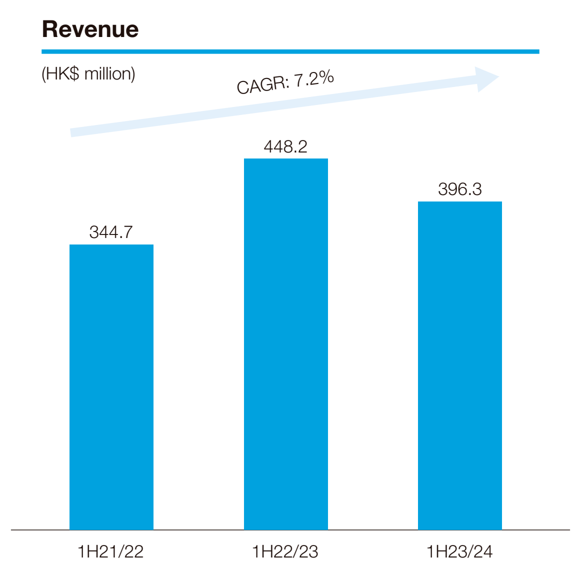
As of 30 September 2023, over 440 registered merchants have been onboarded on the Yoho Platform, introducing approximately 20,000 Stock Keeping Units ("**SKUs**"). We expect to offer a total of 60,000 non-repetitive SKUs through the 1P Business Model and 3P Business Model by the end of the year ended 31 March 2024 ("**FY23/24**"). In a strategic move, we have invited reputable merchants to establish flagship stores on the Yoho Platform. By having these merchants on the Yoho Platform, we provide consumers with the assurance of genuine products and further enhance their shopping confidence. Typically, these merchants have already established a solid customer base with significant market visibility, which helps drive new customer traffic to the Yoho Platform through their flagship stores.

Furthermore, to propel the business growth for the merchants and improve their conversion rates, we conducted multiple festive promotions and flash sale events during the Reporting Period. These marketing endeavors not only stimulate consumers' purchasing desire but also contribute to repositioning the Group as a premium retailer of high-quality merchandise.

Business performance

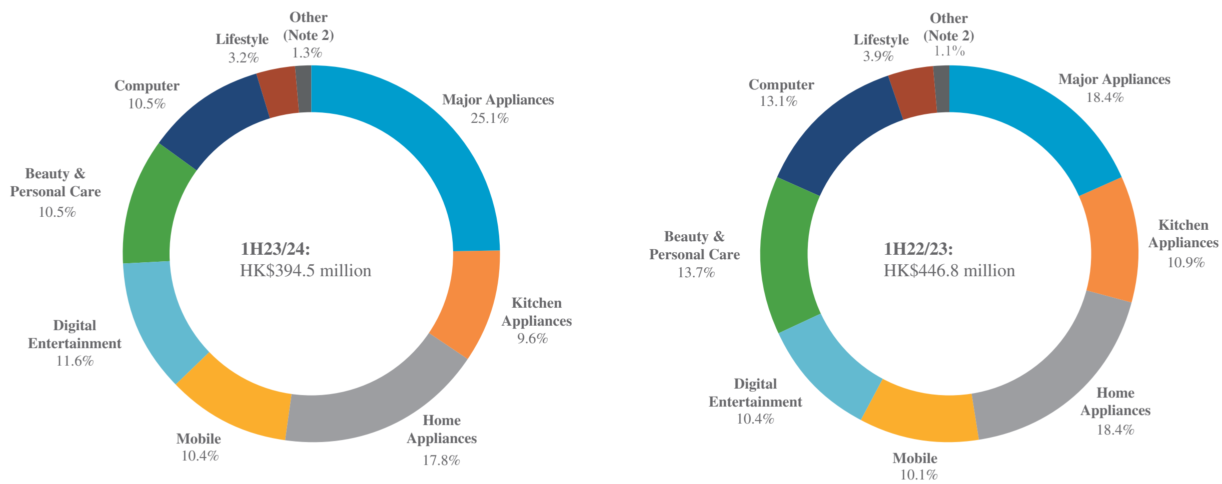
As aforementioned, our GMV and revenue decreased by approximately 10.0% and 11.6%, respectively, for 1H23/24 compared to 1H22/23.





In terms of product category, the below graph demonstrated the diversity in our product offering to satisfy customers' demand.

