

Stock Code: 002242

Stock Abbreviation: Joyoung

Joyoung Co., Ltd

Abstract of Annual Report 2018

一、 Important Statements

This report is an abstract of annual report 2018. Investors are kindly reminded to read the complete version of Annual 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.

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

Board of Directors has considered and approved the preliminary plan of dividend distribution for common shareholders as below: based on 767,371,000 shares, the Company will distribute cash dividends 8.00 yuan RMB (before tax) for every 10 shares to all shareholders, as well as 0 bonus shares (before tax). There are no capital reserves converted into share capital.

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

Applicable Not Applicable

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 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 Review in the reporting period

During the reporting period, the company continued to develop, produce and sell kitchen appliances,

adhered to the development strategy of “positioning the kitchen, upgrading the kitchen”, and committed to improving the kitchen environment and changing the cooking methods of Chinese.

The company's main business model is to research and develop independently, design, sell small household appliances. With people's yearning for a better life, pursuit of quality life, and the in-depth promotion of consumption upgrades, the demand for exquisite, convenient and high-quality small household appliances has increased. During the reporting period, the company's main business model did not undergo major changes.

The company is at a mature development stage, and there is no obvious cyclical characteristics. The company's main products are among the top three in the industry.

3、Core Competence Analysis

1) Brand Advantage-Enjoy Health, Start Again

Joyoung has always been a leading brand in the field of small kitchen appliances. As a company that invented the soymilk maker and started from it, Joyoung has been focusing on the researching, developing, producing and selling kitchen appliances for healthy diet. After development of 25 years, the company has accumulated a plenty of excellent suppliers and distributors, strong R & D team and excellent industry reputation, establishing a good brand image of the company in the industry, and gradually transform brand image from “Joyoung is equal to Soymilk Maker” to “Joyoung is equal to small home appliances for quality life”.

In the past 25 years, “health” and “innovation” have become the DNA of Joyoung. The company is committed to using the “Chinese innovation to change the Chinese kitchen”, creating a smart, convenient, open, smoke-free Chinese kitchen for Chinese, meeting the needs of consumers in the new era. During the reporting period, the company launched new products such as the hand-washing free automatic soymilk maker, mute high speed blender, water-cooled pressure cooker and small red rope mug.

At present, the company's main products include soymilk maker, blender, rice maker, electric cooker, noodle maker, slow juicer, pressure cooker, induction cooker, water heater, water purifier, dishwasher, cooking machine, oven, range hood. There are more than 200 products within 20 categories. Among them, soymilk maker, blender, juicer, noodle maker and air fryer range top 1 in the market and other products also range top 3 in the market.

2) Channel Advantage - Integrate Online and Offline

The company has been deeply involved in the small household appliance industry for many years, mainly adopting the dealer system with distribution network and customer resources all over the country, linking customers with food, providing them with good cooking experience, showing the product “zero distance” in front of consumers and promoting impulsive consumption.

In 2018, the company achieved better development both online and offline. Based on the original more than 40,000 sales terminals nationwide, the company has continuously improved its sales network and actively explored new retail business. During the reporting period, there were dozens of “Home of Joyoung” in the

Shopping Mall, hundreds of brand flagship stores, brand experience stores, brand stores and other stores, to achieve coverage of different levels of the market with three-dimensional sales.

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. The company 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.

3) Operating Advantage – Connect Fans Online and Offline

In 2018, the company continued to adhere to the road of quality, highlighting the value of innovation, making products more valuable and has a good sense of design, upgrading from function to feeling. The company not only seize the growth channel, but also make the channel more efficient and make terminal provide better experience. In 2018, the company made a breakthrough in the construction of brand stores, especially in the high-end commercial body such as Shopping Mall. Users are at the core. The company has gathered more than 20 million user fans through WeChat, Weibo, shop terminals, after-sales outlets, etc. How to serve existing users and attract more fans means a huge opportunity.

In 2018, the company held dozens of "Human-Machine Wars" activities nationwide to promote meal maker, and held the "China Broken Cellwall Festival" to promote the products of broken-wall high speed blender, actively exploring the trial of e-commerce live broadcast, fan classrooms, and devices-food combination, strive to achieve high value conversion of user data.

4) Technology Advantage – Smart Life, Innovation Technology

With the improvement of consumers' quality of life and consumption, the demand for high-quality, intelligent household appliances is created. Through data mining and user experience information collecting, the company continuously introduces products that solve the "pain points" in user life through the self-built three-level research and development system. With the application of new technologies such as small programs in WeChat and Internet of Things, the company strives to create healthy, intelligent, convenient and open Chinese kitchen space.

