





# Compilation Instructions

## What this report is about

This report is, in principle, about Midea Group Co., Ltd. and its subsidiaries. It will be specifically noted in the report if it reports on any entities that are outside Midea Group. For easy expression, all of the terms "Midea Group", "the Company" and "we" in the report refer to "Midea Group Co., Ltd."

## Reporting period

This report includes the economic, environmental and social activities of Midea Group during 2018 (from January 1 to December 31, 2018), as well as some of the previous or recent related activities.

## Date of publication

April 20, 2019 (the next report is expected to be published in April 2020).

## Principles for disclosure

In the process of selecting contents for the report, Midea Group follows the principles of importance, completeness and comparability of the G3 guidelines proposed by the Global Reporting Initiative, and the report presents information on the economy, society, and environment, focusing on Midea Group's responsibility for sustainable development on its products, the environment, its staff and business partners, etc.

The indicators in this report cover all entities that are effectively controlled or significantly influenced by the Company on financial matters, operational policies and measures, which are consistent with the scope covered by the annual report of the Company. Subject to various objective conditions, the report may not be prepared in a satisfactory manner, but the Company will continue to improve the report in content and format, and publish such a corporate social responsibility (CSR) report every year.

## Data collection

In order to effectively collect data on the work and achievements of each subsidiary regarding the economy, environment, and society in 2018, the data collection was conducted in accordance with the existing work process of the Company. The financial information herein is based on the *2018 Annual Report of Midea Group Co., Ltd.*

## References

The third generation (G3) of "Guidelines for Reports on Sustainable Development" issued by the Global Reporting Initiative (GRI) and the "Guidelines for the Preparation of China's Corporate Social Responsibility Reports (CASS-CSR3.0)" are referred to in the preparation of this report, as required by the "Guidelines for the Operation of Listed Companies on the Main Board of Shenzhen Stock Exchange".

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### User-oriented



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**Corporate responsibility  
under a new normalcy**



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**Rise as a national  
enterprise**





## Thank you for joining us in our rebirth at 50, let's witness the re-creation of greatness together.



2018 marks great advancement of the era. Having celebrated the 40th anniversary of the Chinese economic reform, and looking forward to the upcoming 70th anniversary of the establishment of New China, new perspectives, new starting points, and new systems were born as Midea also celebrated its 50th anniversary. When we look back at history, there were hard times and difficulties, glories and achievements, diligence and hard work, as well as reformation and responsibilities. All of these have powered the advancement of our country, ethnic groups, companies, and individuals.

2018 was a time of changes that had not been seen for a century. Chaos amid the great changes have become the norm and the market settled and returned to reality after all the dust has settled. Crises and opportunities come hand-in-hand amid changes and they rise and fall in the turning cycle. In an era of swift and momentous changes, the courage for reforms becomes the purest form of heritage from Midea's fifty years of development.

Despite the hard time we had in 2018, Midea achieved a total revenue of RMB 261.82 billion, which was a year-on-year increase of 8.23%; and 20.23 billion in net profit attributable to shareholders of the Company, recording a year-on-year increase of 17.05%. At the same time, we were able to maintain stable operations and raise competitiveness. By expanding R&D investment, launching new products, and leveraging our advantages in channel reforms and synergy, we have obtained great progress and results in terms of Industrial Internet, IoT applications, and the establishment of a multi-brand system. Midea ranked 323rd in Fortune's world Top 500 enterprises in 2018 as it climbed 127 places and took the number one ranking in China's home appliance industry. Midea was ranked 26th among the "Top 100 Most Valuable Chinese Brands" in 2018 by BrandZ™ and its brand value increased by 40%. It has obtained a leading position among domestic high-tech home appliance brands. Midea ranked 138th on the top 500 list of the world's most valuable brands published by the British brand valuation agency Brand Finance.