Revenue breakdown by product category *(Note 1)*



Notes:

1. Excluding revenue generated from the provision of advertising services.

2. Other refers to Toys, Makeup & Skincare, Household, Health & Wellness, Pet Supplies and Wine & Spirits.

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

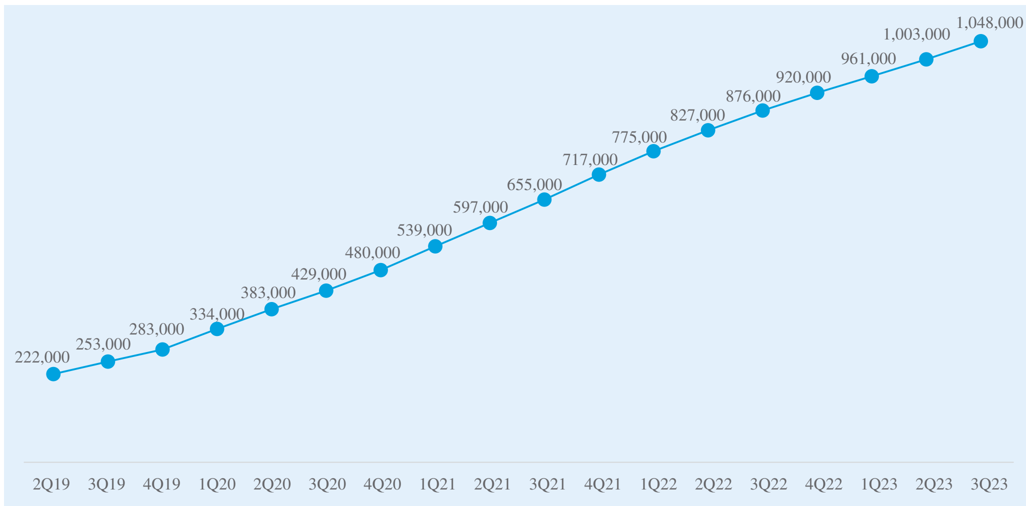
We believe our OMO business has enabled us to enhance customer experience, which helped drive the significant increase in our customer base and the scale of operation during the period indicated below:

	1H23/24 (unaudited)	1H22/23 (unaudited)	**Movement**
GMV *(HK$ million)*	**434.7**	482.9	-10.0%
Number of registered members	**1,048,000**	876,000	+19.6%
Number of orders intake	**235,000**	257,000	-8.6%
Basket value *(HK$)*	**1,849**	1,880	-1.6%

Growing Customer Base

We have established a customer base comprising over 1,048,000 registered members as at 30 September 2023.

Number of registered members

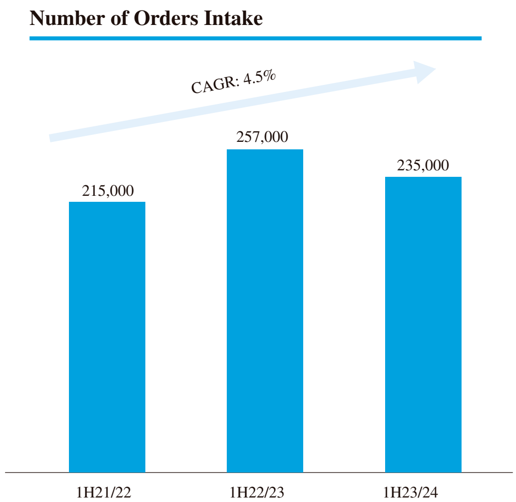


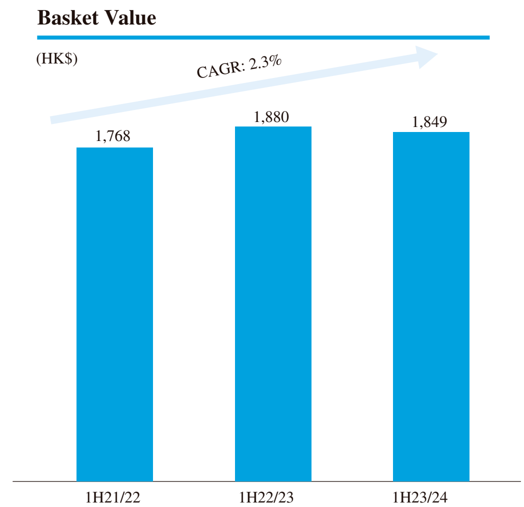
Source: internal system

The above result was facilitated by our membership programme in strengthening customer loyalty and incentivising our customers to make repeat purchases. The growing customer base also echoed with our brand name which encapsulates our ideology to create a one-stop e-commerce platform to cater both online and offline retail market under our OMO business model.