The smart product can improve the user's convenience and comfort, reduce the energy, physical strength, time and other costs of the user, and enhance the user's enjoyment, convenience and sense of accomplishment in the process of use, thereby realizing the value of the product and the brand. The company has launched market-oriented products to meet the needs of different consumer groups, tapping market capacity and maintaining a steady increase in the company's market share.

The company also develops a new network operation and maintenance support platform by using PTS product quality traceability, WMS warehouse management and other modern information systems to realize intelligent and ecological integration of software and hardware. It realizes the functions of equipment

management, remote control, information collection, fault diagnosis and information push, realizing real-time expert interaction help with image function, pre-sales and after-sales service.

4、Key Accounting Data and Financial Indicators

(1) Key Accounting Data and Financial Indicators of the last three years

Whether the Company performed any retroactive adjustment or restatement of previous years' accounting data:

Yes No

Unit: RMB Yuan

	FY2018	FY2017	Flux (%)	FY2016
Operating revenue	8,168,708,704.23	7,247,524,855.71	12.71%	7,314,804,589.33
Net profit attributed to shareholders of the Company	754,255,160.96	688,918,657.33	9.48%	697,726,767.34
Net profit attributed to shareholders of the Company before non-recurring gains and losses	569,149,447.51	605,300,787.82	-5.97%	596,541,931.17
Net cash flow from operating activities	408,700,191.24	48,903,264.69	735.73%	1,006,736,608.98
Basic earnings per share (RMB Yuan/share)	0.99	0.90	10.00%	0.91
Diluted earnings per share (RMB Yuan/share)	0.99	0.90	10.00%	0.91
Weighted average ROE (%)	20.70%	18.40%	2.30%	21.36%
	FY2018	FY2017	Flux (%)	FY2016
Total assets (RMB Yuan)	6,660,086,381.54	5,350,746,142.18	24.47%	5,592,562,970.47
Net assets attributable to shareholders of the Company (RMB Yuan)	3,810,291,395.62	3,574,555,421.97	6.59%	3,444,009,901.47

(2) Quarterly accounting data

Unit: RMB Yuan

	2018Q1	2018Q2	2018Q3	2018Q4
Operating revenue	1,568,115,691.64	2,071,473,417.82	1,798,543,653.86	2,730,575,940.91
Net profit attributed to shareholders of the Company	147,001,251.42	223,039,120.70	199,167,030.05	185,047,758.79
Net profit attributed to shareholders of the Company before non-recurring gains and losses	141,899,333.07	150,619,728.93	172,822,292.08	103,808,093.43
Net cash flow from	126,015,945.57	97,571,168.77	194,875,852.20	-9,762,775.30

operating activities				
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Whether there are significant differences between the above financial data or the total value with the previous quarterly, semi-annual reports which had been disclosed previously.

Yes No

5、Shareholders and shares

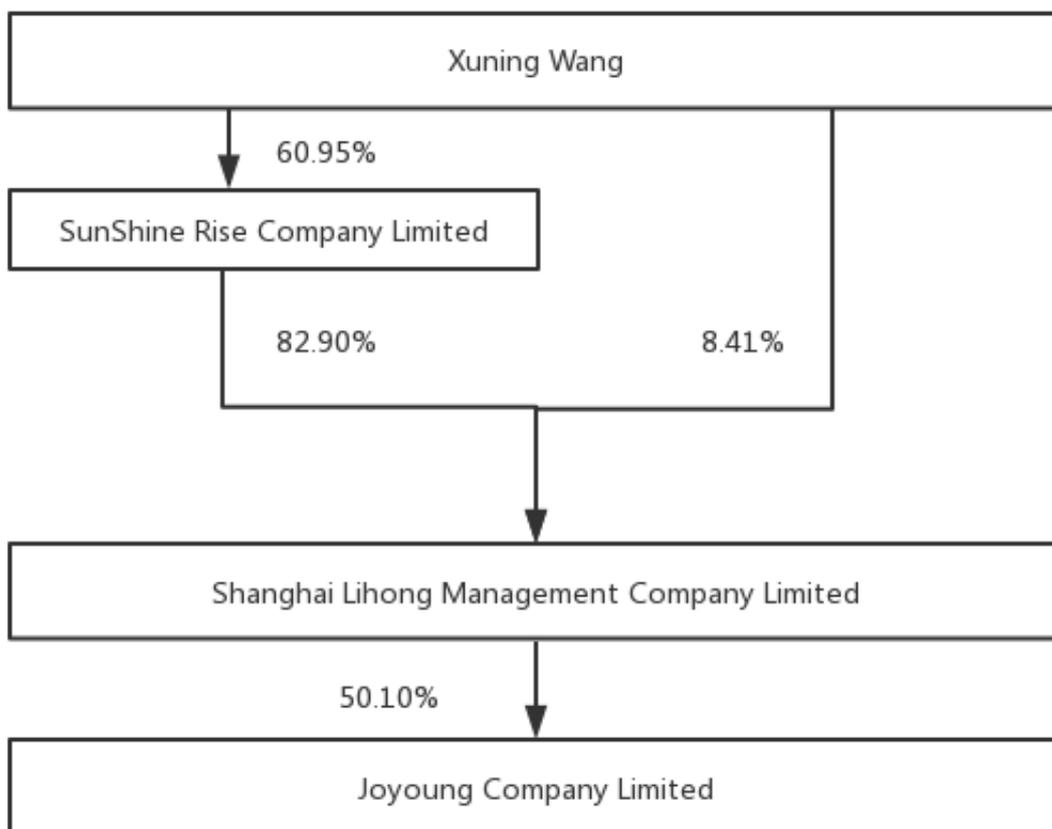
(1) Number of common shareholders and preferred shareholders with voting rights, top 10 shareholders

