

**Joyoung Co., Ltd.**

**Abstract of Interim Report 2019**

**Joyoung 九阳**

**August 2019**

# Joyoung Co., Ltd.

## Abstract of Interim Report 2019

### Section I Important Statements

This is an abstract of Interim Report 2019. Investors are kindly reminded to read the complete version of Interim Report 2019 on the website which is designated by the China Securities Regulatory Commission to get complete information about operational results, financial statements and future plans of the Company.

**In the event of any discrepancy between the abstract and the full document of annual report, the full document version shall prevail.**

#### **Different opinions from directors, supervisors and senior management**

Applicable  N/A

All directors attended the board meeting that reviewed Interim Report 2019

#### **Modified audit opinion**

Applicable  N/A

#### **The preliminary plan for dividend distribution and converting capital reserves into share capital for common shareholders which was considered and approved by the Board**

Applicable  N/A

#### **Convert capital reserves into share capital**

Yes  No

The Board has considered and approved the following dividend payout plan for the Reporting Period: based on the Company's total shares of 767,312,000, it is proposed that the Company should distribute a cash dividend of RMB 5 (tax inclusive) and stock dividend of 0 share (tax inclusive) per 10 shares to all the shareholders and should not convert capital reserves into share capital.

#### **The preliminary plan for dividend distribution for preferred shares in the reporting period approved by the Board**

Applicable  N/A

## Section II Company Profile

### 1. Company Information

Stock Abbreviation	Joyoung	Stock Code	002242
Stock Exchange Where the Shares of the Company are Listed	Shenzhen Stock Exchange		
Contact Us	Board Secretary	Securities Representative	
Name	Xuning WANG (acting)	Minxin MIAO	
Address	No.760 Yin Hai Street, Jianggan District, Hangzhou, Zhejiang Province	No.760 Yin Hai Street, Jianggan District, Hangzhou, Zhejiang Province	
Tel.	0571-81639093	0571-81639178	
E-mail	002242@joyoung.com	002242@joyoung.com	

### 2. Key Accounting Data and Financial Indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data

Yes  No

	H1 2019	H1 2018	Flux (%)
Operating revenues (RMB Yuan)	4,186,970,321.87	3,639,589,109.46	15.04%
Net profits attributable to shareholders of the Company (RMB Yuan)	406,005,399.22	370,040,372.12	9.72%
Net profits attributable to shareholders of the Company before non-recurring gains and losses (RMB Yuan)	377,487,058.29	292,519,062.00	29.05%
Net cash flow from operating activities (RMB Yuan)	176,809,470.46	223,587,114.34	-20.92%
Basic earnings per share (RMB Yuan /share)	0.53	0.482	9.96%
Diluted earnings per share (RMB Yuan /share)	0.53	0.482	9.96%
Weighted average ROE	10.34%	9.84%	0.50%
	30 June 2019	31 December 2018	Flux (%)
Total assets (RMB Yuan)	6,002,421,727.97	6,660,086,381.54	-9.87%
Net assets attributable to shareholders of the Company (RMB Yuan)	3,685,902,249.44	3,810,291,395.62	-3.26%

### 3. Number of Shareholders of the Company and Their Shareholdings

Unit: share

Total number of common shareholders at the end of the Reporting Period	25,763	Total number of preferred shareholders with resumed voting rights at the end of the Reporting Period (if any)	0			
Top 10 common shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Number of restricted shares held	Pledged or frozen shares	
					Status	Number
Shanghai Lihong Enterprise Management Limited	Domestic non-state-owned corporation	50.11%	384,523,746		Pledged	339,272,626
Bilting Developments Limited	Foreign corporation	16.93%	129,924,090			

