

Stock Code: 002242

Stock Abbreviation: Joyoung

Report No.2020-004

# Joyoung Co., Ltd. Abstract of Annual Report 2019

## Section I Important Statements

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

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

The Board has considered and approved the following dividend distribution plan for the Reporting Period: based on the Company's total shares of 767,312,000 by the end of December 31, 2019 and deducting the 143,000 restricted shares to be repurchased and cancelled by the Company, that is, based on 767,169,000 shares, it is proposed that the Company should distribute a cash dividend of RMB 5.8 (tax inclusive) and stock dividend 0 share (tax inclusive) per 10 shares to all the shareholders and should not convert capital reserves into share capital.

## 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	Wang Xuning (acting)	Miao Minxin	
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. Business or Product Review 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 kitchen”, Joyoung is devoted to improving 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 for a better and quality life and the promotion of consumption upgrade, consumer demands for refined and user-friendly products of high quality continue to grow. In the Reporting Period, no major changes have occurred to the Company’s main business. The Company is in the mature period without obvious cyclical features. Major product categories of the Company all rank 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 the researching, developing, producing and selling of kitchen appliances for healthy diet. After development of 26 years, the Company has accumulated plenty of excellent suppliers and distributors, strong R & D team and excellent industry reputation, establishing a good brand image in both the upstream and downstream, and moreover, in the industry. The Company has eventually managed to transform 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, oven and more. Among them, main categories including soymilk maker, cell-wall breaking high speed blender, juicer, noodle

maker and air fryer rank top 1 in the market and other products also rank 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, etc.

## **(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 all over the country. The Company offers customer-centric experience and scenarios, that is, to demonstrate products and food made with them to trigger impulsive consumption.

In 2019, the Company has achieved robust development both online and offline. 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. During the reporting period, dozens of branded stores and hundreds of speciality stores have been newly opened. Through a variety interactive offline events with Joyoung fans, consumer data has been turned into business value. Meanwhile, the Company's omni-channel network has also facilitated penetration into diversified customer groups.

As an important contributor of the Company's revenue, online business has remained a robust growth. The Company has deployed flagship stores with different focuses on categories, through which it has better engaged the younger generation, achieved a coverage of diversified consumer groups, strengthened consumers' awareness of its brands and products and enhanced communication between brands and consumers.

## **(3) Product Advantage**

Thanks to people's pursuit for 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 the

user-experience, and eventually enhance the value of products and brands. The Company has launched products in different brands with different market positioning to satisfy diversified demands of different consumer groups. By further penetration into the market and expansion of 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, the above-mentioned product series has expanded to the mass-market price range to satisfy diversified customer demand. Or, from another perspective, the Company has managed to penetrate its advantageous products into the mainstream segment.

Shark adheres to the concept of *Innovate for User-experience*. In addition to its patents in core technologies like MultiFLEX, Duo Clean, STEAM-BLASTER. etc., Shark has explored synergy in R&D, customized innovative products for Chinese families and actively launched multiple series of localized and light-weighted products.

#### **(4) Operating Advantage**

In 2019, 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 and Tiktok, 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 user-followers and attracting new ones.

To digitalize business operations, user networks and scenarios, the Company is exploring and practising new retailing and live-streaming. The Company is dedicated to build 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 using modern information systems such as Product Tracking System (PTS), Warehouse Management System (WMS) to achieve integration of software and hardware intelligence. It has realized equipment management, remote control, information collection, fault diagnosis, information push, etc., and provided real-time expert interactive assistance with image function, pre-sales and after-sales services.

