

Stock Code: 002242

Stock Abbreviation: Joyoung

Report No.2018-049

Joyoung Co., Ltd

Abstract of Interim Report 2018

一、 Important Statements

This report is an abstract of interim report 2018. Investors are kindly reminded to read the complete version of Interim Report 2018 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.

Different opinions from directors, supervisors and senior management

☐Applicable ☒ N/A

All directors attended the board meeting that reviewed Interim Report 2018

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

The company plans not to distribute cash dividends or bonus shares or convert capital reserves into share capital^{1H}

The preliminary plan for dividend distribution for preferred shareholders in reporting period was approved by the Board

☐Applicable ☒ N/A

二、 Company Profile

1、 Corporate Information

Stock Abbreviation	Joyoung	Stock Code	002242
Stock Exchange Where the Shares of the Company are Listed	Shenzhen Stock Exchange		
Contract	Board Secretary	Securities Representative	
Name	Run HAN	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		

2、Key Accounting Data and Financial Indicators

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

☐ Yes ☒ No

	2018 1H	2017 1H	Flux (%)
Operating revenues (RMB Yuan)	3,639,589,109.46	3,268,813,950.45	11.34%
Net profits attributable to shareholders of the Company (RMB Yuan)	370,040,372.12	361,232,430.78	2.44%
Net profits attributable to shareholders of the Company before non-recurring gains and losses (RMB Yuan)	292,519,062.00	319,335,699.69	-8.40%
Net cash flow from operating activities (RMB Yuan)	223,587,114.34	-57,994,580.62	485.53%
Basic earnings per share (RMB Yuan /share)	0.482	0.470	2.55%
Diluted earnings per share (RMB Yuan /share)	0.482	0.470	2.55%
Weighted average ROE	9.84%	9.97%	-0.13%
	30 June 2018	30 June 2017	Flux (%)
Total assets (RMB Yuan)	4,985,933,289.42	5,350,746,142.18	-6.82%
Net assets attributable to shareholders of the Company(RMB Yuan)	3,388,660,740.08	3,574,555,421.97	-5.20%

3、Shareholders with interests at the End of Reporting Period

Unit: share

Total number of common shareholders at the end of Reporting Period		37,875	Total number of preferred shareholders with resumed voting rights at the end of 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 New Technology Investment Co., Ltd.	Domestic non-state-owned corporation	49.45%	379,558,596		Pledged	257,430,810
					Frozen	0
Bilting Developments Limited	Foreign corporation	16.93%	129,924,090			
Central Huijin Investment Ltd	State-owned corporation	4.99%	38,310,500			
National Social Security Fund No.113	Other domestic investor	1.63%	12,535,271			
Fei QIU	Domestic individual	0.90%	6,917,555			
China Resources Sztic Trust Co.,Ltd – No. 23 Trust Plans of Assembled Funds	Other domestic investor	0.60%	4,595,387			
China Resources Sztic Trust Co.,Ltd – No. 13 Trust Plans of	Other domestic investor	0.56%	4,260,000			

Assembled Funds						
China National Petroleum Corporation Enterprise Annuities Plan - Industrial and Commercial Bank of China	Other domestic investor	0.38%	2,905,100			
Jianping QIU	Domestic individual	0.37%	2,807,440			
Shandong Dingxiang Investment Limited	Domestic non-state-owned corporation	0.33%	2,540,464			
Related or acting-in-concert parties among shareholders above		The Company is not sure whether there are related or acting-in-concert parties among shareholders above, which is defined by the "Administrative Measures for the Takeover of Listed Companies".				
Explanation of common shareholders' participation in securities margin trading (if any)		N/A				

4、Change of Controlling Shareholder or Beneficial Controller in the Reporting Period

None in the Reporting Period.

5、Preferred Shareholders and their shareholdings

None in the Reporting Period.

6、Relevant information on corporate bonds

The Company didn't issue any public bond. There was no matured liability unpaid or unmatured debts which was issued publicly and listed on the Stock Exchange.

三、Discussion and Analysis of Operation

1、Business Performance Review in the reporting period

There is no industry specific information disclosure rules that the company is not required to compile with.

In 2018 1H, China economy was generally resilient with good momentum for growth in 1H 2018. As China's economy is transforming from a high-speed growth stage to a high-quality development stage, the only way for a company to keep leading an industry and satisfy customer's demand of high-quality products is to relentlessly innovate and carry out value marketing.

Main financial data in 1H 2018 were as follows:

Joyoung achieved operating revenues of 3,639.59 million yuan, an increase of 11.34% over 1H 2017. Major categories of Joyoung have maintained steady growth and average sales price has increased significantly due to a better product structure.

Operating costs of Joyoung were 2,437.73 million yuan, representing a 10.05% year-over-year increase. And the gross profit margin increased by 0.79%.

