

Ticker: 002242

Stock Abbreviation: Joyoung

## Joyoung Co., Ltd. Abstract of the Annual Report 2020

### Section I Important Statements

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

#### 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

#### 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 767,169,000 by the end of December 31, 2020 and deducting the 136,000 restricted shares to be repurchased and cancelled by the Company, it is proposed that, based on a total of 767,033,000 shares, the Company should distribute a cash dividend of RMB 10.0 (tax inclusive) and 0 stock dividend (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 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 Yinhai Street, Jianggan District, Hangzhou, Zhejiang Province	No.760 Yinhai 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. 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, 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

The Company has always been a leading brand in the industry. Joyoung has been focusing on researching, developing, producing, and selling kitchen appliances facilitating a healthy diet. After the development of 27 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 Joyoung brand mainly offers categories including soymilk maker, cell-wall breaking high-speed blender, electric rice cooker, air fryer, oven, water purifier, electric pressure cooker, electric stew pot, kettle, noodle maker, slow juicer, induction cooker, dishwasher, auto-wok and more. Among them, main categories including soymilk maker, cell-wall breaking high-speed blender, noodle maker and juicer 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, electric mop, Wandvac and robotic vacuum.

### (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.

As a major contributor to the Company's revenue, online business has remained a steady growth with growing competitive edge. The Company has deployed online 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.

Upon the existing tens of thousands of POS nationwide, the Company has been relentlessly optimizing its sales network and actively exploring new retailing business, and opened up hundreds of new Shopping Mall brand stores. In the meantime, through frequent and diversified online live-streaming and offline retail experience, and digitalized operation, the Company was able to realize an integrated quality development of O2O and users. The Company has, therefore, established the omnichannel structure to pinpoint and include diversified consumer groups.

### **(3) Product Advantage**

Thanks to people's pursuit of a better and quality life and the promotion of consumption upgrade, consumer demands for quality, sleek, integrated and smart products continue to grow. Smart appliances make it more convenient and comfortable to use, with improved user experience. Starting from the needs of different people and scenarios, the Company has launched good products of high quality and recommended by users with photos of the products posted, too. Through that, the Company has been able to enhance the value of its products and brands and strive to maintain a steady increase in its 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 self-cleaning cell-wall-breaking high-speed blender and soymilk maker are taking the lead as category killers. Also, the steam rice cooker with liner-free of inner-coating, has achieved favourable feedback from the market despite the fierce competition. By upgrading technology and supply chain, the aforementioned innovative product series has expanded to the mass-market price range to satisfy diversified customer demand.

Shark adheres to the concept of Innovate for User-experience. With its core technologies, the brand ranks TOP 1 in both electric mop and steam mop categories in China. With customized innovative products for Chinese families and their user experience, the Company has actively launched multiple series of localized and light-weighted products with great insights.

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

In 2020, the Company strengthened its digital operation capabilities, seized the opportunity of live streaming and short video, built an interactive scenario business model based on channels, products, brands and users with a user-centric and demand-driven approach, and focused its major resources on mainstream categories to achieve high-quality growth and enhance brand impact.

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 era- into the services, the Company now has over 20 million user-followers. In this era, with extremely fragmented and enormous amount of information, 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.

However, the changes brought about by the Internet are not only on the consumer side, but also in the need to promote intelligence and integration on the product and supply side. The Company has 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 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

	2020	2019	Flux (%)	2018
Operating revenues	11,223,747,609.01	9,351,439,510.07	20.02%	8,168,708,704.23
Net Profit attributable to shareholders of the Company	940,080,034.27	824,105,192.42	14.07%	754,255,160.96
Net profit attributable to shareholders of the Company before non-recurring gains and losses	680,410,546.02	754,001,863.43	-9.76%	569,149,447.51
Net cash flows from operating activities	2,009,298,071.00	1,253,024,651.38	60.36%	408,700,191.24
Basic earnings per share (RMB Yuan /share)	1.23	1.07	14.95%	0.99
Diluted earnings per share (RMB Yuan /share)	1.23	1.08	13.89%	0.99
Weighted average return on net assets	23.83%	21.22%	2.61%	20.70%
	As of 31 December, 2020	As of 31 December, 2019	Flux (%)	As of 31 December, 2018
Total assets	9,134,826,691.51	7,467,802,731.42	22.32%	6,660,086,381.54
Net assets attributable to shareholders of the Company	4,283,761,519.10	3,753,065,661.20	14.14%	3,810,291,395.62