Central Huijin Investment Ltd.	State-owned corporation	4.99%	38,310,500			
Hong Kong Securities Clearing Co., Ltd.	Foreign corporation	3.01%	23,126,724			
E Fund Management Co., Ltd. - Social Insurance Fund Portfolio No. 1104	Others	0.63%	4,800,070			
AEGON INDUSTRIAL Fund Management Co., Ltd. - Industrial Bank Co., Ltd. - AEGON INDUSTRIAL - Stock Dividend Specific Multi-Client Asset Management Plan	Others	0.58%	4,421,642			
Basic Pension Insurance Fund Portfolio No. 1206	Others	0.51%	3,929,281			
Agricultural Bank of China Co., Ltd. - CSI 500 Exchange Trade Fund	Others	0.49%	3,727,981			
National Social Security Fund Portfolio No. 406	Others	0.47%	3,569,766			
Bank of China - Harvest Growth Open-Ended Security Investment Fund	Others	0.43%	3,327,900			
Related or acting-in-concert parties among shareholders above	In April 2019, the shareholding structure of Bilting Developments Limited changed. MR. Xuning WANG, the actual controller of the Company, became the controlling shareholder of Bilting Developments Limited (See Report No. 2019-027 of the Company on www.chinainfo.com.cn.). As a result, Shanghai Lihong Enterprise Management Co., Ltd. and Bilting Developments Limited, both controlled by Mr. Xuning WANG, are defined as acting-in-concert parties by the <i>Administrative Measures for the Takeover of Listed Companies</i> . Other than the aforementioned related and acting-in-concert parties above, the Company is uncertain about whether there are related or acting-in-concert parties among shareholders.					
Explanation on common shareholders participating in securities margin trading (if any)	N/A					

#### 4. Change of Controlling Shareholder or Actual Controller in the Reporting Period

##### Change of controlling shareholder in the Reporting Period

Applicable  N/A

No such cases in the Reporting Period

##### Change of Actual Controller in the Reporting Period

Applicable  N/A

No such cases in the Reporting Period.

#### 5.Total Number of Preferred Shareholders and TOP 10 Preferred Shareholders and Their Shareholdings

Applicable  N/A

None in the Reporting Period.

## 6. Relevant Information on Corporate Bonds

Does the Company have any undue or unredeemed matured corporate bonds publicly offered in the Stock Exchange by the date the Interim Report 2019 was submitted

Yes  No

## Section III Performance Discussion and Analysis

### 1. Performance Review of the Reporting Period

Does disclosure requirements of special industries apply

Yes  No

In the first half, the Company has achieved operating revenues of 4,186.97 million Yuan, an increase of 15.04% year on year. Major categories of the Company have maintained steady growth and product average sales price has increased significantly as a result of optimized product mix. Operating costs were 2,833.17 million Yuan, an increase of 16.22% year on year. Gross profit margin of the Company was 32.33%, down by 0.69 percentage point year on year. Sales expenses were 620.18 million Yuan, down by 1.92% year on year, with sales expenses ratio at 14.81%. General and administrative expenses were 159.55 million Yuan, up by 34.92% year on year, with its ratio at 3.81%; research and development expenses were 143.05 million Yuan, a year-on-year increase of 19.38%. Total profits achieved by the Company was 468.24 million Yuan, up by 7.83% year on year. Net profits attributable to Joyoung's shareholders were 406.01 million Yuan, up by 9.72% year on year. Net operating cash flow was 176.81 million Yuan, down by 20.92% year on year.

In the Reporting Period, the Company has focused on the small house appliances industry, dedicated to upgrade in strategy and brand and transform from a soymilk maker company to one offering quality small house appliances. By introducing the Shark brand, the Company has expanded its business to household cleaning appliances.

#### 1 ) Better Life Driven by Innovation

As people's living standards improved, consumer demands for small house appliances have increased and upgraded. The pursuit of quality life has taken the place of mere satisfaction of functionality. Based on the insights into consumer behaviour and consumption trend, Joyoung has continued to enhance product quality with the spirit of craftsmanship, using smart hardware and software, the Internet and the Internet of Things.

In the first half of 2019, the Company has launched three models in the product line of self-cleaning cell-wall-breaking automated soymilk maker, including K1S, K mini and K solo. The K series are not only soymilk makers, but also multi-functional beverage machines to make coffee, brew tea and prepare baby formula. The self-cleaning technology is one of the core technologies which the Company has developed independently throughout these years. Now it has been inventively applied to Joyoung's cell-wall-breaking high-speed blenders. Joyoung has once again pioneered in this specific category and

led the industry to the self-cleaning era after its previous revolutionary breakthroughs that has achieved cool or heated blending and very low noise level. In the Reporting Period, the Company has launched the world's first self-cleaning cell-wall-breaking high-speed blender, Y88.

In traditional heating appliances, the Company has been exploring new ways of cooking. In the first half, Joyoung has launched S5, the steam rice cooker with liners free of inner-coating, which has brought great changes to the way people cook rice. It cooks rice with 120°C steam and all-round even heating, making the rice fluffy, fragrant, nutritious yet never overcooked. More than that, S5 is also a steamer equipped with different liners. It can be used to cook chicken soup, fish and crabs or even to sterilize nursing bottles.