Meeting customer demand

The number of orders intake and the basket value of purchases by our customers, representing a period-on-period decrease of 8.6% and 1.6% in 1H23/24 compared to 1H22/23, respectively.

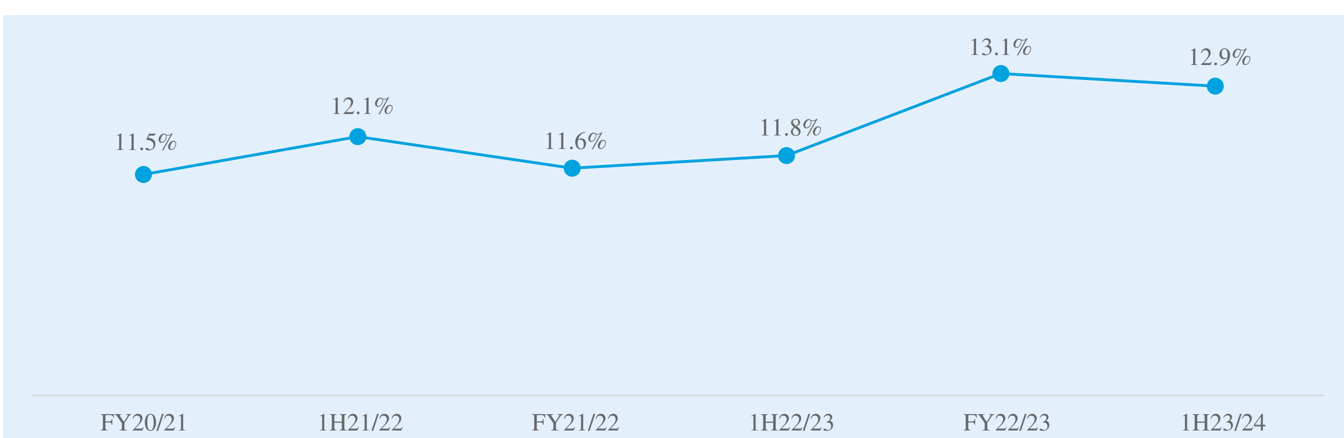




Disciplined Cost Efficiency

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 1H22/23 and 1H23/24 remained relatively stable at approximately 11.8% and 12.9% of our total revenue for the relevant period, respectively.

Total operating expenses



PROSPECT

Amidst a confluence of pressures including the global economic deceleration, stringent monetary policies worldwide and a lackluster rebound in local consumer sentiment, the short-term outlook for Hong Kong's retail sector seems poised to endure a continued period of inertia. Despite these complex external challenges, we remain bullish about the long-term resilience and growth potential inherent in Hong Kong's retail landscape. The progressive revival of the labor market, combined with the Hong Kong government's assertive initiatives to bolster a thriving "night-time economy", indicates promising signs of a gradual upturn in the business environment. The Group will remain poised to actively navigate market fluctuations, continuously enhance our products listed on the Yoho Platform and service quality, sharpen our competitive edge, and strategically seize opportunities in the fluid market landscape.

1P BUSINESS MODEL

Our 1P Business Model primarily offers a wide range of electronic products and electrical appliances. Harnessing our Online-Merge-Offline ("**OMO**") retail model, complemented by our substantial membership base and distinct supply chain advantage, we have achieved sustainable growth and remained profitable over the years. Given Hong Kong's modernization and affluence, there is a consistently high demand for electronic goods. According to the retail sales statistics released by the Census and Statistics Department over the last five years, the average annual retail value for electrical goods and other consumer durable goods reached approximately HK$42 billion, underscoring our expansive growth potential.

