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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)

SHARE TRANSACTION ACQUISITION OF ACQUIRED ASSETS INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 12 August 2024 (after trading hours of the Stock Exchange), the Company and the Vendors entered into the Assets Purchase Agreement in relation to J SELECT brand pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Acquired Assets for the Consideration of not more than HK\$4.42 million, which shall be satisfied by (i) cash of not more than HK\$2.9 million to the Vendors, and (ii) allotment and issue of the Consideration Shares to Vendor 1 under the General Mandate credited as fully paid.

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as the Consideration will be satisfied by way of (i) cash of not more than HK\$2.9 million, and (ii) the allotment and issue of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Acquisition contemplated under the Assets Purchase Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

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THE ASSETS PURCHASE AGREEMENT

The principal terms of the Assets Purchase Agreement are set out below:

Date

12 August 2024 (after trading hours of the Stock Exchange)

Parties

- (i) The Company as the purchaser;
- (ii) Jepsen Consumer Products Company Limited, as Vendor 1; and
- (iii) Jepsen and Company Limited, as Vendor 2

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners is an Independent Third Party.

Subject matter

The Acquired Assets.

Consideration

Not more than HK\$4.42 million, which shall be satisfied by (i) cash of not more than HK\$2.9 million to the Vendors, and (ii) allotment and issue of the Consideration Shares to Vendor 1 under the General Mandate credited as fully paid.

The consideration attributable to the Acquired Assets other than the Inventories payable at the Initial Closing is HK\$0.9 million in cash and the Consideration Shares. The Consideration for the Inventories shall be payable at the Final Closing. The Company and Vendors will conduct a joint stock-take prior to the Final Closing to determine the final value of the Inventories. The consideration attributable to the Inventories payable at the Final Closing is not expected to be more than HK\$2.0 million in cash.

BASIS FOR CONSIDERATION

Inventories: The Company has undertaken comprehensive due diligence concerning the Inventories, including on-site inspections of both warehouse and retail facilities to ascertain that the products are in good condition. Pursuant to the Assets Purchase Agreement, only those items determined to be in good condition and suitable for sale will be incorporated into the Acquisition. The Inventories primarily comprise of product categories familiar to the Company. Drawing upon the Company's extensive experience in inventory management, combined with deep market demand insights in the retail sector and thorough aging analysis, the Company has determined the marketable value and identified potential sales opportunities for each item of the Inventories. In consequence of these assessments, the consideration attributable to the Inventories has been prudently adjusted downward from their initial cost of purchase to not more than HK\$2.0 million and shall be subject to certain upward or downward adjustment at the Final Closing.

Brand Value: The Company has conducted a detailed financial analysis regarding the considerable investments required to establish a comparable market presence of J SELECT brand, including (i) the marketing investments, (ii) the renovation costs associated with establishing the TKO Store in prime shopping mall, (iii) the staff costs involved in developing the robust Online Platform, (iv) the acquisition cost for attaining a membership base of 600,000 registered members, and (v) the inherent goodwill value of J SELECT brand. The Company believes that an acquisition price consisting of HK\$0.9 million in cash plus the Consideration Shares is fair and reasonable.

The Consideration was determined after arm's length negotiations between the Vendors and the Company on normal commercial terms with reference to (i) the prevailing value of the Inventories; (ii) the Brand Value of the Business; and (iii) the reasons for and benefits of the Acquisition as stated under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below.

The Directors consider that the Consideration is fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Consideration Shares

A total of 1,516,000 Consideration Shares will be allotted and issued, representing less than 1% of the existing issued share capital of the Company as of the date of this announcement and less than 1% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The issue price of HK\$1.00 per Consideration Share represents:

- (i) a premium of approximately 66.67% to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on 12 August 2024, being the date of the Assets Purchase Agreement; and
- (ii) a premium of approximately 62.87% to the average closing price of HK\$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Assets Purchase Agreement.

