

Joyoung Co., Ltd.

Abstract of the Interim Report for the Second Half of 2020

Section I Important Statements

This is an abstract of the Interim Report 2020. Investors are kindly reminded to read the complete version of Interim Report 2020 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.

All directors attended the board meeting that reviewed the Interim Report.

In the event of any discrepancy between the abstract and the full document of the Report, the complete version in Chinese shall prevail.

Modified Audit Opinion

Applicable N/A

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

Applicable N/A

The preliminary plan for dividend distribution for preferred shares in the reporting period was 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	
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2. The Company's Main Business in the Reporting Period

In the Reporting Period, the Company continues to focus on the R&D, production, and sales of small household appliances. Following the development strategy of "targeting and upgrading the kitchen," Joyoung is devoted to improving the kitchen and ways to cook. As an American technology cleaning brand, Shark will customize more high-quality household cleaning appliances for Chinese families.

The Company mainly operates independent R&D, design, sales, and self-owned brands. Thanks to people's pursuit of a better and quality life and the promotion of consumption upgrade, consumer demands for refined, smart, and user-friendly products of high quality continue to grow. In the Reporting Period, no significant changes have occurred to the Company's primary business.

The Company is in the mature period without visible cyclical features. Major product categories of the Company all rank the top 3 across the industry domestically in China.

3. Core Competence Analysis

(1) Brand Advantage

As a national brand advocating a healthy lifestyle, Joyoung has always been a leading brand in the industry. Joyoung has been focusing on researching, developing, producing, and selling kitchen appliances for a healthy diet. After the development of 26 years, the Company has accumulated plenty of excellent suppliers and distributors, a strong R & D team, and superior industry reputation, establishing a good brand image in both the

upstream and downstream and the industry. The Company has eventually transformed from a soymilk maker brand to a quality life solution provider in small household appliances, and achieved the transformation and upgrade in both brand and strategy.

At present, the Company mainly offers categories including soymilk maker, cell-wall breaking high-speed blender, electric rice cooker, electric pressure cooker, electric stew pot, kettle, noodle maker, slow juicer, induction cooker, water purifier, dishwasher, auto-wok, air fryer, oven and more. Among them, main categories including soymilk maker, cell-wall breaking high-speed blender, juicer, and noodle maker rank top 1 in the market and other products also list the top 3 in the market.

Established in Boston 1998, Shark, a brand that excels in cleaning technology, now ranks top 1 in the sales of cleaning appliances in the United States. Having entered the Chinese market in 2018, Shark has launched a variety of household cleaning appliances customized for Chinese families, including multi-flex vacuum, steam mop, Wandvec, robotic vacuum, and electric broom.

(2) Channel Advantage

The Company has been deeply involved in the small household appliance industry for many years, mainly adopting the distribution system with networks and customer resources nationwide. The Company offers customer-centric experience and scenarios, that is, to demonstrate products and food preparation to customers no matter via online or offline platforms.

Upon the existing 40,000 plus point of sales nationwide, the Company has been relentlessly optimizing its sales network and actively exploring new retailing business. The Company has also actively explored emerging market channels, in overcoming the impact of adverse factors in the external environment, and has opened up dozens of new Shopping Mall brand flagship stores. In the meantime, through widely participated online live-streaming, more frequent exposure, offline retail experience, and digitalized operation, the Company was able to realize an integrated development of O2O and high-quality conversion rate. The Company has, therefore, established the omnichannel structure to include diversified consumer groups.

As a significant contributor to the Company's revenue, online business has remained a robust growth. The Company has deployed flagship stores with different focuses on categories and swiftly pushed forward live-streaming of higher frequency and more timeslots on multiple platforms, through which it has better engaged the younger generation, strengthened consumers' awareness of its brands and products and enhanced the precision, efficiency, and effectiveness of communication between brands and consumers.

(3) Product Advantage

Thanks to people's pursuit of a better and quality life and the promotion of consumption upgrade, consumer demands for sleek, smart, and quality products continue to grow. Smart appliances make it more convenient and comfortable to use, saving time and energy for users with improved user experience and eventually enhancing the value of products and brands. The Company has launched products in different brands with different market positioning to satisfy the diversified demands of different consumer groups. By further penetration into the market and expanding its capacity, the Company has been progressively obtaining more market share.

In the reporting period, based on consumer insights, the Company continues to focus on core mainstream categories and develop products that can tackle pain-point issues with the three-tier R&D system within the Company. The SKY series, including the K series self-cleaning cell-wall-breaking soymilk maker, the Y series self-cleaning cell-wall-breaking high-speed blender, and the S series steam rice cooker with liner-free of inner-coating, has achieved favourable feedback from the market. By upgrading technology and supply chain, the aforementioned product series has expanded to the mass-market price range to satisfy diversified customer demand. It has also facilitated the Company to dominate the blue ocean market, be the market leader, and meet more consumer needs.

