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YesAsia Holdings Limited

喆麗控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2209)

PROFIT WARNING AND BUSINESS UPDATES

This announcement is made by YesAsia Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment by management of the Group on the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2021 (the “**Relevant Period**”) and other information currently available to the Board, the Group recorded an unaudited revenue of approximately US\$151.1 million for the Relevant Period, representing a decrease of approximately US\$5.5 million or 3.5%, as compared to US\$156.6 million during the eleven months ended 30 November 2020 (the “**Prior Period**”). The net loss and adjusted net profit (after adjustments for the listing expenses) of the Group were approximately US\$1.6 million and US\$0.1 million respectively for the Relevant Period, as compared to a net profit of US\$11.3 million and an adjusted net profit (after adjustments for the listing expenses and government subsidies income) of US\$9.9 million respectively for the Prior Period.

Based on the information currently available, the decrease in adjusted net profit during the Relevant Period from the Prior Period was mainly attributable to the following key factors:

- (i) an increase in logistics cost of approximately US\$2.0 million for delivery of products to customers worldwide due to (a) the increasing fuel surcharges resulted from the rising oil prices and (b) a longer period of other types of surcharges imposed by couriers since the third quarter of 2021 as a result of the increasing volume of shipments in the market being switched from sea freight to air freight in view of port congestion, where additional logistics costs were incurred by the Group to ensure timely order delivery to customers of the Group; and
- (ii) an increase in operating expenses mainly incurred in the second half of 2021 in anticipation for future business expansion, including
 - (a) increase in staff cost of approximately US\$3.5 million due to an increase in number of full-time and part-time employees of the Group for marketing, information technology, products procurement and logistics functions;
 - (b) increase in marketing expenses of approximately by US\$1.7 million for digital advertising expenses incurred for the acquisition of customers and expansion of the Group's KOL Initiative and Influencer Program; and
 - (c) increase in rental expenses of approximately US\$1.5 million mainly for the new warehouse and office leased since September 2020 and March 2021 respectively.

However, an unanticipated diversion of customer online spending to offline consumptions after the easing of lockdown measures in the United States of America and European countries since the third quarter of 2021 has contributed to a decrease of the Group's revenue of approximately US\$2.4 million during the Relevant Period, and the above operational investments for business expansion had not been able to generate meaningful results in short term during the Relevant Period.

There was also an absence of bulk purchase orders for the Group's offline B2B sales of entertainment products during the Relevant Period (approximately US\$3.7 million in the Prior Period), partly offset by an increase in sales on our *AsianBeautyWholesale* platform during the Relevant Period.

In response to the evolving business environment and intensifying industry competition observed since the third quarter of 2021, the Group has been constantly evaluating its business strategy, marketing initiatives and logistics arrangement to mitigate the negative impact to its business and financial performance. Measures taken by the Group include expediting the launch of *YesStyle* websites in new languages to expand overseas market penetration, launching of the CRM System (as defined hereinbelow) in October 2021 to enhance customer loyalty, cooperating with different logistics suppliers to offer more shipment options to our customers and taking active cost control measures to reduce the increase in operational expenses. Notwithstanding the efforts spared, based on the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2021, the Directors are of the view that the financial results of the Group had been materially and adversely affected due to the reasons elaborated above.

Nevertheless, the Group's financial position remains strong with bank deposits and cash balances of approximately US\$39.4 million (comprising pledged and non-pledged bank deposits of approximately US\$9.2 million and cash balances of approximately US\$30.2 million) and no outstanding borrowings as of 30 November 2021. The management of the Group is optimistic about the Group's future operation and prospects for reasons set out below.

Business Updates

Despite the challenges, it is expected that the long-term shift in buyers' purchase behaviour from offline to online platforms will not be reversed after the pandemic and the rising trendline for online retail of fashion and beauty products will return and continue in the future.

Attributable to the Group's marketing efforts, the Group continues to recruit new members for *YesStyle.com* Limited ("**YesStyle**") at a steady pace. In the first eleven months of 2021, there were 2.1 million new membership signups, which resulted in a total number of *YesStyle* loyalty program members of 6.2 million as of 30 November 2021.

The Group aims at enhancing the shopping experience for its customers via the Group's online platforms. *YesStyle* has deployed a new customer relationship management system ("**CRM System**") since October 2021. The CRM System will help *YesStyle* to run its loyalty program by designing dedicated campaigns for loyal customers based on their transactional and behavioral data. By leveraging the new CRM System, *YesStyle* is expected to enhance its relationship with its existing customers and maintain the loyal customer base of *YesStyle*. With the use of data analytics, *YesStyle* can provide more customized content that helps *YesStyle* to expand our new customers base.

On 29 November 2021, we have entered into a memorandum of understanding with CN Logistics International Holdings Limited (“**CN Logistics**”), pursuant to which CN Logistics would offer logistics services for the Group’s delivery of products in the United States and Europe and other overseas markets at charging rates which are expected to be at least 10% lower than the best available quotation by other independent service providers received and maintained by the Group on a regular basis. We believe the cooperation would enable us to offer more shipping options to our customers and to drive more traffic to the online platforms maintained by the Group.

The Group launched the Italian version of *YesStyle* websites in August 2021 and has planned to launch the Dutch version of *YesStyle* websites in early 2022. The Group plans to further expand its penetration in the Eastern European countries to diversify its market and customer base.

As the Group’s results for the year ending 31 December 2021 have not yet been finalised, the information contained in this announcement is only based on the preliminary assessment of information currently available and the unaudited consolidated management accounts of the Group for the Relevant Period by the management of the Company, and is not based on any figures or information audited or reviewed by the Company’s independent auditor and/or audit committee and may be also subject to further adjustment. The Company is still in the process of finalizing the final results of the Group for the year ending 31 December 2021. Further details of the Group’s financial results and performance will be disclosed in the Company’s results announcement for the year ending 31 December 2021 in compliance with the requirements of the Listing Rules, which shall prevail over the information contained herein.

The Board wishes to emphasize that the results of the Group for the year ending 31 December 2021 may be affected by a number of other factors including but not limited to the performance in December 2021. As such, the above information is provided for Shareholders’ and potential investors’ reference only.

This announcement contains certain forward looking statements in relation to financial conditions, results of operation and business of the Group (the “Forward Looking Statements”). The Forward Looking Statements are made based on the preliminary assessment of information currently available to the Board, therefore the actual future results or performance of the Group may differ materially from the Forward Looking Statements. Shareholders of the Company and potential investors shall consider carefully about the related risk factors and should not place undue reliance on the Forward Looking Statements.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
YESASIA HOLDINGS LIMITED
Ng Sai Cheong
Company Secretary

Hong Kong, 17 December 2021

As of the date of this announcement, the executive Directors are Mr. LAU Kwok Chu, Ms. CHU Lai King, and Ms. WONG Shuet Ha; the non-executive Directors are Mr. HUI Yat Yan Henry, Mr. LUI Pak Shing Michael, and Mr. POON Chi Ho; the independent non-executive Directors are Mr. CHAN Yu Cheong, Mr. SIN Pak Cheong Philip Charles, and Mr. WONG Chee Chung.