The issue price of HK\$1.00 per Consideration Share was arrived at after arm's length negotiation between the Vendors and the Company with reference to the recent share price of the Company. In particular, the Company took into account the following reasons with respect to the premium on the issue price of the Consideration Shares:

Anticipation of Future Value: In light of the accelerating shift towards e-commerce due to the popularity of online shopping and tech-savvy residents in Hong Kong, the Company is poised to capitalize on its first-mover advantage and industry-leading position to benefit from the trend. Despite recent market volatilities, the Company has consistently delivered resilient and satisfactory performance. The ongoing expansion of its marketplace business, coupled with potential opportunities for geographic expansion, are poised to sustain the Company's growth momentum. These factors collectively suggest significant upside potential for the Company's share price in anticipation of a retail sector resurgence.

Strong Financial Fundamentals and Dividend Policy: The Company's robust financial position with a stable and progressively increasing dividend policy underscore its operational stability, growth potential, and commitment to shareholder value enhancement, thereby supporting the rationale for a premium on the Company's Shares.

Strategic Partnerships and Expansion Efforts: The Company has forged strategic alliances with several distinguished enterprises, facilitating enhanced collaborations in logistics, co-marketing, and other operational areas. Additionally, the Group has successfully integrated multiple esteemed brands into its marketplace, significantly extending the Company's market presence and augmenting its operational efficacy, which is expected to contribute to ongoing growth and reinforce the Company's profitability.

Accordingly, the Directors consider that the issue price is fair and reasonable and the allotment and issue of the Consideration Shares at such issue price is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 100,000,000 Shares, representing 20% of the issued share capital of the Company as of the date on which the General Mandate was granted. Accordingly, the allotment and issue of the Consideration Shares is not subject to the Shareholders' approval.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued and fully paid, will rank pari passu in all respects with each other and with the Shares in issue at the time of issue of the Consideration Shares.

Conditions Precedent

The Initial Closing is conditional upon, among other things, the fulfillment or waiver (as the case may be) of the following conditions:

- (a) each of the representations and warranties of the Vendors set forth in the Assets Purchase Agreement having been true and correct in all respects at and as of the date of the Assets Purchase Agreement, and at and as of the date of the Initial Closing;
- (b) each of the representations and warranties of the Company set forth in the Assets Purchase Agreement having been true and correct in all respects at and as of the date of the Assets Purchase Agreement, and at and as of the date of the Initial Closing;
- (c) the Company having obtained the relevant listing approval from the Stock Exchange in relation to issuance of the Consideration Shares;
- (d) the Vendors having executed all forms, documents or agreements necessary for the completion of the transfer of the Trademarks;
- (e) the Vendors having completed the transfer of the Domain Names such that the registrant of the Domain Names shall be the Company;
- (f) the Vendors having completed all necessary change procedures in respect of the underlying platform accounts payment system operated under the Domain Names;
- (g) the Vendors having executed all necessary forms, documents or agreements, obtained all necessary consents, and completed the necessary procedures in relation to the transfer of the Social Media Accounts;
- (h) the Vendors having (i) delivered to the Company a handover list consisting of the TKO Store properties to be transferred to Company and the Company has been afforded reasonable opportunity to conduct an inspection of the TKO Store properties as listed in the handover list; and (ii) arranged for the delivery of the TKO Store properties onsite to the Company; and
- (i) the Company having delivered all of the deliverables required under the Assets Purchase Agreement and having performed in all material aspects all obligations required by the Assets Purchase Agreement at the Initial Closing.

The Final Closing is conditional upon, among other things, the fulfillment or waiver (as the case may be) of the following conditions:

- (a) each of the representations and warranties of the Vendors set forth in the Assets Purchase Agreement having been true and correct in all respects at and as of the date of the Assets Purchase Agreement, at and as of the date of the Initial Closing, and at and as of the date of the Final Closing;
- (b) each of the representations and warranties of the Company set forth in the Assets Purchase Agreement having been true and correct in all respects at and as of the date of the Assets Purchase Agreement, at and as of the date of the Initial Closing, and at and as of the date of the Final Closing;
- (c) the Initial Closing having been consummated in accordance with the terms and provisions of the Assets Purchase Agreement;
- (d) the Company and the Vendors having completed a joint stock-take and determined the closing Inventories valuation; and
- (e) the Company having delivered all of the deliverables required under the Assets Purchase Agreement and having performed in all material aspects all obligations required by the Assets Purchase Agreement at the Final Closing.