#### 4. Key Accounting Data and Financial Indicators

##### (1) Key Accounting Data and Financial Indicators in Recent Three Years

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

Yes  No

Unit: RMB Yuan

	2019	2018	Flux (%)	2017
Operating revenues	9,351,439,510.07	8,168,708,704.23	14.48%	7,247,524,855.71
Net profits attributable to shareholders of the Company	824,105,192.42	754,255,160.96	9.26%	688,918,657.33
Net profits attributable to shareholders of the Company before non-recurring gains and losses	754,001,863.43	569,149,447.51	32.48%	605,300,787.82
Net cash flow from operating activities	1,253,024,651.38	408,700,191.24	206.59%	48,903,264.69
Basic earnings per share (RMB Yuan /share)	1.07	0.99	8.08%	0.90
Diluted earnings per share (RMB Yuan /share)	1.08	0.99	9.09%	0.90
Weighted average ROE	21.22%	20.70%	0.52%	18.40%
	As of 31 December, 2019	As of 31 December, 2018	Flux (%)	As of 31 December, 2017

Total assets	7,467,802,731.42	6,660,086,381.54	12.13%	5,350,746,142.18
Net assets attributable to shareholders of the Company	3,753,065,661.20	3,810,291,395.62	-1.50%	3,574,555,421.97

## (2) Main Accounting Data by Quarter

Unit: RMB Yuan

	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Operating revenues	1,798,604,618.75	2,388,365,703.12	2,068,019,945.39	3,096,449,242.81
Net profits attributable to shareholders of the Company	163,025,602.23	242,979,796.99	211,822,515.10	206,277,278.10
Net profits attributable to shareholders of the Company before non-recurring gains and losses	153,674,909.70	223,812,148.59	205,099,809.10	171,414,996.04
Net cash flow from operating activities	177,432,841.43	-623,370.97	745,207,988.94	331,007,191.98

Whether there are significant differences between the above financial data or the total value previously disclosed quarterly or interim reports.

Yes  No

## 4. Shareholders and Shares

(1) Total number of common shareholders and shareholdings of the top ten common shareholders at the period-end

Unit: share

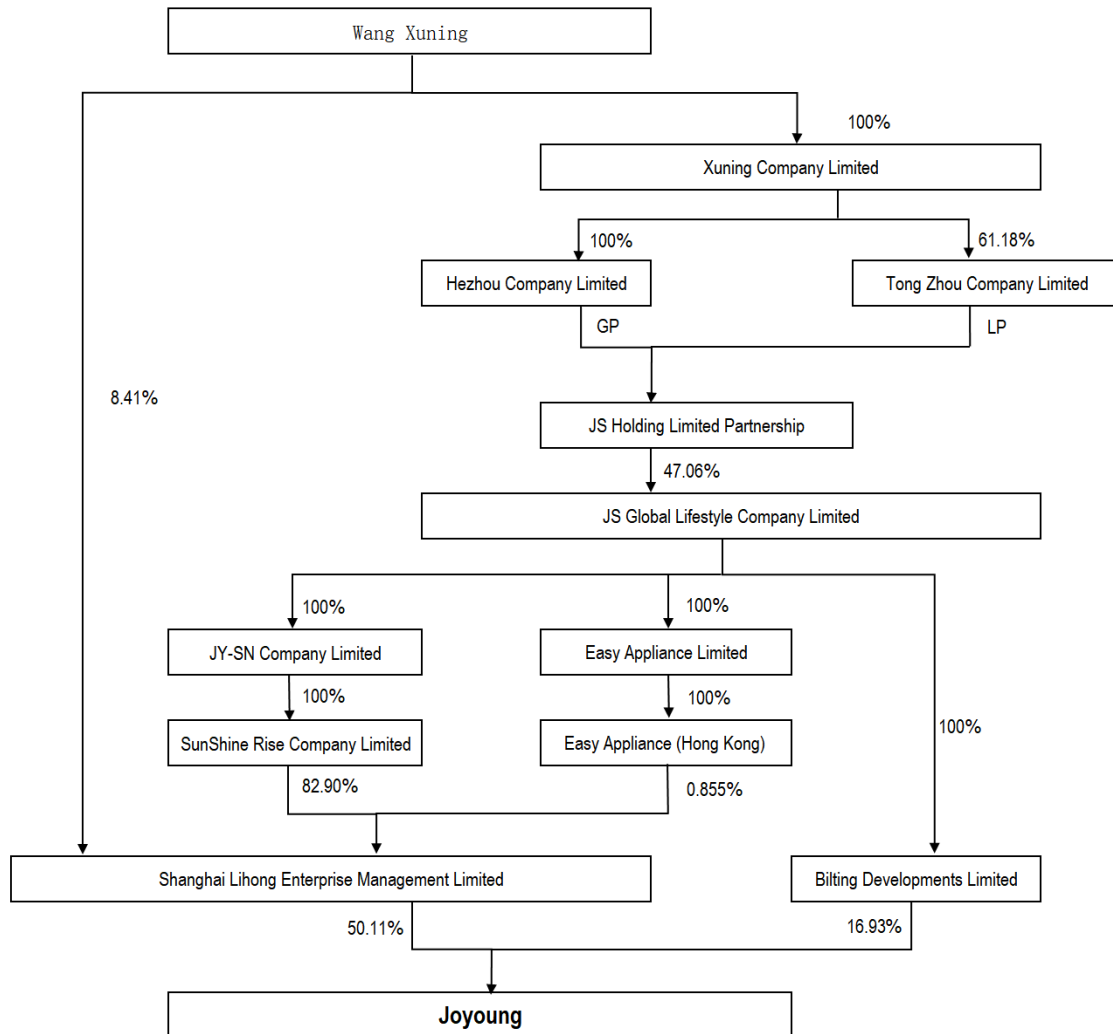
Total number of common shareholders at the end of the Reporting Period	26,458	Total number of common shareholders at the end of the previous month of the disclosure date of this report	23,438	Total number of preferred shareholders with resumed voting rights at the end of the Reporting Period	0	Total number of preferred shareholders with resumed voting rights at the end of the previous month of the disclosure date of this report	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	4.61%	35,367,420			
E Fund Management Co., Ltd. - Social Insurance Fund Portfolio No. 1104	Others	1.11%	8,500,000			
Agricultural Bank of China Co., Ltd. - CSI 500 Exchange Trade Fund	Others	0.40%	3,067,982			
National Social Security Fund Portfolio No. 418	Others	0.40%	3,057,400			
Basic Pension Insurance Fund Portfolio No. 1205	Others	0.38%	2,889,224			
Basic Pension Insurance Fund Portfolio No. 808	Others	0.36%	2,750,098			
Bank of Communications Co., Ltd. - E Fund Kexun Mixed Securities Investment Fund	Others	0.34%	2,612,360			