Shark adheres to the concept of Innovate for User-experience. In addition to its patents in core technologies like MultiFLEX, DuoClean, STEAM-BLASTER, Zero-M, IQ-Navigation, and V-SLAM, Shark has also been exploring synergy in R&D, customized innovative products for Chinese families and actively launched multiple series of localized and light-weighted products with great insights.

(4) Operating Advantage

In the first half, the Company continued its pursuit of value marketing. Oriented by customer demand, the Company has been able to build an integrated business model that contributes to brand awareness, product, and user-scenario, with more resources focused on main product categories. It has facilitated the Company's robust and quality growth within the consumer industry and elevated brand influence.

In the 5G era, the importance of digitalization and big data utilization is more significant than ever. Via platforms like WeChat, Weibo, Tiktok, and Kuaishou, as well as channel networks, including points of sales and points of after-sales services, the Company now has over 20 million user-followers. A huge opportunity lies in maintaining existing loyal user-followers and attracting new ones through public user traffic.

To digitalize business operations, user networks, and scenarios, the Company is exploring and practicing new retailing and live-streaming. The Company is dedicated to building a one-stop, visible, and interactive shopping scenario for consumers. It is also more convenient to monitor and share data, interact with fans, direct customer traffic, and dispatch products from warehouses closest to customers.

The Company has also developed a new network operation and maintenance support platform through the use of modern information systems such as the Product Tracking System (PTS) and Warehouse Management System (WMS) to achieve software and hardware intelligence integration. It has realized equipment management, remote control, information collection, fault diagnosis, information push, and other functions and provided real-time expert interactive assistance with image function, pre-sales, and after-sales service.

4. Key Accounting Data and Financial Indicators

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

Yes No

	From 1 January 2020 to 30 June 2020	From 1 January 2019 to 30 June 2019	Flux
Operating revenues (RMB Yuan)	4,558,530,041.84	4,186,970,321.87	8.87%
Net profits attributable to shareholders of the Company (RMB Yuan)	417,767,085.20	406,005,399.22	2.90%
Net profits attributable to shareholders of the Company before non-recurring gains and losses (RMB Yuan)	393,051,511.64	377,487,058.29	4.12%
Net cash flow from operating activities (RMB Yuan)	526,790,909.23	176,809,470.46	197.94%
Basic earnings per share (RMB Yuan /share)	0.54	0.53	1.89%
Diluted earnings per share (RMB Yuan /share)	0.55	0.53	3.77%
Weighted average return on net assets	10.71%	10.34%	Increased 0.37 percentage point
	31 March 2020	31 December 2019	Flux
Total assets (RMB Yuan)	7,198,163,308.22	7,467,802,731.42	-3.61%
Net assets attributable to shareholders of the Company (RMB Yuan)	3,754,149,102.68	3,753,065,661.20	0.03%

5. Number of Shareholders of the Company and Their Shareholdings

Unit: share

Total number of common shareholders at the end of the Reporting Period	17,709	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	50.12%	384,523,746		Pledged	307,618,997
BILTING DEVELOPMENTS LIMITED	Foreign corporation	16.94%	129,924,090			
Hong Kong Securities Clearing Co., Ltd.	Foreign corporation	8.32%	63,835,151			
Central Huijin Investment Ltd.	State-owned corporation	4.99%	38,310,500			
National Social Security Fund Portfolio No. 418	Others	0.40%	3,057,400			
Bank of China- E Fund Positive Growth Securities Investment Fund	Others	0.39%	2,999,811			
Yinhua Fund Management Co. Co., Ltd. - Social Insurance Fund Portfolio No. 1105	Others	0.35%	2,651,738			
Basic Pension Insurance Fund Portfolio No. 808	Others	0.34%	2,600,098			
PICC Life Insurance Co., Ltd. -Dividend-Personal Insurance with Dividend Participation	Others	0.31%	2,361,082			
Basic Pension Insurance Fund Portfolio No. 1001	Others	0.30%	2,311,800			
Related or acting-in-concert parties among shareholders above	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, the Company is uncertain about whether there are related or acting-in-concert parties among shareholders above.					
Explanation on common shareholders participating in securities margin trading (if any)	N/A					

Section III Performance Discussion and Analysis

1. Performance Review of the Reporting Period

This year, the COVID-19 epidemic has brought an unprecedented impact on socio-economic development. China's GDP fell by 1.6% in the first half this year. The global economy also went into a severe recession. With the stimulation generated by a series of policies, China's economic performance in the first half of the year rose and recovered steadily after a phase of decline. The Chinese economy has shifted from a high-speed growth phase to a high-quality development phase. The economic structure continues to optimize, and consumption has

gradually become the main engine of economic growth.

