

Hangzhou Robam Appliances CO., LTD. 2018 Annual Report Summary

I. Important Notes

This summary is extracted from the full annual report. In order to fully understand the Company's operating results, financial status and future development plan, investors should read the full annual report carefully disclosed on the media designated by the China Securities Regulatory Commission (CSRC).

Statement of objections by directors, supervisors and senior management

Applicable N/A

Statement

All directors of the Company personally attended the board meeting to review this annual report

Notes of non-standard audit opinion

Applicable N/A

The plan for the common stock profit distribution or the plan for converting reserved funds into share capital during the reporting period was reviewed by the board meeting

Applicable N/A

Whether to convert reserved funds into share capital

Yes No

The Company's common stock profit distribution plan reviewed and approved by the board meeting is: based on 949,024,050 shares, eight RMB (tax included) of cash dividends for every 10 shares will be distributed to all shareholders, and 0 bonus share (tax included) will be sent, and no reserved funds will be transferred to the share capital. The plan for the distribution of preferred stock profits during the reporting period is adopted by the board of directors through resolution.

Applicable N/A

II. Basic Situation of the Company

1. Company Profile

Stock Abbreviation	Robam Appliances	Stock Code	002508
Stock Exchange for Stock Listing	Shenzhen Stock Exchange		
Contact Person and Contact Information	Secretary of the Board	Securities Affairs Representative	
Name	Wang Gang	Shen Pingping	
Contact Address	No. 592, Linping Avenue, Yuhang Economic Development Zone, Hangzhou City, Zhejiang Province, China	No. 592, Linping Avenue, Yuhang Economic Development Zone, Hangzhou City, Zhejiang Province, China	
Tel	0571-86187810	0571-86187810	
E-mail	wg@robam.com	azshen@robam.com	

2. Main Business or Product Introduction During the Reporting Period

Dedicated to creating a new quality kitchen life for millions of families, the Company takes root in the kitchen field and focuses on the development, production, sales and comprehensive services of kitchen appliances, including range hoods, stoves, disinfection cabinets, steam ovens, ovens, dishwashers, water purifiers, microwaves, integrated stoves, and integrated sinks. After 40 years of development and growth, the Company has eclipsed peers in terms of industry history, market share and production scale. The Company has ranked No.1 domestically for 21 years for the sale of range hoods, and No.1 globally for the sale of range hoods for four consecutive years.

3. Major Accounting Data and Financial Indicators

(1) Major accounting data and financial indicators in the past three years

Whether the Company needs to retroactively adjust or restate the accounting data of the previous years

Yes No

Unit: RMB

	2018	2017	Increase or decrease this year compared to the previous year	2016
Operating income	7,424,885,274.14	7,017,397,057.99	5.81%	5,794,897,867.13
Net profits attributable to shareholders of listed companies	1,473,579,665.62	1,461,213,518.63	0.85%	1,206,833,878.67
Net profits attributable to shareholders of listed companies that deducts non- recurring gains and losses	1,390,626,550.21	1,406,448,536.49	-1.12%	1,147,130,266.62
Net cash flow from operating activities	1,508,960,311.29	1,272,482,554.23	18.58%	1,545,448,492.32
Basic earnings per share (yuan/share)	1.55	1.54	0.65%	1.28
Diluted earnings per share (yuan/share)	1.55	1.54	0.65%	1.27
Weighted average return on equity	26.40%	31.66%	-5.26%	33.38%
	At the end of 2018	At the end of 2017	Increase or decrease at the end of this year compared to the end of the previous year	At the end of 2016
Total assets	9,455,361,508.83	7,926,615,151.63	19.29%	6,415,202,506.51
Net assets attributable to shareholders of listed companies	6,045,384,387.57	5,260,800,800.91	14.91%	4,128,555,130.62

(2) Quarterly major accounting data

Unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	1,591,941,726.40	1,904,720,839.07	1,897,226,702.39	2,030,996,006.28
Net profits attributable to shareholders of listed companies	302,020,313.43	358,319,192.63	351,293,563.34	461,946,596.22
Net profits attributable to shareholders of listed companies that deduct non- recurring gains and losses	253,208,679.16	343,256,485.65	336,073,868.06	458,087,517.34

Net cash flow from operating activities	558,743,862.18	563,044,165.80	78,122,615.75	309,049,667.56
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Whether the above financial indicators or their total number are significantly different from the related financial indicators in the Company's disclosed quarterly and semi-annual reports

Yes No

4. Share Capital and Shareholders

(1) Number of common stockholders and preferred stockholders with voting rights restored and the shareholding conditions of the top 10 shareholders