Midea has always upheld the value of enhancing the Company's level of governance and protecting the interests of our shareholders. By repurchasing our stocks amounting to RMB 4 billion amid the fluctuations on the market, Midea contributed to the largest general

repurchase completed in recent years. In addition, Midea continued to maintain a stable dividends policy and the cumulative dividends since its holistic listing will reach RMB 35.7 billion (2018 profit distribution plan included). The stable business performance and outstanding governance makes Midea one of the most popular long-term investments for foreign investors. The shareholding ratio of international investors once approached 28%.

We are now in an unusual era, huge impacts on human work and the skills required in future are being casted by artificial intelligence, machine learning, virtual reality, smart home, Industrial Internet, 5G network and more. Innovation in business models and changes in the structure of the population lead to an endless stream of new competitors and new business models. We are facing higher level of uncertainty like never before. Past advantages are no longer a blessing, while old weaknesses are no longer obstacles for future development. All great companies across the world must face challenges in different cycles. Companies that confine themselves to the concepts and methods of the industrial age face decline. They may have once flourished but they may also turn to dust in this digital age where change no longer waits for anyone.

With "Bring Great Innovations to Life" as our vision, in Midea's 50th anniversary, only through rebirth can we adapt to such a great era and uphold our values and mission. "Change" is our simplest answer in face of complexity.

We will continue to foster changes in business models, truly placing users' demands as our starting point. By adopting a user-centric approach in product development and production and engaging in painful reforms to intensify the transformation in domestic channels, we are going to use the "+ Internet" philosophy and methods for the integration of value chains and system optimization. We shall allocate all resources to areas of concern to end users and continue to improve user experience and optimize our services.

Furthermore, we need to continue to transform our growth and achieve organic growth, by using digital channels to transform sales and retail, and establish solid relationships with users. Our systems have to be transformed from traditional marketing to big data marketing, thus providing users with better experience and services. Meanwhile, we shall leverage our scale advantage and expand network effects.



# Letter to shareholders

It is important to keep investing resources and increasing the growth of our R&D scale and innovation capacity so as to use products to achieve victory. We shall provide diverse products in response to trends for more youthful, high-end and suite designed products, and make all our products smart for advancing into the future. Midea hopes to take advantage of innovation to foster development and invest in robotics, automation, smart logistics, and IoT, so as to harness its advantages in the three key elements of "industrial knowledge, software, and hardware". We shall establish leading industrial Internet platforms and form digitalized solutions for the whole value chain.

We shall continue to advance the digital transformation and establish a "digital Midea" by leveraging the ABC (artificial intelligence, big data, and cloud computing) and the IoT. We shall change Midea's existing business model, reduce cost, and increase efficiency by using smart operations and continue to improve our operational capacity through an efficiency-driven approach.

Once started, changes and rebirth will have no end. In 2018, He Xiangjian, founder of Midea, was awarded the honorary title of "Pioneer of Reform" by the CPC Central Committee and the State Council. In the fifty years since the company's founding, each step in Midea's growth is characterized by the change of the era. Market competition has never been easy and Midea's fifty years of development was full of hardships and difficulties. In the face of a rising storm of competition and the rapid changes and the huge waves of the era, everyone who strives to step forward can transform themselves into the storms, waves, and changes.

The past is gone and the future is yet far. The greatest act of kindness to the future is to dedicate everything to the present.

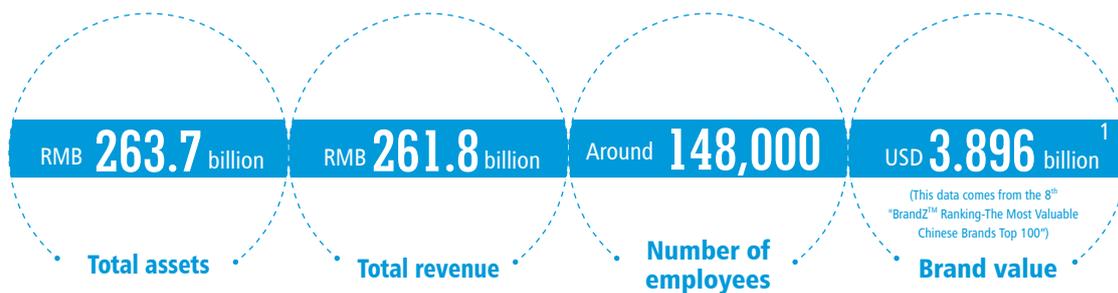
Thank you for joining us in our rebirth at 50, let's witness the re-creation of greatness together.