Unit: Share

Total number of common shareholders at the end of Reporting Period	33,753	Total number of common shareholders one month before the end of Reporting Period	33,354	Total number of preferred shareholders with vote rights at the end of Reporting Period	0	Total number of preferred shareholders with veto rights one month before the end of Reporting Period	0
Top 10 common shareholders							
Name of Shareholder	Nature of Shareholding	Shareholding percentage	Total shares held at the period-end	Number of restricted shares held	Pledged or frozen shares		
					Status	Number	
Shanghai Lihong Management Company Limited	Domestic non-state-owned corporation	50.10%	384,523,746	0	Pledged	320,403,436	
					Frozen	0	
BILTING DEVELOPMENTS LIMITED	Foreign corporation	16.93%	129,924,090	0			
Central Huijin Investment Ltd	State-owned corporation	4.99%	38,310,500	0			
National Social Security Fund No.113	Other domestic investor	1.63%	12,535,271	0			
Basic Pension Insurance Fund No.1207	Other domestic investor	0.83%	6,354,209	0			
Basic Pension Insurance Fund No.1005	Other domestic investor	0.74%	5,647,492	0			
Hong Kong Securities Clearing Company Ltd	Foreign corporation	0.44%	3,390,131	0			
Agricultural Bank of China Limited - CSI 500 Exchange Traded Fund	Other domestic investor	0.42%	3,255,481	0			
Basic Pension Insurance Fund No.1206	Other domestic investor	0.42%	3,247,212	0			
Jianping QIU	Domestic individual	0.38%	2,907,440	0			

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

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



三、 Discussion and Analysis of Operation

1、 Business Performance Review in the reporting period

Whether there is any industry specific information disclosure rules that the company is required to compile with.

Yes No

In the context of consumption upgrading, in order to meet the needs and aspirations of residents for a

better life, the company adheres to the brand road, firmly promotes the business philosophy of value marketing, and strives to improve the company's profitability and brand influence.

At present, 80's, 90's has become the main consumer group. Young people mainly rely on online shopping and accept new things, new models, new lifestyles faster, so the company is also actively exploring new categories and new retail. The company will explore the integration of online and offline to the greatest extent and achieve a steady development of the market scale.

The company achieved operating income of 8,168.7 million yuan in 2018, an increase of 12.71% over the previous year. Among them, food processing machine, nutritional glutinous products and Western-style electrical products all achieved good growth while the induction cooker products and other products maintained a stable development. The company's product structure was continuously optimized, and the dependence on single products continued reduced.

In 2018, the company's operating costs were 5,544.2 million yuan, an increase of 14.19% year-on-year. The company's gross profit margin decreased by 0.88 percentage year-on-year;

In 2018, the company's sales expenses were 1,376.7 million yuan, up 25.97% year-on-year, the sales expense ratio was 16.85%, up 1.77% over the same period; the management expenses were 310.3 million yuan, an increase of 8.22%, and the management expense rate was 3.80%, down 0.16 percentage year-on-year; the R&D expenses were 297.6 million yuan, an increase of 11.66% year-on-year.

In 2018, the company realized a total profit of 871 million yuan, an increase of 6.53% over the previous year; the net profit attributable to shareholders was 754.3 million yuan, an increase of 9.48% over the previous year.