Sales expenses were 632.32 million yuan, up 47.94% compared to 1H 2017, and sales expenses ratio was

17.37%. The increase was caused by more advertising fees and retail outlets renovation. General and administrative expenses ratio was 6.54% and the amount was 238.08 million yuan, up 10.25% compared to 1H 2017, of which R&D expenses were 119.82 million yuan, a year-on-year increase of 26.19%.

Joyoung achieved profits of 434.24 million, which was decreased by 2.02% compare to 1H 2017. Nevertheless, the net profits attributable to Joyoung's shareholders were 370.04 million yuan, a 2.44% year-on-year increase.

Net operating cash flow were 223.59 million yuan, a 485.53% year-on-year increase due to rapid growth of revenue.

Joyoung still focused on small home appliances and strived to transform brand image from "Joyoung is equal to Soymilk Maker" to "Joyoung is equal to small home appliances for quality life".

1) value marketing enhanced brand image

In the reporting period, Joyoung continued to shape brand image, produce high-quality products and adopt value marketing strategy. Joyoung not only was selected as one of the brands in the "National Brand Plan" launched by CCTV so to add advertisement on multiple channels of CCTV, but also cooperated with Youku in advertising and promoting during the World Cup on Youku's live game and replay channels. Besides, Joyoung also launched more promotion and advertisement through various channels such as outdoor media, vertical media and social media to carry out value marketing accurately, which was very beneficial to improve brand awareness and increase brand value. It also attracted people's attention and improved their purchasing willingness.

In the reporting period, Joyoung extended its cooperation scope with the famous actress Yang Mi from soymilk maker to high-speed blender, IH rice cooker, automatic cooker and so on. Joyoung strived to connect concepts such as health, fashion, youth, trendy and beauty with its brand through high-value, high-quality and exquisite products as well as endorsement, advertisement and offline activities.

Besides, Joyoung organized a series of activities such as "China Cell Wall Broken Festival" and "Human-Machine Wars" cooking competitions across the country. These events attracted attention of local citizens and metropolitan media, making automatic cooker a demanding product.

2) Quality life driven by innovation

With the improvement of people's living standards and popularity of the quality life concept, customers have higher demands of home appliances but also have more requirements for it. The demand for high quality outweighed function needs. Based on the insights into consumers' behavior and consuming trends, Joyoung was able to improve product quality and create selling points which meets the pain point in customers' daily life through the use of smart hardware and software, the Internet and the Internet of Things.

Since the invention of the world's first soymilk maker, Joyoung has been concentrated on the technology of breaking cells and invented the very first blender with heating function. In the reporting period, seeing the rapid growth of blender category, Joyoung launched the first quiet high-speed blender to meet customers' demand for high-end blender.

Joyoung has been committed to create a smart, open and smoke-free kitchen since its foundation and thus launched the first cooking robot which can automatically cook Chinese dishes without making any smoke to meet customers' strong demand. It resolved consumers' pain points where certain consumers do not know how to cook and creates a smoke-free kitchen.

In the reporting period, Joyoung released a new concept of "taste health" and "home aesthetics" and was committed to providing consumers with a way to achieve "integration of food and cooker". Thus, Joyoung launched a series of new products such as soymilk maker with automatic cleaning function, quiet cell wall broken Juicer, quick-open pressure cooker, enamel rice cooker and automatic cooker with cooking smoke free.

3) multi-channels

In the reporting period, Joyoung proactively expanded its offline channels with “customer focused” strategy. The company not only renovated retail stores, developed channels in the commercial complex such as Shopping Mall, but also built channels including flagship stores, brand experience stores and specialty shops. Therefore, an all-dimension channel network covering different markets was gradually established.

The Company maintained a high growth rate on its traditional online channels which has become an important part of revenue source. In order to carry out the new retail model under mobile internet environment such as O2O (Online to Offline), the Company was actively integrating online channel with offline channel to form a new retail model. Joyoung built a team to analyze new retail, new media, big data and wireless applications as well as was developing a retail system to provide service for flagship stores and experience stores. Joyoung strived to provide a smart one-stop shopping service for consumers through the process of data monitoring and sharing, fans interaction, customer attraction, scan payment and delivery. Joyoung also strived to convert traffic into sales volume efficiently.

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.

None in the Reporting Period.

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

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

1. During the reporting period, the company disposed 100% shares of Suzhou Jiuyang Company. After the share transfer, Suzhou Jiuyang Company will no longer be included in the scope of the company's Consolidated Financial Statement. For details, please refer to No. 2018-003 and No. 2018-010 announcement on Ju Chao Information Website.

2. During the reporting period, Onondo Company absorbed Hangzhou Jiuyang Company, after the merging, Onondo Company as the absorbing company continues to exist while the Hangzhou Jiuyang Company as the participating party has been dissolved.

This Abstract of Interim Report 2018 is written in Chinese and English. In the event of any discrepancy between two versions, the Chinese version shall prevail.