##### (2) Main Accounting Data by Quarter

Unit: RMB Yuan

	Q1	Q2	Q3	Q4
Operating revenues	1,702,037,045.29	2,856,492,996.55	2,524,414,362.45	4,140,803,204.72
Net Profit attributable to shareholders of the Company	146,873,325.81	270,893,759.39	226,221,124.84	296,091,824.23
Net profit attributable to shareholders of the Company before non-recurring gains and losses	143,533,461.10	249,518,050.54	209,038,297.29	78,320,737.09

Net cash flows from operating activities	143,106,492.72	383,684,416.51	309,734,992.75	1,172,772,169.02
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Whether there are significant differences between the above financial data or the total value previously disclosed quarterly or interim reports.

Yes  No

## 5. Shareholders and Shares

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

Unit: share

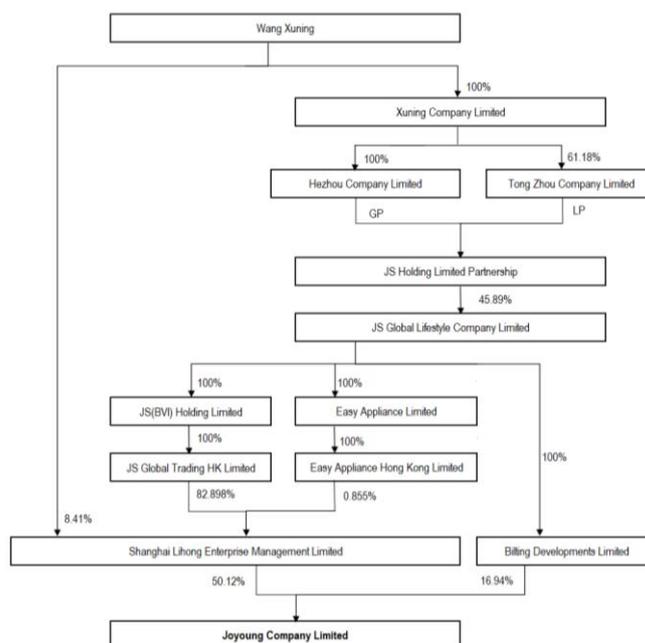
Total number of common shareholders at the end of the Reporting Period	31,425	Total number of common shareholders at the end of the previous month of the disclosure date of this report	30,908	Total number of preferred shareholders with resumed voting rights at the end of the Reporting Period	0	Total 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	50.12%	384,523,746		Pledged	307,618,897	
BILTING DEVELOPMENTS LIMITED	Foreign corporation	16.94%	129,924,090				
Hong Kong Securities Clearing Co., Ltd.	Foreign corporation	6.04%	46,350,686				
Central Huijin Investment Ltd.	State-owned corporation	4.99%	38,310,500				
Agricultural Bank of China Co., Ltd. - E Fund Consumer Industry Securities Investment Fund	Others	1.53%	11,701,571				
E Fund Management Co., Ltd. - Social Insurance Fund Portfolio No. 1104	Others	1.16%	8,900,091				
Yinhua Fund Management Co. Co., Ltd. - Social Insurance Fund Portfolio No. 1105	Others	0.63%	4,819,153				
Bank of China Co., Ltd. - Dacheng Preferred Hybrid Securities Investment Fund (LOF)	Others	0.40%	3,099,890				
Basic Pension Insurance Fund Portfolio No. 1001	Others	0.40%	3,098,421				
Industrial and Commercial Bank of China - E Fund Value Growth Hybrid Securities Investment Fund	Others	0.33%	2,549,903				
Related or acting-in-concert parties	In April 2019, the shareholding structure of Building Developments Limited changed. MR. Xuning						

among shareholders above	WANG, the controlling shareholder of the Company, became the controlling shareholder of Building 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 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> . 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

**(2) Total Number of Preferred Shareholders and TOP 10 Preferred Shareholders and Their Shareholdings**

Applicable  Not applicable

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



**5. 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 Annual Report is submitted

Yes  No

**Section III Performance Discussion and Analysis**

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

Now, generations born after 1995 and even after 2000 have become the main consumers in 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.