For FY23/24, our strategic emphasis will continue to bolster our online presence supplemented by our offline retail outlets, offering consumers an enhanced and seamless OMO shopping journey. On the digital front, we will further refine the Yoho Platform's functionalities, accentuating user-centricity and instituting a more tailored recommendation engine. On the offline front, we have been assessing the feasibility of establishing two additional retail stores in New Territories East and West. However, given the prevailing market ambiguities, we remain committed to diligently monitoring market trends and consumer behavioral shifts to ensure alignment of our operational strategies with evolving market dynamics.

Concurrently, we are actively planning the development of our mobile application ("**Yoho App**"), with an aim to launch in the near future. With the introduction of our 3P Business Model, the total number of SKUs now stands at approximately 46,000. This diverse product array has increased customer engagement, laying a solid foundation for the Yoho App rollout.

Projecting forward, we recognize the challenges in the local retail landscape, with potential repercussions on our organic growth momentum. To mitigate this, we are proactively exploring strategic acquisitions as a conduit to amplify growth. Our acquisition targets include but not limited to e-commerce platforms, vertical entities, or proprietary brands. We aspire to swiftly expand our operational scale, fortify our customer foundation, enhance supply chain efficiency, and actualize synergistic cost optimizations and business integrations through the acquisitions.

3P BUSINESS MODEL

Our 1P Business Model and 3P Business Model will continue to serve as collaborative pillars, consistently working to expand our product range and deepen brand engagement. This dual-engine approach is primed to drive our growth trajectory forward. We anticipate the 3P Business Model to persist in a ramp up phase of its development over the near term and we are keen to onboard a diverse array of quality merchants, particularly those offering beauty and skincare products, lifestyle goods, health and wellness items, household essentials, and electronic peripherals, to further enrich the diversity of the Yoho Platform. The expansion not only provides consumers with a broader selection of products but also creates additional upsell and cross-sell opportunities for us.

Additionally, we are doubling down on bolstering our merchant support initiatives by increasing product visibility, facilitating cost-efficient customer acquisition, refining our commission structure, and boosting operational efficiency, to motivate merchants to actively engage and invest resources in the Yoho Platform. Currently, we are focusing on promoting our digital advertising solutions to high-potential merchants. Leveraging our robust data analytics capabilities and insights into consumer behavior, we offer precise marketing services, ensuring merchants resonate effectively with their target audience, leading to optimized conversion rates.

Furthermore, we plan to offer comprehensive fulfillment services to key merchants in the near future. By managing storage, packaging, and delivery, we aim to assist merchants in reducing costs and increasing efficiency while allowing us to intricately manage and enhance the overall user experience. We believe such value-driven services will strengthen our rapport with existing merchants while elevating our prowess to attract new partnerships, thereby fueling our sustainable growth and reinforcing our competitive edge.

CROSS BORDER

Positioned within the Greater Bay Area (the "**GBA**") as a highly competitive cosmopolitan hub, Hong Kong's connectivity with mainland cities and international metropolises bestows upon it a strategic edge in cross-border trade. Given the cultural, linguistic, and lifestyle similarities that most cities in the GBA share with Hong Kong, we are optimally positioned to grasp and meet the demands of local consumers. This alignment designates the cities within the GBA as our preferred gateway to venture into the mainland market.

Despite the intense competition in the mainland e-commerce sector, dominated by renowned e-commerce giants, there remains an undeniable allure for premium goods imported from Hong Kong among mainland clientele. As a leading retailer deeply rooted in the Hong Kong market for several years, the Group possesses distinct brand prominence. Moreover, the absence of major Hong Kong e-commerce players in the GBA signals vast developmental potential. Our strategy is to focus on the affluent middle-class segment of Mainland China, harnessing our robust supply chain capabilities by introducing high-quality overseas products and exclusive distributed brands to capture market share through premium offerings.

In FY23/24, the Group's primary focus will remain on the 1P Business Model and 3P Business Model. We plan to allocate resources in the coming years to establish a dedicated China business team, which will concentrate on understanding local market dynamics, customer preferences, and emerging trends, and localizing marketing strategies. This will enable us to adapt our product range and intensify promotional efforts effectively. We project that the number of unique SKUs on the Yoho Platform will continue to grow exponentially, offering a diverse product selection to comprehensively cater to the multifaceted needs of the GBA consumer base.

LIQUIDITY AND CAPITAL RESOURCES

Since the Listing, there has been no change in the 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 HK$390,000 as at 30 September 2023 representing no change from 31 March 2023.

