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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).

PROFIT WARNING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors that, based on preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2022 (the “**Relevant Year**”), as well as other information currently available to the Board, the Group recorded an unaudited consolidated net loss of approximately US\$6.8 million for the Relevant Year, as compared to a net loss of approximately US\$2.1 million and an adjusted net loss (after adjustments for the listing expenses incurred) of approximately US\$343,000 for the year ended 31 December 2021 (the “**Prior Year**”). Such net loss for the Relevant Year was primarily attributable to the decrease in the number of sale orders from major sales countries.

(a) Decrease in revenue from major sales countries

Based on the information currently available, the unaudited consolidated revenue of the Group for the Relevant Year was approximately US\$128.6 million, representing a decrease of approximately US\$33.4 million or 20.6% compared to approximately US\$162.0 million for the Prior Year.

There was a decrease in gross profit margin of the Group by approximately 1.1 percentage points to approximately 33.2% due to the increase in freight charges during the Relevant Year. The unaudited consolidated gross profit of the Group for the Relevant Year was approximately US\$42.7 million, representing a decrease of approximately US\$12.9 million or 23.2% compared to approximately US\$55.6 million for the Prior Year.

Revenue of the Group by geographical regions for the Relevant Year and Prior Year are summarised as below:

	For the year ended 31	
	December	
	2022	2021
	(Unaudited)	(Audited)
	US\$'000	US\$'000
United States of America (the "USA")	66,660	77,881
European countries	23,220	40,204
United Kingdom	8,003	9,821
Australia	8,285	11,493
Others	22,424	22,619
	<hr/>	<hr/>
Total	128,592	162,018
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Despite the increase in average order size of our E-commerce platforms by approximately 4.6% during the Relevant Year, revenue of the Group decreased during the Relevant Year compared to the Prior Year. The unaudited consolidated net loss of the Group recorded during the Relevant Year was mainly attributable to the decrease in the number of sales orders by approximately 541,000 or 24.8%, particularly from online retail customers of fashion & lifestyle products and beauty products in the USA, European countries, the United Kingdom and Australia, due to the reduced household disposable income and consumer discretionary spending caused by the surge in energy prices and cost of living in those countries, as shown by the high inflation rate recorded during the Relevant Year. Also, the impact of the war in Ukraine continued to dampen consumers' confidence in the economic outlook of the relevant regions, further impacting their online consumption. In the USA, the implementation of a series of Federal Reserve target fund rate increase since March 2022 to curb inflation in the country has resulted in a change in fiscal policy direction and negatively impacted the online consumption power of consumers in the country. With a slowdown of inflation rate recorded in the USA, United Kingdom and the European Union during the fourth quarter of 2022, coupled with the continuous growth of our wholesale business via *AsianBeautyWholesale*, the period-to-period decline in revenue of the Group in the second half of 2022 was lower than that in the first half of 2022.

(b) Continuous enhancement of cost control measures

Despite the increase in rent, management fees, depreciation of property, plant and equipment and right-of-use assets, and interest expenses on lease liabilities by approximately US\$2.5 million during the Relevant Year, which was mainly attributable to the leasing of new warehouse since 1 May 2022 and the additions of fixed assets associated with the new warehouse, the Group continues to enhance its cost control measures during the Relevant Year. Selling expenses, including warehouse labour-related expenses, marketing and promotion fees, and payment gateway charges, were reduced by approximately US\$5.2 million or 21.6% during the Relevant Year as compared to the Prior Year. Moreover, administrative expenses and, among others, staff costs, staff training and recruitment expenses, legal and professional fees and net foreign exchange losses, were reduced by approximately US\$3.2 million or 14.5% during the Relevant Year as compared to the Prior Year. In addition, the Group received government wage subsidies income from the Hong Kong SAR Government amounted to approximately US\$0.6 million during the Relevant Year.

BUSINESS UPDATES

To cope with the evolving and challenging E-commerce environment in our major sales countries, the Group continues to enact operational efficiency enhancement measures, particularly the establishment of smart warehousing with artificial intelligence, robotics, and automation technology (“**Smart Robotics Warehouse**”), which has come into full operation in October 2022.

The Group relocated its 7 warehouse properties situated in various locations in Hong Kong to the Smart Robotics Warehouse, which has a gross area of approximately 137,525 square feet and is equipped with 162 autonomous mobile robots (“**AMRs**”). Since the deployment of the AMRs in the Smart Robotics Warehouse to assist our order fulfillment and inventory management functions in October 2022, it is observed that the accuracy and efficiency of our order fulfillment process has been enhanced, and labour cost savings have been recorded since October 2022. The Group will continue to enhance the algorithm of the AMRs. Through artificial intelligence and machine learning technology, it is expected the AMRs will further enhance operation efficiency and increase the Group’s order processing capabilities without a significant increase in labour costs.

The total non-recurring cost of establishment of the Smart Robotics Warehouse, including the cost of AMR equipment, renovation for the Smart Robotics Warehouse and expenses incurred before the Smart Robotics Warehouse commenced its operation, amounted to approximately US\$5.9 million, which has been fully paid by the end of December 2022.

As the Company is still finalising the annual results of the Group for the year ended 31 December 2022 (the “Annual Results”), the information contained in this announcement is only based on a preliminary assessment of information currently available and the unaudited consolidated management accounts of the Group for the Relevant Year, and is not based on any figures or information audited or reviewed by the Company’s independent auditor and/or audit committee, and therefore may be subject to further adjustment. Further details of the Annual Results will be disclosed in accordance with the requirements of the Listing Rules by the end of March 2023, which shall prevail over the information contained herein.

The Board wishes to emphasize that the Annual Results may be affected by a number of other factors. 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 and potential investors should carefully consider the related risk factors and should not place undue reliance on the Forward Looking Statements.

Shareholders 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, 20 January 2023

As of the date of this announcement, the executive Directors are Mr. LAU Kwok Chu, Ms. CHU Lai King, and Mr. CHU Kin Hang; 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.