For the year of 2020, the Company has achieved operating revenue of 11,223.75 million Yuan, an increase of 20.02%

year on year. Among which, western appliances have achieved robust growth. Food processors, nutritious food cooker and other have maintained steady development. The Company's product mix continues to be optimised.

For the year of 2020, operating costs were 7,626.33 million Yuan, an increase of 20.86% year on year. Gross profit margin of the Company was down by 0.47 percentage point year on year.

Selling expenses were 1,867.76 million Yuan, up by 26.50% year on year, with sales expenses ratio at 16.64%, up 0.85 percentage point year on year. General and administrative expenses were 398.10 million Yuan, up by 2.37% year on year, with its ratio at 3.55%, down 0.61 percentage point; research and development expenses were 345.84 million Yuan, a year-on-year increase of 4.68%.

For the year of 2020, total profit achieved by the Company was 1,062.87 million Yuan, up 13.08% year on year. Net profit attributable to the Company's shareholders were 940.08 million Yuan, up 14.07% year-on-year.

In 2020, net cash flows from operating activities were 2,009.30 million Yuan, up 60.36% year-on-year, mainly due to the growth in operating revenue and better returns during the year.

In the Reporting Period, the company continued to focus on the small household appliance industry, actively 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 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. In the Reporting Period, the Company has obtained 2,227 new patent rights, including 307 patent rights for inventions, 1,710 patent rights for utility models and 210 patent rights for industrial designs. By the end of the Reporting Period, the Company owned a total of 8,378 patent rights, including 427 patent rights for inventions, 6,846 patent rights for utility models and 1,105 patent rights for designs, which laid a solid foundation for the Company to continuously create advantageous core the industrial products with competitive edges.

Technology drives product capabilities; design enhances product capabilities; supply guarantees product capabilities. Choosing the "new track" that the market needs is the way to long-term development, which requires the integration and unification of technology, design and craftsmanship. With its three-tier R & D system, the Company can react quickly to market the new demand, satisfy consumers' demand for quality lifestyle small household appliances, and keep leading the industry.

In 2020, the Company intensively promoted mainstream categories of resilient demand, such as self-cleaning cell-wall-breaking soymilk makers and blenders and rice cookers with liner free of inner-coating. Meanwhile, the Company has been enriching the aforementioned product series and expanding them to the mass-market price range to satisfy diversified customer demand. Meanwhile, the Company has also collaborated with trendy IPs, e.g., LINE FRIENDS and Coca Cola in multiple categories, attracting the Z generation and stimulated purchases. Such collaborations with IPs have helped Joyoung, the national brand advocating healthy lifestyle, further penetrate to younger generations.

#### **Brand Communication-Channel Integration**

In recent years, the Company's brand positioning and communication methods have become younger. It proactively pinpoints the full chain of communication to reach the target group and in doing so strives to increase the conversion rate along the chain. When live streaming and short videos become "standard", content and creativity are especially important. By

embracing the development trend of 5G mobile internet technology, it has also been using emerging communication channels 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 and profoundly cooperating with major live-streaming platforms. Having seized the opportunity in online live-stream marketing, the Company was able to establish a comprehensive live-streaming host system consisting of celebrities, KOLs (Key Opinion Leader), and KOCs (Key Opinion Customer) and shopper guides.

In 2020, the Company actively deployed and expanded the offline new retailing channel. It has 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. Data-driven operation is in development as well. 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, providing massive volume of big data for future in-depth excavation of digital economy.