The Group's sources of funding comprise of its cash and cash equivalents and short-term bank deposits. As at 30 September 2023, the Group's total cash position recorded an increase by 3.6% from approximately HK$209.9 million (excluding the pledged deposits of approximately HK$1.3 million) as at 31 March 2023 to HK$217.5 million (excluding the pledged deposits of approximately HK$1.3 million), which was mainly due to net of the cash flow generated from operating activities of approximately HK$19.8 million, and net of the cash flow generated from investing activities of approximately HK$2.2 million, offset by net cash used in financing activities of approximately HK$16.4 million, which primarily consists of dividend paid of approximately HK$12.0 million and repayments of leases liabilities and related finance cost of approximately HK$4.4 million. The cash and cash equivalents and short-term bank deposits of the Group, mainly denominated in HK$, are generally deposited with authorised financial institutions.

As at 30 September 2023 and 31 March 2023 respectively, 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 30 September 2023, bank deposits of approximately HK$1.3 million (31 March 2023: HK$1.3 million) had been pledged against the bank guarantee letters for a subsidiary of the Company. The Group was in a net cash position as of 30 September 2023 and 31 March 2023 and hence no gearing ratio was presented in its financial accounts. 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 1H23/24, the Group invested approximately HK$60,000 on capital expenditure as compared to approximately HK$1.5 million in 1H22/23. 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 30 September 2023 and 31 March 2023, respectively.

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 the 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 amounted to approximately HK$74.7 million. The net proceeds has been and 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 30 September 2023 is set out below:

	Percentage	**Allocated use of proceeds** *(HK$ million)*	**Utilised as of 30 September 2023** *(HK$ million)*	**Unutilised balance as of 30 September 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	0.8	4.5	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	0.1	6.8	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	1.6	7.2	On or before 31 March 2024
Expanding our teams of staff in support of our business strategies	19.2%	14.4	4.4	10.0	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	5.5	2.0	On or before 31 March 2026
	100.0%	74.7	24.9	49.8	

As at 30 September 2023, the amount of unutilised net proceeds amounted to approximately HK$49.8 million. The unutilised net proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

Up to 30 September 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	**Six months ended 30 September 2023** ***HK$'000*** **(unaudited)**	Six months ended 30 September 2022 *HK$'000* (unaudited)
Revenue	*3*	**396,278**	448,200
Cost of goods sold		**(337,341)**	(380,359)
		58,937	67,841
Other income		**4,280**	2,902
Other gains and losses		**(29)**	(2,081)
Selling and distribution expenses		**(33,573)**	(36,799)
Administrative expenses		**(17,542)**	(15,884)
Listing expenses		**–**	(12,483)
Finance costs		**(583)**	(279)
Profit before taxation		**11,490**	3,217
Income tax expense	*4*	**(1,207)**	(2,210)
Profit and total comprehensive income for the period	*5*	**10,283**	1,007
Earnings per share –			
Basic (HK cents)	*7*	**2.06**	0.27
Diluted (HK cents)		**2.06**	0.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	**As at 30 September 2023** ***HK$'000*** **(unaudited)**	As at 31 March 2023 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*8*	**9,038**	10,814
Right-of-use assets	*8*	**24,299**	26,880
Deposits		**4,302**	5,480
		37,639	43,174
Current assets			
Inventories		**70,282**	75,140
Trade receivables	*9*	**7,369**	7,016
Other receivables, deposits and prepayments		**9,432**	9,959
Tax recoverable		**219**	380
Short term bank deposits with over 3 months maturity		**82,640**	80,709
Pledged bank deposits		**1,300**	1,323
Cash and cash equivalents		**134,855**	129,234
		306,097	303,761
Current liabilities			
Trade payables	*10*	**33,972**	31,339
Other payables and accruals		**7,588**	7,582
Contract liabilities		**9,807**	12,971
Lease liabilities		**8,703**	7,178
		60,070	59,070
Net current assets		**246,027**	244,691
Total assets less current liabilities		**283,666**	287,865
Non-current liabilities			
Lease liabilities		**20,117**	22,835
Deferred tax liabilities		**169**	169
		20,286	23,004
Net assets		**263,380**	264,861
Capital and reserves			
Share capital	*12*	**390**	390
Reserves		**262,990**	264,471
Total equity		**263,380**	264,861

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Yoho Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred as the "**Group**") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2023.