## **2 ) Integrated Development in Omni-channels**

In the Reporting Period, Joyoung has proactively expanded its offline channels with its “customer centric” strategy. The Company has not only renovated its retail stores and developed its channels in commercial complexes such as shopping malls, but also built exclusive channels including flagship stores, brand experience stores and speciality shops, establishing an omni-channel network covering different markets.

To get close to consumers and understand their needs, the Company has been organizing all sorts of interactive activities in offline brand stores. Such activities have brought Joyoung's fans and users together to experience the latest products and cook food. Repeated purchases are boosted through constant communication and interaction like this.

As an important contributor of the Company's revenue, online business has maintained a robust growth. The Company has been collaborating with KOLs (Key Opinion Leaders) on new media platforms like WeChat, Weibo, Taobao Live Stream, TikTok and Kuaishou. With the help of a younger and more popular brand promotion approach, the Company is able to reach out to a wider range of young consumers and create new demand.

In the Reporting Period, the Company has opened up its self-owned official flagship store on Tmall with hundreds of thousands of new followers. Through the *Joyoung Official Flagship Store*, the Company can have a closer look at its consumers' shopping behaviour and directly receive their feedback. Additionally, the store can facilitate mutual interaction, connection and traffic directing with offline retail ends, that is, integrated development of O2O (Online to Offline).

To promote its new retailing business, Joyoung has built a team to look into new retailing, new media, big data and wireless applications. A retail system has also been developed to provide service for exclusive stores. Customers can therefore enjoy one-stop shopping experience and scan to pay easily. For the Company, it is also more convenient to monitor and share data, interact with fans, direct consumer traffic and dispatch products from warehouses closest to customers. In this way, the Company strives to maximize the value of consumer traffic.

## **3) Enjoy Health & Value Marketing**

In recent years, the Company has been firmly promoting brands and assuring product quality. Through value marketing, it has released innovative products of high added value, good design and high quality to meet consumer demand. Via traditional media, vertical media, social media and other new media, Joyoung has achieved precise value marketing, which has attracted more attention from consumers, familiarized consumers with its brands and products and stimulated purchase demands.

In the Reporting Period, the Company announced its new brand advocate: *enjoy health*. It marks that Joyoung has been upgraded to a younger brand. A-lister Lun DENG is now the new brand ambassador of Joyoung. Now the Company can provide handy and sleek products, smart and convenient user-experience and prepared ingredient packages, which enables people to have a brand new and healthy lifestyle.

Early this year, K1S, the self-cleaning cell-wall-breaking automated soymilk maker that the Company newly launched, went viral at London Fashion Week. Soymilk made by Joyoung's soymilk maker took the place of the once popular champagne. In May, 2019, Joyoung joined the Tmall Chinese Fashion Campaign and held the product launch event for S5 in the theme of *Steam Revolution in Kitchen*, presenting this original Chinese invention to the world. S5 drew the attention of international news media including The Guardian, NouvellesD'Europe, London Metro Morning Post, DailyMail and others.

Such activities can help promote the global influence of Joyoung's brand and products. They can deliver the message that Joyoung is a healthy, innovative, sleek and young brand and win the favour and trust of target consumers.

## 2. Events Related to Financial Statements

### **(1) Statements of Any Changes in Accounting Policies, Accounting Estimates and Accounting Methods as Compared to the Financial Report for the Prior Year.**

On March 31, 2017, the Ministry of Finance issued the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Accounting [2017] No. 7)* and *Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (Finance [2017] No. 8)*, on May 2, 2017, the *Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation (Accounting [2017] No. 14)* (collectively referred to as the *New Financial Instruments Guidelines*) was issued and required that companies only listed in China to have it implemented starting from January 1, 2019. According to the relevant requirements of the Ministry of Finance, the Company has changed the accounting policies.

### **(2) Statements about Retrospective Restatement of Major Accounting Errors in the Reporting Period**

Applicable N/A

None in the Reporting Period.

**(3) Statements for Changes in Scope of the Consolidated Financial Statements as Compared to the Financial Report for the Prior Year**

Applicable  N/A

The scope of the consolidated financial statements has not changed as compared to the financial report for the prior year.