<p>Related or acting-in-concert parties among shareholders above</p>	<p>In April 2019, the shareholding structure of Building Developments Limited changed. MR. Xuning WANG, the controlling shareholder of the Company, became the controlling shareholder of Building Developments Limited (See Report No. 2019-027 of the Company on <a href="http://www.chinainfo.com.cn">www.chinainfo.com.cn</a>). As a result, Shanghai Lihong Enterprise Management Co., Ltd. and Building 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>.</p> <p>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.</p>
<p>Explanation on common shareholders participating in securities margin trading (if any)</p>	<p>N/A</p>



**(2) Disclose the property rights and control relationship between the Company and the actual controller in block diagram form**



**Section III Performance Discussion and Analysis**

**1. Performance Review of the Reporting Period**

At present, post-95s and post-00s have gradually become the mainstream consumer group of the new era. The younger generation is used to on-line shopping, and more open to new things, new channels, and new lifestyles with higher standards. The Company has actively explored new categories, new channels, new media, etc., and explored the integration of on-line and offline development to the greatest extent to meet the new demands represented by millennial consumer groups.

In the context of coexisting consumption upgrades and tiering, the Company adheres to value marketing. Through technological innovation and smart manufacturing to create mainstream core new products, the Company endeavours to meet the needs of diversified consumer groups for quality small household appliances, and strive to improve its profitability and brand influence.

For the year of 2019, the Company has achieved operating revenues of 9,351.44 million Yuan, an increase of 14.48% year on year. Categories including food processor and nutritious food cooker both have achieved robust growth. The western appliances category has maintained steady growth. With the ongoing optimization of product mix, the Company now has a more comprehensive product portfolio instead of heavily reliant on a single category.

For the year of 2019, cost of sales were 6,310.18 million Yuan, an increase of 13.82% year on year. Gross profit margin of the Company was up by 0.39 percentage point year on year.