Application of new and amendments to HKFRSs

In the current interim period, 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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts (including the relevant amendments)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

3. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	Six months ended 30 September 2023	Six months ended 30 September 2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Direct merchant sales		
– Major appliances	**99,004**	81,986
– Kitchen appliances	**37,773**	48,563
– Mobile	**41,199**	45,218
– Digital entertainment	**45,875**	46,453
– Home appliances	**70,014**	82,107
– Beauty & personal care	**40,981**	60,577
– Computer	**41,417**	58,482
– Others	**18,025**	23,380
Revenue from direct merchant sales	**394,288**	446,766
Provision of advertising services	**1,799**	1,434
Revenue from concessionaire sale	**191**	–
Total	**396,278**	448,200
Geographical markets:		
– Hong Kong	**391,343**	437,217
– The People's Republic of China (other than Hong Kong)	**2,946**	6,455
– Others	**1,989**	4,528
	396,278	448,200
Timing of revenue recognition:		
– A point in time	**394,479**	446,766
– Over time	**1,799**	1,434
	396,278	448,200

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. Accordingly, only entity-wide disclosures 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.

4. INCOME TAX EXPENSE

	Six months ended 30 September 2023 ***HK$'000*** **(unaudited)**	Six months ended 30 September 2022 *HK$'000* (unaudited)
Current tax:		
– Hong Kong Profits Tax	**1,207**	2,210

Hong Kong Profits Tax for both periods 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%.

5. PROFIT FOR THE PERIOD

	Six months ended 30 September 2023 ***HK$'000*** **(unaudited)**	Six months ended 30 September 2022 *HK$'000* (unaudited)
Profit for the period has been arrived at after charging (crediting)		
Staff costs (including the directors' remuneration)		
– Salaries, allowances and other benefits	**17,253**	16,335
– Retirement benefits schemes contributions	**724**	675
– Equity-settled share-based payment expense	**236**	–
Total staff costs	**18,213**	17,010
Depreciation of property, plant and equipment	**1,836**	1,136
Depreciation of right-of-use assets	**5,189**	4,065
Cost of inventories recognised as an expense (including allowance for provision of impairment loss on inventories of HK$822,000 (six months ended 30 September 2022: HK$84,000))	**337,341**	380,359
Government grants	**(16)**	(2,244)

6. DIVIDENDS

During the 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 declared and settled. Subsequent to the end of the current interim period, the directors have determined that no dividend will be paid in respect of the interim period.

7. EARNINGS PER SHARE

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

	Six months ended 30 September 2023	Six months ended 30 September 2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**10,283**	1,007
Number of Shares:		
Weighted average number of shares for the purpose of basic and diluted earnings per share	**500,000,000**	378,435,293

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for IPO that took place on 10 June 2022.

During the six months period ended 30 September 2023, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for the shares.

During the six months period ended 30 September 2022, 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 loss 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.

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

During the current interim period, total additions to property, plant and equipment were HK$60,000 (six months ended 30 September 2022: HK$1,463,000), which mainly included additions to leasehold improvements of nil (six months ended 30 September 2022: HK$1,157,000), additions to office furniture and equipment of HK$48,000 (six months ended 30 September 2022: HK$186,000) and additions to computer equipment of HK$12,000 (six months ended 30 September 2022: HK$120,000).

During the current interim period, the Group renewed one (six months ended 30 September 2022: one) lease agreement with lease terms with one year (six months ended 30 September 2022: one to five years). On lease commencement, the Group recognised lease liabilities of HK$2,608,000 (six months ended 30 September 2022: approximately HK$14,728,000) and total additions to right-of-use assets were HK$2,608,000 (six months ended 30 September 2022: HK$14,878,000).