Unit: Share

Total number of common shareholders at the end of the reporting period	64,871	Total number of common shareholders at the end of the month before the disclosure of the annual report	57,552	Total number of preferred shareholders with voting rights restored at the end of the reporting period	0	Total number of preferred shareholders whose voting rights were restored at the end of the month before the disclosure of the annual report	0
Shareholdings of the Top 10 Shareholders							
Shareholder name	Shareholder nature	Shareholding ratio	Number of shares held	Number of shares held with limited sales conditions	Pledge or freeze		
					Status of shares	Amount	
Robam Group.	Domestic non-state legal person	49.68%	471,510,000				
Hong Kong Securities Clearing Co. Ltd.	Overseas legal person	10.59%	100,523,784				
China Life Insurance Co., Ltd. - Traditional - General Insurance Products - 005L-CT001	Other	1.53%	14,474,717				
Shen Guoying	Domestic natural person	1.29%	12,240,000				
China Life Insurance Co., Ltd. - Dividend - Individual Dividend - 005L - FH002	Other	1.05%	9,951,907				
Hangzhou Jinchuang Investment Co., Ltd.	Domestic non-state legal person	1.00%	9,451,985				
Shenzhen Guoshi Capital Management Co., Ltd. - Guoshi Capital - Robam Agent Holding Stage 2 Structured Private Equity Fund	Other	0.88%	8,311,165				
BNP Paribas - own funds	Overseas legal person	0.84%	7,994,993				
Hangzhou Yinchuang Investment Co., Ltd.	Domestic non-state legal person	0.74%	7,020,000				
China Construction Bank Co., Ltd. - Anxin Value Selected Stock Securities Investment Fund	Other	0.66%	6,251,432				

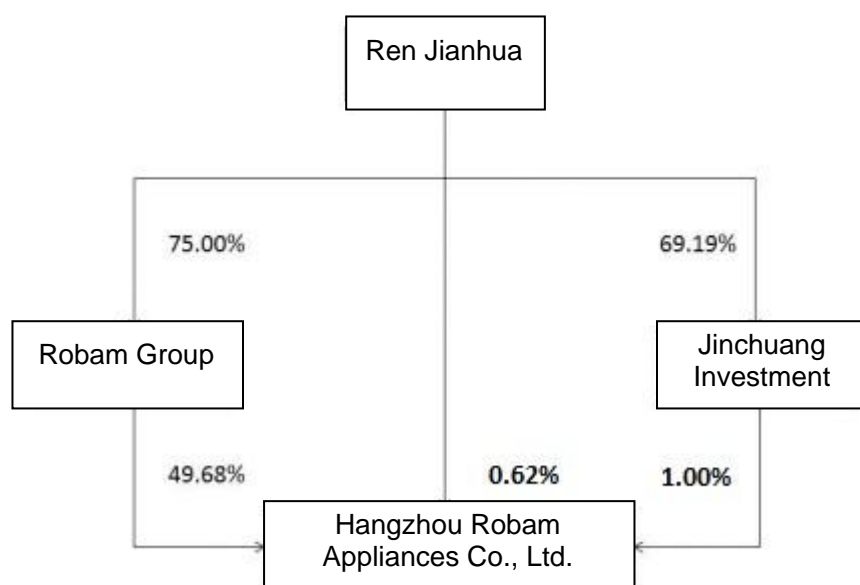
Description of the above-mentioned shareholder association or concerted action	The actual controller of the Company's controlling shareholder Hangzhou Robam Industry Group Co., Ltd. and the shareholder Hangzhou Jinchuang Investment Co., Ltd. is Mr. Ren Jianhua, and the natural person shareholder Shen Guoying is the wife of Ren Jianhua. The above shareholders have the possibility of acting in unison.
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(2) The total number of preferred shareholders and the top 10 preferred shareholders' shareholdings of the Company

Applicable N/A

During the reporting period, the Company did not have preferred stockholders holding shares.

(3) The property rights and control relationship between the Company and the actual controller are disclosed in block diagram



5. Corporate Bond

Whether the Company has bonds publicly issued and listed on the stock exchange that have not expired or expired but not paid in full on the date of approval of the annual report
No

III. Discussion about and Analysis of Business Operation

1. Overview of Business Operation during the Reporting Period

Does the company need to follow the disclosure requirements of special industries?
No

In 2018, the macro-economic situation at home and abroad was very complicated, the impact of real estate regulation on the kitchen appliance industry began to show, and the entire kitchen appliance industry was in depression. According to the CMM retail monitoring report, retail sales of three main kitchen appliances, namely range hoods, stoves and disinfection cabinets, grew by -11.71%, -10.68%, and -20.08% respectively in 2018, all showing a decline which was rare in recent years. Facing the development pressure of the whole industry, we, as a leading enterprise in the kitchen appliance industry, united together and worked hard. The retail volume and sales of our main products obviously increased faster than the average of the industry, ensuring a steady growth of our performance. During the reporting period, we achieved an operating income of 7,424,885,274.14 RMB, increased by 5.81%; and the net profit attributable to shareholders of listed companies was