In 2018, the company's net cash flow from operating activities was 408.7 million yuan, up 735.73% over the previous year, mainly due to the increase of operating revenue.

During the reporting period, the company continued to focus on the small household appliance industry, in-depth exploration of online and offline integration, continued to promote the diversified strategic development of the kitchen business, and constantly committed to transforming brand image from "Joyoung is equal to Soymilk Maker" to "Joyoung is equal to small home appliances for quality life". At the same time, in 2018, the company realized the transformation of "going out of the kitchen and entering the living room" by investing in SharkNinja(China) Technology Co., Ltd., and realized the expansion of the company's product line to the field of household cleaning and small household appliances.

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.

The company adheres to experiential marketing. Online operations are mainly created and discussed through Internet topics and directly interact and communicate with users, consumers and fans. Directly connect users with new media and new technologies, maintain and operate tens of millions of fans, and actively explore fans under the Internet. The economy is striving to turn traffic into purchasing power and form a “closed loop from communication to sales”.

2) Multi-channels

In 2018, 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 “Home of Joyoung” in Shopping Mall, flagship stores, brand experience stores and specialty shops. In 2018, several hundreds brand stores have been established. 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 promote the new retail business and integrating online channel with offline channel, the company not only built more offline brand stores but also operate “Joyoung Official flagship Store” directly in Tmall platform, achieving the experience of take a try offline, take an order online, delivery from the nearest place to customer’s home. The Company also 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 offline and online integration.

3) More Research, Better product

Since the establishment, the company has always attached great importance to the reserve and output of technology development. In 2018, research and development expenses of the company were 297.7 million yuan, an increase of 11.66% year-on-year. The company explored forward-looking innovative technologies, improved R&D systems and introduced high-end R&D talents to effectively promote technological progress and innovation. During the reporting period, the company received 1,204 new patent applications, including 186 invention applications, 1,110 utility models and 179 design applications. As of the end of the reporting period, the company had 5,217 patents in total, including 235 invention patents, 4,196 utility patents and 786 design patents, which has laid a solid technology foundation for the company's future development.

The company's self-built three-level research and development system continuously meets the needs of consumers who want small appliances for high-quality life, and responds quickly to ensure that the product is updated. The company invest heavily in R&D, always produce high quality products and enhance brand value. Then more consumers would regard Joyoung as an innovative, valuable and reliable brand, which help the company grow steadily.

2、 Whether there is any significant change in the main business during the reporting period

Yes No

3、Products information accounting for 10% of the company's main revenue or profit

Unit: RMB Yuan

Product	revenue	profit	Gross margin	Revenue Flux (%)	Profit Flux (%)	Gross margin Flux (%)
Food processor appliance	3,408,350,266.71	1,329,597,439.04	39.01%	8.21%	4.06%	-1.56%
Nutrition pot	2,739,942,682.12	713,755,068.69	26.05%	18.74%	16.76%	-0.44%
Western electric appliance	1,075,257,494.84	348,383,428.33	32.40%	20.99%	30.17%	2.29%

4、Existence of seasonal or cyclical characteristics of operations requiring special attention Yes No**5、Significant changes compared with the previous total amount or the components for revenue, cost, and the net profit attributed to the equity owners.** Applicable Not Applicable**6、Suspension and termination of listing** Applicable Not Applicable**7、Matters related to financial reports****(1) Changes on accounting policy, Accounting estimates and Accounting methodology compared with the last year**

The company prepared the 2018 Annual report according to the <The Ministry of Finance's notification on the revision format for the general enterprises' financial statements of 2018> (caikuai[2018]No.15) associated with its explanation, also comply with the Accounting standards for enterprises, this accounting policy changes is subject to retroactive adjustment. The financial items and amount in 2017 should be restated as followed,

Previous		Restatement	
Notes Receivable	1,718,459,801.97	Notes receivable and Accounts receivable	1,846,990,968.97
Accounts Receivable	128,531,167.00		
Interest Receivable	2,662,794.52	Other Receivable	29,848,168.74
Other Receivable	27,185,374.22		
Fixed Assets	631,189,103.17	Fixed Assets	631,189,103.17
Disposal of Fixed assets			
Construction in Process	568,244.33	Construction in Process	568,244.33
Engineering Materials			
Notes Payable	8,040,000.00	Notes Payable and Accounts payable	1,027,907,537.76
Accounts Payable	1,019,867,537.76		
Interest Payable		Other payable	214,119,818.33

Divident Payable			
Other Payable	214,119,818.33		
General and Administration expense	553,312,102.58	General and Administration expense	286,729,225.06
		Research and Development expense	266,582,877.52