## 2. Has any significant change occurred to the primary business in 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	4,755,492,864.72	1,802,473,474.40	37.90%	16.07%	11.55%	-1.54%
Nutritious food cooker	3,479,433,424.34	811,581,144.20	23.33%	12.06%	4.45%	-1.69%
Western appliance	1,531,950,088.80	504,020,035.59	32.90%	32.86%	30.18%	-0.68%

## 4. Is the operation clearly seasonal or cyclical

Yes  No

## 5. Statement of significant changes in operating revenue, operating costs, net profit attributable to ordinary shareholders of the listed company or their composition during the reporting period as compared to the previous reporting period

Applicable  Not applicable

## 6. Facing de-listing

Applicable  Not applicable

## 7. Events Related to Financial Statements

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

On 5 July 2017, the Ministry of Finance revised and issued ASBE No. 14 - Revenue (Accounting (2017) No. 22), which is effective from 1 January 2018 for corporates listed both domestically and internationally and corporates listed outside of China that adopt IFRS or ASBE in preparing their financial statements, and from 1 January 2020 for other domestically listed corporates, and from 1 January 2021 for non-listed corporates implementing ASBE; for other domestic listed enterprises, it will be effective from 1 January 2020; for non-listed enterprises implementing ASBE, it will be effective from 1 January 2021.

The Company implemented the new revenue standard from 1 January 2020, details of which are disclosed in the "Announcement on Change in Accounting Policy" (Announcement No. 2020-018) issued by the Company on Cninfo website (<http://www.cninfo.com.cn>) on 1 April 2020.

### (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

1) On 19 January 2020, Hangzhou Jiuyang Company, a subsidiary of the Company, established Hangzhou Jiuchuang as a wholly-owned subsidiary with 100% shareholding by investing in six pieces of real estate and land located at No. 36, No. 22 Street, Baiyang Street, Qiantang New District, Hangzhou City, Zhejiang Province, and Hangzhou Jiuchuang was included in the scope of consolidation of the Company's consolidated financial statements from its establishment.

2) On 27 September 2020, Hangzhou Jiuyang Company, a subsidiary of the Company, contributed RMB5,000,000 for the establishment of a new wholly-owned subsidiary, Lishui Jiuchuang Company, with a 100% shareholding. Lishui Jiuchuang Company was included in the scope of the Company's consolidated financial statements from its establishment.

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

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

The year 2020 was an extremely extraordinary year. In the face of multiple shocks such as the unexpected outbreak of COVID and the severe recession in the world economy, under the strong leadership of the Party Central Committee with General Secretary Xi at its core, the people of China have worked hard and achieved significant strategic results in the prevention and control of the epidemic. The country was the only major economy in the world to achieve positive economic growth for the whole year, working together and forging ahead to lay a solid foundation for a good start to the 14th Five-Year Plan.

COVID is still impacting the world. The international situation is characterised by a high level of instability and uncertainty. The world economic situation remains complex and challenging. In the "Dual Circulation" economic trend,

domestic small appliances innovation will continue to lead the global market. Under the influence of the upgrading of the digital economy, the competitive advantage of enterprises will be shifted from the cost advantage in the past to the industrial chain advantage, product advantage, efficiency advantage, etc.

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. As a leading brand in the domestic small home appliance industry, the Company will continue to innovate, actively seize the growth trend and develop more high-quality products to meet market demand.

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

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. Products are the carrier of the brand, the basis of the operation and the bridge to connect with users. In order to seize the new opportunities of brand stores, content e-commerce and lower tier markets, the Company will continue to hold on to the two main pillars of product and channel, adhere to user needs, grasp the opportunities of new category integration and achieve high quality development.

In the future, the Company will continue to focus on small household appliances and innovate in mainstream and inelastic products and categories by being customer-centric and demand-oriented. The Joyoung brand will be positioned as quality small appliances. The Shark brand will be positioned in the household cleaning sector. Together, the two brands will continue to lay out the future business opportunities brought by the new economy, live streaming and short videos, proactively cater to meet the new habits and requirements of consumers, make every effort to cultivate new users, attract new fans, establish new channels and improve and strengthen the new retail operation model suitable for the Company's own development.

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