1,473,579,665.62 RMB, increased by 0.85%. According to the CMM retail monitoring report, up to the end of 2018, the market shares of retail volume and sales of range hoods were 19.76% and 26.62% respectively, the market shares of retail volume and sales of stoves were 17.56% and 23.89% respectively, the market shares of retail volume and sales of built-in steam ovens were 36.32% and 33.80% respectively, and the market shares of retail volume and sales of built-in microwave were 35.03% and 44.05% respectively, all of which continued to be the largest in the industry. The market shares of retail volume and sales of built-in disinfection cabinets were 14.73% and 23.22% respectively, ranking the second in the industry; the market shares of retail volume and sales of built-in ovens were 27.65% and 26.13% respectively, and the market shares of retail volume and sales of built-in dishwashers were both 9.29%, ranking the third in the industry.

In 2018, the marketing section established the working principle of "All for Growth" and worked together to ensure growth in the company's performance. In terms of retail, when facing the adverse situation in which KA in the first- and second-tier cities decreased, we intensified the exploration in the third- and fourth-tier cities. Specifically, we opened 68 new city companies and 535 new exclusive stores. By the end of 2018, we have 155 city companies and 3,258 exclusive stores in total. In terms of innovation, following the development trend of the industry, we cooperated with such channels as cabinets and home furnishing, and established strategic partnership with Oppein, Suofeiya, Jia.com, Dongyi Risheng and some other companies. In terms of e-commerce, in the new environment of online shopping, we timely adjusted our product strategies, optimized the cost efficiency, and improved the quality of operation. Following the online and offline integration, we promoted new retail modes, and vitalized existing customers. In terms of construction projects, we closely followed the changes of such strategic customers as Evergrande, Country Garden and Vanke, met the needs of different premises with differentiated products. The central cleaning system, a very unique product, strongly boosted our development of strategic customers in the channel of real estates. According to the AVC monthly monitoring data of real estate fine decoration, the market share of Robam range hood is 40%, ranking the first in the industry. In the overseas market, the promotion mode was becoming clearer and clearer, and we have covered of the Asian-Pacific region, Australia and New Zealand. The high-end image of the "Robam" brand has successfully settled in these regions, and our international influence has been effectively improved.

In 2018, the technology section strictly implemented the company's technology-driven development strategy, and made remarkable achievements in new product development, breakthrough of technical forms, efficiency of technology development, application of technology pre-researches, and preparation of national standards. During the whole year, we applied for 481 patents, of which 106 were invention patents; obtained 313 patents, of which 9 were invention patents. We gave priority to the research of steam ovens, and established the culinary experience center and the steam culture research institute. We regarded "inheriting and promoting China's excellent culinary and cooking culture, and meeting the Chinese people's needs for high-quality life in terms of healthy nutrition and cooking efficiency" as our responsibility and mission, and filled the blank of steaming in the research of cooking culture. Our products have won various awards at home and abroad. The range hood 5610 won three awards, namely "Chinese Design Gold Award", "2018 iF Design Award" and "Red Dot Design Award"; range hoods 8231S and 8332, stove 9B30C, disinfection cabinet 825 and central cleaning system won the "Red Dot Design Award". Range hood 5900S and oven R026 won the "Epland Award – Product Award" and "Epland Award – Design Award" respectively.

In 2018, the production section aimed to be a benchmark in the home appliance manufacturing industry, and operated in three orientations: "the best supply chain system in the industry", "the supporting system with leading process and quality in the industry" and "a manufacturing plant with efficient management". By improving the A-level compliance rate of suppliers and the lean management of process and quality, the production section continued to improve the quality and control of the whole process; systematically established the procurement cost strategy and the supplier development; built key capacities, and complete the capacity building of dishwasher, steaming oven and central cleaning system; promoted the development of production and sales punctuality system; deepened the improvement of quality and efficiency to promote lean production, and increase production efficiency by 23%.

In 2018, the brand section proposed a brand-new brand concept of "Create New Chinese Kitchens", and insisted on creating a brand image of high-end and youthful company strong in technologies. Through cooperation with authoritative media agencies such as CCTV, People's Daily and leading TV stations, we held the best position for communication, and got close to consumers to publicize our upgraded image in an all-round way through close cooperation with local TV stations, print media, and local transportation media (high-speed rail, airport, metro, etc.). Entertainment marketing, sports marketing and other means were adopted in our brand marketing activities to allow young consumers to have a better understanding of our brand culture and image. Through naming the New Year's Eve party of Dragon TV, and cooperating with popular variety shows "Back to Field" and "Chinese Restaurant 2", we intensified our brand exposure; by virtue of the hot topic of the FIFA World Cup, we organized "Cooking World Cup Banquet", which brought high brand exposure and realized in-depth interaction with consumers; we adopted the innovative methods of star KOL to launch such topics as "All call out", "Domestic fashion products initiative", "box-lunch season", applied scenario and experience-based ways to bring brands and consumers closer,

and further deepen the image of a youthful brand. Through multi-dimensional online and offline integration and communications, we deepened consumers' awareness of the strategic brand upgrade of Robam, and consolidated our image of a leading brand in the industry.