Closing

The Initial Closing shall take place no later than three Business Days after the fulfilments of the conditions precedent of the Initial Closing or at such time and place agreed to in writing by the Vendors and the Company. Upon the Initial Closing, the Company shall pay the consideration of HK\$0.9 million in cash to the Vendors and arrange for the Consideration Shares to be allotted and issued to Vendor 1.

The Final Closing shall take place no later than three Business Days after the fulfilments of the conditions precedent of the Final Closing or at such time and place agreed to in writing by the Vendors and the Company. Upon the Final Closing, the Company shall pay the consideration, which is expected to be not more than HK\$2.0 million in cash, to the Vendors.

Lock-up

There is no lock-up on the Consideration Shares.

INFORMATION OF THE PARTIES

The Company

The Company operates on the OMO business model, mainly conducting B2C sales through its Yoho E-commerce Platform, complemented by its strategically located offline network. The Company boasts a substantial membership base of more than 1.1 million registered members and offers a diverse product portfolio encompassing 100,000 SKUs across 20 major categories. These categories include electronics and appliances, beauty and skincare, health and wellness, household, mother and baby products, pet supplies, wines and spirits, toys, supermarket groceries, etc. With the debut of its Yoho AI Assistant in 2024, the Company strives to provide consumers with a revolutionary AI-powered shopping experience.

Vendor 1

Vendor 1 has been a distributor of a variety of world-renowned premium lifestyle brands in major cities across Greater China for over 40 years. It aims to enrich the everyday life of its consumers with a carefully curated selection of retail brands across consumer electronics, beauty, home appliances, watches, pet care and more.

Vendor 2

Vendor 2 is an affiliate of Vendor 1 and is the registered owner of the Trademarks and Domain Names.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As a pioneer in the OMO retail sector, the Company leverages its advanced e-commerce infrastructure and strategically located offline network to provide consumers with a superior and seamless shopping experience, by offering an extensive selection of premium products particularly in electronics and electrical appliances. In pursuit of a sustained growth trajectory in a competitive retail environment, the Company has been actively seeking strategic acquisitions that synergize with its core business, thereby driving overall development and securing additional market share.

J SELECT brand is a well-established premium global lifestyle brand retailer in Hong Kong with both online and offline operations. The acquisition of J SELECT brand and the Business is poised to be a strategic extension of the Company's existing OMO ecosystem. The premium market position of J SELECT brand complements the Company's focus on the mass market with competitively priced offerings while providing a direct avenue to engage with upscale consumer segments. This strategic fit allows the Company to tap into high-margin categories such as beauty, health, and lifestyle products which are expected to see significant growth. This move not only diversifies the Company's product portfolio but also extends its reach into previously underexplored verticals.

Furthermore, J SELECT brand's well-developed B2C infrastructure enables seamless integration with minimal upfront investment from the Company. Its substantial membership base offers a new source of customers and a richer dataset for extracting insights on customer preferences, buying behaviors, and trends. This enhancement in data capabilities is expected to improve up-selling and cross-selling opportunities, fostering the development of both the Company and the Business. The Company will take over the operation of the Business after the Acquisition from the Vendors.

Moreover, based on the high degree of operational synergy between the Company and the Business, it is anticipated that following the Acquisition, the Company can effectively ride on its existing operational strengths to significantly enhance the Business's brand visibility and customer reach. This includes merging both entities' online and offline resources to deploy a quick commerce strategy and onboarding J SELECT brand on the Company's marketplace, ultimately strengthening the Company's core competitive edge.

Additionally, the Acquisition introduces Jebesen Consumer as a shareholder to the Company, further optimizing the Company's shareholder base.

LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as the Consideration will be satisfied by way of (i) cash of not more than HK\$2.9 million, and (ii) the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Acquisition contemplated under the Assets Purchase Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Acquired Assets”	(1) Inventories; (2) Furniture, Fixtures and Equipment; (3) Domain Names; (4) Trademarks; (5) Social Media Accounts; (6) Membership Database; and (7) all goodwill and intangible property associated with the Business
“Acquisition”	the acquisition of the Acquired Assets pursuant to the terms and conditions of the Assets Purchase Agreement
“Assets Purchase Agreement”	the assets purchase agreement entered into by the Company and the Vendors in relation to the purchase and sale of the Acquired Assets
“B2C”	business to consumer
“Board”	the board of Directors of the Company
“Business”	the retail business in relation to the sale and marketing of smart home appliances, lifestyle gadgets, audio and video, beauty and health products conducted by Vendor 1 under the Trade Name at the TKO Store and via the Online Platform
“Business Days”	any day (other than a Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business throughout their normal business hours
“Brand Value”	the Acquired Assets other than the Inventories
“Company”	Yoho Group Holdings Limited (友和集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2347)

“Consideration”	the consideration of not more than HK\$4.42 million payable by the Company for the Acquisition by way of (i) cash of not more than HK\$2.9 million to the Vendors, and (ii) allotment and issue of the Consideration Shares to Vendor 1
“Consideration Shares”	1,516,000 Shares in the share capital of the Company with an issue price of HK\$1.00 per share
“Directors”	directors of the Company
“Domain Names”	the internet domain names (and related website content) in relation to J SELECT brand, including www.jselect.com, www.jselect.com.hk and www.jselect.hk
“Final Closing”	final closing of the purchase and sale of the Acquired Assets pursuant to the Assets Purchase Agreement
“Furniture, Fixtures and Equipment”	the furniture, fixtures and equipment, machinery, tools, office equipment, and other tangible personal property of Vendor 1 located in the TKO Store
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company dated 31 August 2023 to the Directors to exercise the power of the Company to allot, issue and deal with a maximum of 100,000,000 Shares, representing not more than 20% of the total number of issued shares of the Company on 31 August 2023. Except for the issue of the Consideration Shares, no other new Shares have been previously allotted or issued under the General Mandate as at the date of this announcement
“Independent Third Party”	third party independent of and not connected with the Company and its connected persons
“Initial Closing”	initial closing of the purchase and sale of the Acquired Assets pursuant to the Assets Purchase Agreement
“Inventories”	all inventories and supplies owned, used or held for use primarily in connection with the Business
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Membership Database”	the membership database in relation to the Business
“OMO”	Online-merge-offline

“Online Platform”	the website operated under https://www.jselect.com
“PRC”	the People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	ordinary share(s) with nominal value of US\$0.0001 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SKUs”	Stock keeping units, the unique identifier for each distinct form in which a product can be purchased
“Social Media Accounts”	the social media accounts in relation to the Business including Facebook, Instagram and Xiaohongshu
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TKO Store”	Shop F57-58, PopCorn No, 9 Tong Yin St, Tseung Kwan O, New Territories, Hong Kong
“Trade Name”	J SELECT
“Trademarks”	the trademarks relating to J SELECT brand including: <ul style="list-style-type: none"> (i) Hong Kong trademarks under registration numbers 302416969, 302661651, 304517460, 304517479; (ii) Macau trademarks under registration numbers N/138875, N/138876, N/138882 and N/138881; and (iii) PRC trademark under registration number 12952872
“Vendors”	Vendor 1 and/or Vendor 2 (as the case may be)
“Vendor 1” or “Jebsen Consumer”	Jebsen Consumer Products Company Limited, a company incorporated in Hong Kong with limited liability

“Vendor 2” Jebsen and Company Limited, a company incorporated in Hong Kong with limited liability

“Yoho E-commerce Platform” the e-commerce platform at www.yohohongkong.com (desktop version) or m.yohohongkong.com (mobile version)

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, 12 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Wu Faat Chi and Ms. Tsui Ka Wing; the non-executive director of the Company is Mr. Man Lap; and the independent non-executive directors of the Company are Dr. Qian Sam Zhongshan, Dr. Leung Shek Ling Olivia and Mr. Ho Yun Tat.