9. TRADE RECEIVABLES

	30 September 2023	31 March 2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**7,369**	7,016

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:

	30 September 2023	31 March 2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**5,344**	5,709
31 to 60 days	**511**	623
61 to 90 days	**602**	348
Over 90 days	**912**	336
	7,369	7,016

10. 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:

	30 September 2023	31 March 2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**28,131**	25,241
31 to 60 days	**2,762**	3,102
61 to 90 days	**–**	253
Over 90 days	**3,079**	2,743
	33,972	31,339

11. SHARE-BASED PAYMENT TRANSACTIONS

In the current interim period, share options were granted on 31 August 2023 and 22 September 2023. The closing prices of the Company's shares immediately before the dates of grant were HK$0.71 and HK$0.66, respectively. The fair values of the options determined at the dates of grant were HK$2,199,000 and HK$1,186,000, respectively.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

During the six months ended 30 September 2023, the Group recognised the total expense of HK$236,000 (2022: nil) in relation to share options granted by the Company.

12. SHARE CAPITAL

Authorised:

	Number of shares	Nominal value of ordinary shares *US$'000*
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	500,000,000	50

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 1 April 2022	146,000,000	36,195,122	18	142
Conversion of series A preferred shares *(Note)*	**36,195,122**	**(36,195,122)**	**–**	**–**
Conversion of convertible redeemable preferred shares *(Note)*	**15,031,101**	**–**	**2**	**12**
Capitalisation issue *(Note)*	**247,773,777**	**–**	**24**	**193**
Issuance of shares under the IPO *(Note)*	**55,000,000**	**–**	**6**	**43**
At 30 September 2022, 1 April 2023 and 30 September 2023	**500,000,000**	**–**	**50**	**390**

Note: On the Listing Date, 36,195,122 series A preferred shares and 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 decreased from approximately HK$448.2 million for 1H22/23 to approximately HK$396.3 million for 1H23/24, representing a decrease of approximately 11.6%. The decrease in our revenue was primarily due to the decrease in revenue through online sales and offline retail store sales in the Yoho OMO Business, as a result of the purchasing power of Hong Kong consumers being constrained by the volatile global economic environment and overall weakened local consumer sentiment.

Cost of goods sold

Our cost of goods sold decreased from approximately HK$380.4 million for 1H22/23 to approximately HK$337.3 million for 1H23/24, representing a decrease of approximately 11.3%. The decrease in our cost of goods sold was primarily in line with revenue decrease for the same period.

Gross profit

Our gross profit decreased from approximately HK$67.8 million for 1H22/23 to approximately HK$58.9 million for 1H23/24, representing a decrease of approximately 13.1%, which was mainly due to revenue decrease mentioned above. Furthermore, our gross profit margin decreased from approximately 15.1% for 1H22/23 to approximately 14.9% for 1H23/24, 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 1H23/24 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$2.9 million for 1H22/23 to approximately HK$4.3 million for 1H23/24, which was primarily due to the increase in interest income of approximately HK$4.2 million.

Other gains and losses

We recorded other losses of approximately HK$2.1 million and approximately HK$29,000 for 1H22/23 and 1H23/24, 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$2.3 million for 1H22/23 to nil for 1H23/24.

Selling and distribution expenses

Our selling and distribution expenses decreased from approximately HK$36.8 million for 1H22/23 to approximately HK$33.6 million for 1H23/24 primarily due to (i) the decrease in logistics and storage cost and (ii) transaction cost charged by the third-party service providers as a result of the decrease of revenue of our Group of approximately 11.6% from 1H22/23 to 1H23/24.

Administrative expenses

Our administrative expenses increased from approximately HK$15.9 million for 1H22/23 to approximately HK$17.5 million for 1H23/24 primarily due to (i) the increase in management fee in respect of leased premises; and (ii) additional operating expenses including legal and professional fees after the Listing.

Finance costs

Our finance costs increased from approximately HK$279,000 for 1H22/23 to approximately HK$583,000 for 1H23/24, 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$2.2 million for 1H22/23 to approximately HK$1.2 million for 1H23/24 primarily due to the decrease in accessible profit for the same period.

Notwithstanding we recorded a profit before tax of approximately HK$11.5 million for 1H23/24 (1H22/23: approximately HK$3.2 million), the income tax expense of approximately HK$1.2 million (1H22/23: approximately HK$2.2 million) was recognised and hence we recorded effective tax rate of approximately 10.5% (1H22/23: approximately 69.0%) for 1H23/24. 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$2.3 million for 1H22/23 to approximately nil for 1H23/24; and (ii) the decrease in expenses relating to the listing of our shares on the Stock Exchange from approximately HK$12.5 million for 1H22/23 to nil for 1H23/24.