Sales expenses were 1,476.53 million Yuan, up by 7.25% year on year, with sales expenses ratio at 15.79%, down by 1.06 percentage points. General and administrative expenses were 388.89 million Yuan, up by 25.32% year on year, with its ratio at 4.16%, up by 0.36 percentage point; research and development expenses were 330.38 million Yuan, a year-on-year increase of 10.99%.

For the year of 2019, total profits of the Company were 939.92 million Yuan, up by 7.91% year-on-year. Net profits attributable to the Company's shareholders were 824.11 million Yuan, up by 9.26% year-on-year.

For the year of 2019, net operating cash flow was 1,253.02 million Yuan, a 206.59% year-on-year increase due to rapid growth of operating revenue and good cash collection.

In the Reporting Period, the company continued to focus on the small household appliance industry, actively engage in the development of 5G mobile internet, and strive to achieve a comprehensive digital transformation, achieving cross-border operations in different fields such as social e-commerce, on-line live streaming, and O2O new retailing, allowing the seamless integration of brands, products, and users.

#### **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 2019, 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 effectively promote technological progress and innovation. In the Reporting Period, the Company has obtained 1,770 new patent rights, including 256 patent rights for inventions, 1,316 patent rights for utility models and 198 patent rights for industrial designs. By the end of the Reporting Period, the Company owned a total of 6,521 patent rights, including 316 patent rights for inventions, 5,284 patent rights for utility models and 921 patent rights for industrial designs, which laid a solid foundation for the Company to continuously create advantageous core products with competitive edges.

With its three-tier R&D system, the Company can react quickly to market demand, satisfy consumer's 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 brand property. Hence, customers are well-aware of Joyoung as an innovative, dynamic and value-added brand that facilitates healthy lifestyle and can be trusted, which will promote the steady development of the Company.

In 2019, the Company intensively promoted the innovative 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. By upgrading technology, the Company has expanded the aforementioned product series to the mass-market price range to satisfy diversified customer demand. Meanwhile, the Company has also collaborated with trendy IPs, e.g. LINE FRIENDS, in multiple categories, attracting younger generations and stimulated purchases. Such collaborations with IPs have helped Joyoung, the national brand advocating healthy lifestyle, further penetrate to younger generations.

### **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. In early 2019, the Company signed an A-lister, Deng Lun as the brand ambassador, reaching the target group in a proactive and precise manner. The Company is persistent in value creating and value marketing. Upon maintaining traditional media communication, it has been actively promoting new media such as outdoor media, social media and vertical media. To cater to the new development trend of 5G mobile internet, it has also been using emerging communication channels such as short videos, on-line live streaming, content influencing, and in-depth experience to interact with fans, users, and consumers at high frequency and quality. In such manner, the Company has been continuously improving the brand influence as well as brand awareness, loyalty and willingness to purchase among the main consumer groups in the new era.

To adapt to the development of the new economy, the Company has been actively cooperating with major live-streaming platforms. Having seized the opportunity in on-line live-stream marketing, the Company was able to broaden communication channels and establish a comprehensive live-streaming hosts system consists 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.

In 2019, the Company actively deployed and expanded the offline new retailing channel. It has not only optimized traditional POS, but also promoted the development of high-end brand stores especially those in shopping malls, through which the Company has explored offline channel operations with higher cost, more customer traffic and higher added-value. Facing the drastic changes in traditional retail channels, the Company proactively adapted to the new trend of online and offline omni-channel development, gradually diminished the definition and division of labour of traditional channels and established an omni-channel development strategy. Now, it offers O2O new retailing experience including content influencing, offline experience, online ordering, quick delivery, and on-site service, which has

shortened the distance with consumers, users, and fans. Meanwhile, it has also helped accumulate a database of tens of millions of users and fans, which has provided massive volume of big data for future in-depth excavation of digital economy.

In 2019, the on-line retail sales of physical goods were 8.5 trillion Yuan, a year-on-year increase of 19.5%, accounting for 20.7% of the total retail sales of consumer goods. In 2019, the Company's online business maintained a relatively strong growth, and has contributed substantially to total revenues. The proportion of online revenue in total revenues of the Company was also higher than much of the industry.