In 2018, MQ company expanded its channels with the guiding idea of "consolidating the position in countries, implementing pilot projects in cities and further developing in towns"; and improved the matching ratio of new categories with the product promotion model of "Focus on range hoods and stoves and steadily expand new categories". In 2018, we opened 2,554 new outlets, of which 1,337 are exclusive stores. By the end of 2018, we had a total of 92 initial distributors, 257 outlets in provincial capitals, 1,025 outlets in cities, 3,161 outlets and exclusive stores in county seats, 4,493 outlets in townships, and over 3,600 model contact stations in townships and villages. We upgraded our brand marketing again, continued to carry out the effective activity of "stir-fry festival". The coverage of outlets which participated in this activity increased from 50% in 2017 to 80% in 2018. We also organized star meetings, and during the Double Eleven Festival, our brand ambassador Na Ying had face-to-face interactions with consumers. In Jiangsu, Guangdong, Fujian and other provinces which are great contributors to our sales, we delivered advertisements in provincial TV stations and highways, which has greatly improved brand popularity.

In 2018, the company continued to receive recognition in terms of its corporate governance, internal management, growth, shareholder returns, etc. It was awarded the "2017 The Most Respected Public Company by Investors" by China Association for Public Companies; the "Best Board Prize", the "Best New Media Operation Prize", the "Best Secretary of the Board Prize" of the 9th Security Times Chinese Public Company Investor Relations Tianma Award; CNR "2018 Excellence Award of Most Reliable Public Company for Investors", "The 2nd China Excellent IR Best Information Disclosure Award". Our company's Secretary of the Board won the New Fortune "The 14th Gold Medal for Secretary of Board", and entered the "Hall of Fame" for winning this award for five consecutive times.

In 2018, the company made attempts in capital operation and long-term incentives. We invested in and controlled Kinde Intelligent Kitchen Appliances, which was our first attempt to enter a new category with capital. The company completed the second phase of agent shareholding plan and the 2018 employee shareholding plan, further established and perfected the long-term incentive mechanism, and greatly mobilized the enthusiasm of stakeholders.

2. Is there any major change in the main business during the reporting period?

Yes No

3. Overview of products which account for more than 10% of the revenue or profit of the company's main business

Applicable N/A

Unit: RMB

Name of Product	Operating Income	Operating Cost	Gross Profit Margin	Changes in Operating Income	Changes in Operating Cost	Changes in Gross Profit Margin
Range Hood	4,012,977,970.34	1,719,332,130.75	57.16%	5.00%	6.50%	-1.05%
Stove	1,792,008,723.86	803,819,821.76	55.14%	-1.65%	0.23%	-1.50%

4. Is there any seasonal or periodical characteristics in the operation which needs special attention?

Yes No

5. Presentation of major changes in operating income, operating cost, total amount or composition of net profits attributable to shareholders of common stock of public company during the reporting period when compared to the previous reporting period

Applicable N/A

6. Conditions of suspension and termination of listing

Applicable N/A

7. Matters related to financial statements

(1) Explanation of changes in accounting policy, accounting estimates and accounting methods when compared to the financial statements of the previous year

Applicable N/A

On April 24, 2019, the 9th meeting of the 4th Board of Directors and the 9th meeting of the 4th Board of Supervisors reviewed and approved the "Proposal on Implementing New Accounting Standards and Changing Relevant Accounting Policies". In view of that the Ministry of Finance released the "Circular on Revising and Issuing the Format of Financial Statements for Ordinary Enterprises in 2018" (Cai Kuai [2018] No. 15) in June 2018, the company decided to implement the revised accounting policies by the time required by the Ministry of Finance. This change of accounting policies only involves the presentation and adjustment of financial statements, and has no substantial impact on the company's total assets, total liabilities, net assets, operating income, and net profit.

(2) Explanation of ratification of major accounting error in the reporting period which needs to be tracked and restated

Applicable N/A

No ratification of major accounting error in the reporting period which needs to be tracked and restated.

(3) Explanation of changes in the scope of combined financial statements when compared with financial statements of the previous year

Applicable N/A

During the reporting period, the company acquired 51% of the shares of Shengzhou Kinde Intelligent Kitchen Appliances Co., Ltd., with its own funds of 160 million RMB, and Kinde was included into the scope of consolidated statements from this reporting period.

(4) Expected operating performance in the first three months of 2019

Applicable N/A