Notes: Individual tax commission refunds adjusted from non-operating income to other earnings, this accounting policy change is retroactive, then reduce the non-operating income RMB 1,348,230.15 yuan, and increase the other earnings RMB1,348,230.15yuan in FY2017。

(2) Statement of significant accounting errors that requiring retroactive restated during reporting period

Applicable Not Applicable

(3) Statement of changes in the scope of consolidated statements compared to the previous period

1. During the reporting period, the company sold the 100% shares of Suzhou Jiuyang Company. This company has not been included in the scope of consolidation since June 2018.
2. During the reporting period, Hangzhou Jiuyang Company has been absorbed and merged by Onondo company, and has not been included in the scope of consolidation since January 2018.
3. During the reporting period, the company acquired 51% shares of SharkNinja (China) Company, which completed in September 2018, then incorporated into the scope of the company's consolidation that month.
4. During the reporting period, the company established the new company: Jinan Jiuyang Real Estate Company, a wholly-owned subsidiary company, has been incorporated into the scope of the consolidation since its establishment.
5. During the reporting period, Shandong Soybean Company, a subsidiary of the company, completed the cancellation of industry and Commerce and was no longer included in the scope of the consolidation of the company.

(4) The forecast of Operating Performance in 2019 Q1

Applicable Not Applicable

四、Prospects for the future development

1、External environmental analysis

In 2018, China's economic development faced severe challenges from the external environment and economic transformation. Under the strong leadership of the Party Central Committee with General Secretary Xi's secretary, China's economic development was generally stable and stable on a high base. People's lives continue to improve. Earlier, the 19th National Congress report also pointed out that the main contradiction in Chinese society has been transformed into "the contradiction between the people's growing need for a better life and the development of inadequate balance." This shows that the main goal of the residents in the past is to

seek food and clothing, and to continue to pursue a better life. Future residents need not more consumer goods, but healthier, more beautiful and more sophisticated consumer goods. The upgrading and transformation of consumption will also become the main driving force for economic development.

As the small household appliance industry enters the big cycle of consumption upgrading, it is expected that the small household appliance industry will continue to improve in the next few years, and there is much room for development and improvement. This also urges small household electrical appliance enterprises to actively cater to the preferences of the young main consumer groups, and launch "high quality, high value, high value" products. As a leading brand in the domestic small household appliance industry, the company has fully researched and prepared the market status. After more than two years of taking the road of quality, brand road, value marketing and value ascending, the company has accumulated rich and valuable experience. In the future, we will continue to adhere to the development of two-wheel drive of products and channels.

2、 future development strategy and business plan

The company will continue to focus on the main business, adhere to the strategy of "positioning the kitchen, upgrading the kitchen", strengthening the strategy of value marketing, focusing on the development of products and superior products in the market, and promoting the development of new categories through innovation.

In March 2019, the company released a new brand proposition "Enjoy Health", which means that the brand Joyoung is officially embracing youth. The company hopes to make healthy lifestyle full of joy and attraction, as well as convenient and comfortable, and give consumers maximum nutrition with minimum efforts and enjoyable experience, through light and fashionable products, smart and convenient experience, scientific combination of machines and ingredients. At the same time, the company also launched K series hand-washing free soymilk maker (K1s, K mini, Ksolo), the world's first hand-washing free high speed blender Y88, the new species in rice maker category, steaming rice cooker S5 and a lot of new products to provide consumers home appliances for high quality life.

On the basis of steady development of the existing main business, the company cooperated with SharkNinja in 2018. At present, the synergy effect of the cooperation between the two parties is gradually enlarged, which not only makes the company officially enter the domestic high-end household cleaning electrical appliances field, but also increases the company's overseas sales. The scale of income. In 2019, Shark will continue to innovate for the Chinese market, focusing on the cleaning methods of Chinese households, upgrading and launching the whole house cleaning solution products, such as the main large-scale villa machine A7, stubborn cleaning products steam sterilization mop / steam cleaning Machines, local instant cleaning products, hand-held and new products such as sweeping robots.

On the channel side, the company will continue to vigorously promote the construction of high-end commercial complex stores and brand stores such as Shopping Mall. In 2019, the company will open hundreds of new brand stores nationwide, fully embrace new retail and strive to improve its own channels. The store's revenue share, providing consumers with a stylish, technology, warm shopping environment and a good consumer experience.

In the future, the company will continue to explore and promote the development of extension, find suitable expansion opportunities in the global home appliance field, and carry out strategic reserves of brands, resources, products, technologies and talents for the company's future long-term development.

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