Facing the significant challenges brought by the COVID-19 outbreak, the Company has adjusted its sales strategies promptly. Under the pandemic control regulations, the Company has been actively restoring production and manufacturing and endeavour to mitigate the impact of adverse factors like closed offline stores, cancellation of Spring Festival promotions, and low efficiency in online sales' logistics. Through data-based operations, online businesses, and vigorous development of online live-streaming, the Company has made efforts to reduce negative impacts and achieved faster growth in its domestic sales business.

For the first half of 2020, the Company has achieved operating revenues of 4,558.53 million Yuan, an increase of 8.87% year on year, while cost of sales was 3,071.76 million Yuan, an increase of 8.42% year on year. Gross profit margin of the Company was 32.62%, up by 0.29 percentage point year on year. Sales expenses were 698.57 million Yuan, up by 12.64% year on year, with sales expenses ratio at 15.32%. General and administrative expenses were 148.45 million Yuan, down by 6.95% year on year, with its ratio at 3.26%. Research and development expenses were 147.93 million Yuan, a year-on-year increase of 3.41%. Total profit achieved by the Company was 486.87 million Yuan, up by 3.98% year on year. Net profit attributable to the Company's shareholders were 417.77 million Yuan, up by 2.90% year-on-year. Net operating cash flow was 526.79 million Yuan, up by 197.94% year-on-year.

Pioneer in R&D and Smart Products, with Focus on Mainstream Categories

Since established, the Company has always attached great importance to the reserve and output of technology research and development. In 2020, the Company has explored the forward-looking, innovative technologies, focused on mainstream demand categories, improved the R & D system and mechanism, and introduced senior R & D talents to promote technological progress and innovation effectively. With its three-tier R & D system, the Company can react quickly to market demand, satisfy consumers' demand for quality lifestyle small household appliances, and keep leading the industry. The Company is highly invested in R&D, bringing sustainable innovation momentum. It strives to provide quality products with the spirit of craftsmanship, create value, and enhance the brand property. Hence, customers are well-aware of Joyoung as an innovative, dynamic, and value-added brand that facilitates a healthy lifestyle and can be trusted, which will promote the steady development of the Company.

Under the impact of COVID-19, the inelastic demand for stay-at-home cooking and thorough house cleaning has continued to increase. Consumers also have become more aware of the healthy attributes of household appliances. "Healthy and quality," "sterilization," and "immune-boosting" have become essential hashtags for many products. In the reporting period, Joyoung brand launched a series of kitchen appliances that could use high-temperature steam for sterilization. Such selection included the soymilk maker, cell wall-breaking high-speed blender that is self-cleaning and steam sterilizing and steam rice cooker with the liner free of inner-coating. It also offered inelastic demand products for young consumers with IP crossovers, such as sandwich maker, portable slow juicer, brewer, noodle maker, mini-oven, and many more. Shark steam mop and vacuum are also much loved by consumers, and achieve high ranking in their respective categories on

mainstream e-commerce platforms, e.g., Tmall and JD.com.

Brand Communication Upgrade and Cross-Channel Integration

Healthiness has always been in the DNA of the Company. In recent years, the Company's brand positioning and communication methods have become younger. It has increased its promotion efforts in new media, social media, vertical media, and other media channels. By actively using 5G mobile internet technology, it has also been using emerging communication channels such as short videos, online live-streaming, content influencing, and in-depth experience to interact with fans, users, and consumers at high frequency, high quality, and high precision. In this way, the Company has been continuously improving the brand influence and brand awareness, loyalty, and willingness to purchase among the main consumer groups in the new era.

To adapt to the new economy's development, the Company has been actively cooperating with major live-streaming platforms. Having seized the opportunity in online live-stream marketing, the Company was able to broaden communication channels and establish a comprehensive live-streaming host system consisting of celebrities, KOLs (Key Opinion Leader), and KOCs (Key Opinion Customer). During the COVID-19 outbreak, the Company has started a campaign of "stay healthy, stay at home challenge." It took the form of live streaming by online and offline stores and shopping guides and created a huge influence.

Driven by momentums in product and channel and oriented by customer demand, the Company will also actively grasp business opportunities in the new economy and live streaming. It will proactively cater to new customer behaviour and demand, intensively promote digital and social network-reliant new retailing, and widely develop new users, attract new fans, and establish new channels. It strives to achieve a comprehensive digital transformation and cross-border operations in different fields so that brands, products, and users can be seamlessly connected.

2. Events Related to Financial Statements

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

Applicable Not applicable

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

Applicable Not applicable

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

Hangzhou Jiuyang Company established Hangzhou Jiuchuang Company on January 7, 2020, with a share of 100%.