## 2. Whether there is significant change in the main business during the Reporting Period

Yes  No

## 3. Products accounting for above 10% of the Company's main revenue or profit

Unit: RMB Yuan

Product	Operating revenues	Operating profits	Gross profit margin	Operating revenues flux (%)	Operating profits flux (%)	Gross profit margin flux (%)
Food processor	4,096,943,718.53	1,615,877,668.15	39.44%	20.20%	21.53%	0.43%
Nutritious food cooker	3,105,020,253.15	777,031,079.12	25.02%	13.32%	8.86%	-1.03%
Western appliance	1,153,044,666.20	387,180,794.82	33.58%	7.23%	11.13%	1.18%

## 4. 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.

① 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 The listed companies in China alone will be implemented on January 1, 2019.

② On April 30, 2019, the Ministry of Finance issued the “Notice on Amending and Distributing the Format of Financial Statements of General Enterprises for 2019” (Accounting [2019] No. 6), which revised the format of general enterprise financial statements. The Company has adopted the retrospective adjustment method and has adjusted the comparative data of comparable accounting periods accordingly.

③ On September 19, 2019, the Ministry of Finance issued the “Notice on Revision and Issuance of the Format of Consolidated Financial Statements (2019 Edition)” (Accounting [2019] No. 16), which is applicable to companies that implement corporate accounting standards in preparing the 2019 consolidated financial statements and that of subsequent periods. 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  Not applicable

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**

Hangzhou Jiuyang Company, a subsidiary of the Company, established a non-wholly-owned subsidiary Hengqinjiujiu Company with a capital of RMB 19,798,000 Yuan on May 24, 2019, with a share of 98.99%.

## **Section IV. Outlook for the Company's Future Development**

### **1. Analysis of the External Environment Faced by the Company**

In 2019, China's economy faced downward pressure, with increasing external challenges and many

other adverse factors. Under the strong leadership of the Central Committee of the CPC represented by General Secretary Xi, the economy continued to achieve high-quality growth throughout the year, with people being better off. Earlier, the report of the Nineteenth National Congress of the CPC also pointed out that the main contradiction of Chinese society has been transformed into "the contradiction between the people's growing needs for a better life and imbalanced and insufficient development". It identifies that people's main aspiration is shifting from subsistence to quality life.

Referencing to the history of household appliances consumption in developed economies, it can be concluded that, along with the improvement of income level, household appliances consumption will be shifting from large appliances with emphasis on functionality to small appliances with emphasis on quality consumption. It is expected that the small household appliance industry will continue to improve in the future, with much room to grow.

In turn, it is necessary for small appliances companies to make transformation and actively satisfy the demands of consumer groups in the new economic era in regard of technology R&D, product design, brand positioning, communication language, sales media, etc. As a leading brand in the domestic small household appliance industry, the Company has conducted in-depth research on new changes in the market and has accumulated rich experience and prepared a systematic response strategy.

## **2. Future Development and Business Operation Plan of the Company**

Joyoung has transformed into a younger brand with the launch of its new brand advocate, *enjoy health*. In the future, the Company will continue to focus on small household appliances and innovate in mainstream products and categories by being customer-centric and demand-oriented. Joyoung will continue to implement the developing strategy of "focus and upgrade kitchen". In the meantime, Shark will root itself in household cleaning appliances and dedicated to becoming No.1 in this segment worldwide.

Upon the its commercialization, 5G network will become "the new infrastructure" in the process of social and economic development. It is particularly important to fully implement the digital transformation to adapt to mobile internet and explore new retailing model of the future. Driven by momentums in product

and channel and oriented by customer demand, the Company proposes to attract more consumers of the new era with its innovative products that are sleek and light-weighted, smart and easy-to-use and provide choices of supplementary ingredients. Moving forward, the Company will also actively grasp business opportunities in the new economy and live streaming, 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, through which it will create a new retail operation model customized for its development.

In the future, the Company will also continue to explore opportunities of extensive development and look for favourable expansion opportunities to strategically acquire brands, resources, products, channels, talents, etc., to sustain longer term development.