Profit for the period

As a result of the foregoing, we recorded a net profit of approximately HK$10.3 million for 1H23/24 as compared with a net profit of approximately HK$1.0 million for 1H22/23. Our net profit margin increased from approximately 0.2% for 1H22/23 to net profit margin of approximately 2.6% for 1H23/24. The increase of net profit was primarily attributable to (i) the decrease in expenses relating to the listing of our shares on the Stock Exchange from approximately HK$12.5 million for 1H22/23 to nil for 1H23/24; and (ii) increase in bank interest income.

Trade receivables

Our trade receivables increased from approximately HK$7.0 million as at 31 March 2023 to approximately HK$7.4 million as at 30 September 2023 which was attributable to the settlement of trade receivable from debtors within 30 days during 1H23/24. Our days sales outstanding remained stable at 3 days as of 30 September 2023 and 31 March 2023, respectively.

The Group's trade receivables are of high quality. Current and overdue balances of less than 30 days were 78% of gross trade receivables as at 30 September 2023 (As at 31 March 2023: 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 30 September 2023 *HK$'000* **(unaudited)**	As at 31 March 2023 *HK$'000* (audited)
Within 30 days	**5,344**	5,709
31 to 60 days	**511**	623
61 to 90 days	**602**	348
Over 90 days	**912**	336
	7,369	7,016

Trade payables

Our trade payables increased from approximately HK$31.3 million as at 31 March 2023 to approximately HK$34.0 million as at 30 September 2023 primarily due to settlement of trade payables to suppliers within 30 days. Our days purchases outstanding remained stable at 18 days as of 30 September 2023 and 31 March 2023, 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 30 September 2023 *HK$'000* **(unaudited)**	As at 31 March 2023 *HK$'000* (audited)
Within 30 days	**28,131**	25,241
31 to 60 days	**2,762**	3,102
61 to 90 days	**–**	253
Over 90 days	**3,079**	2,743
	33,972	31,339

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 period adjusted by (i) fair value change in convertible redeemable preferred shares, (ii) Listing expenses and (iii) share options grant to directors and certain employees. 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 period, 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 period indicated:

	1H23/24 ***HK$'000*** **(unaudited)**	1H22/23 *HK$'000* (unaudited)
Profit for the period	**10,283**	1,007
Adjusted for:		
Fair value change in convertible redeemable preferred shares	**–**	2,261
Listing expenses	**–**	12,483
Share options grant to directors and certain employees	**236**	–
Adjusted net profit as non-HKFRS measures	**10,519**	15,751

Pledge of assets

As at 30 September 2023, bank deposits of approximately HK$1.3 million (31 March 2023: HK$1.3 million) had been pledged against the bank guarantees letters for a subsidiary of the Company.

OTHER INFORMATION

Talent remuneration

Including the Directors, as at 30 September 2023, our Group had 106 permanent full-time employees as compared with 105 as at 31 March 2023. 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 1H23/24, our Group acquired items of property, plant and equipment of approximately HK$60,000 (1H22/23: HK$1.5 million).

Capital commitments and contingent liabilities

As at 30 September 2023, the Group did not have any significant capital commitment and contingent liability (as at 31 March 2023: 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 period, 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 and up to the date of this announcement.

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 Reporting Period.

Borrowings

The Group had no outstanding borrowings as at 31 March 2023 and 30 September 2023, respectively.

Loan and Guarantee

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling Shareholders or their respective connected persons.

Sufficiency of public float

As at the date of this announcement, based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

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 Reporting Period.

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 Reporting Period.

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. 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 Reporting Period.

Changes of Directors' information

There is no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

Review by the Audit Committee and external auditor

The audit committee of the Board (the "**Audit Committee**") has reviewed and discussed with the management of the Company the unaudited interim financial results of the Group for the Reporting Period.

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. There is no disagreement by the Audit Committee on the accounting treatment adopted by the Group.

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

The unaudited condensed consolidated interim financial information has also been reviewed by Deloitte Touche Tohmatsu, the Company's external auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certificated Public Accountants.

Interim dividend

The Board does not recommend any payment of interim dividend for the Reporting Period.

Publication of the interim results announcement and interim 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 interim report of the Company for Reporting Period containing all information required by the Listing Rules 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 November 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, Dr. Leung Shek Ling Olivia and Mr. Ho Yun Tat.