**Board of Directors, Midea Group Co., Ltd.**  
**April 2019**



# Company profile

- **Name of the Company:** Midea Group Co., Ltd.
- **Time of establishment:** 1968
- **Total number of shareholders:** 228,273
- **Total shares issued:** 6,603,422,687
- **Stock exchange listed:** Shenzhen Stock Exchange
- **Time listed:** September 18, 2013
- **Registered address:** No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China



Ranked the **138<sup>th</sup>** in the 2019 Top 500 Most Valuable Brands list released by Brand Finance



Ranked the **323<sup>rd</sup>** in the 2018 Fortune Global 500 list, **127** higher than last year

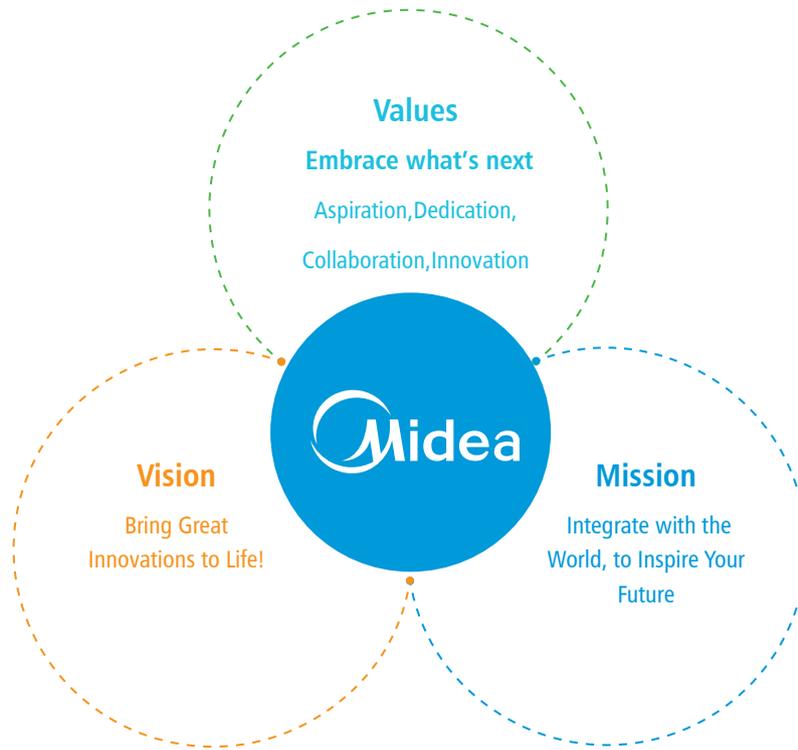


Ranked the **245<sup>th</sup>** in the Forbes 2018 Global 2000 list, **90** higher than last year



CCTV China's **Top 10 Listed Company** in 2018 for a third consecutive year

# Midea philosophy



## Midea honors



### 2018 The Most Valuable Chinese Brands Top 100

Ranked the 26<sup>th</sup> of the "BrandZ™ Ranking 2018 -The Most Valuable Chinese Brands Top 100"

### 2019 The Most Valuable Global Brands Top 500

Ranked the 138<sup>th</sup> in Brand Finance 2019 The Most Valuable Global Brands Top 500

### The Fortune Global Top 500

Ranked the 323<sup>rd</sup> in The Fortune Global Top 500 in 2018, 127 higher than last year

### The Forbes Global Top 2000

Ranked the 245<sup>th</sup> in the Forbes Global Top 2000 for 2018, 90 higher than last year

### CCTV China's Top 10 Listed Companies

CCTV China's Top 10 Listed Companies in 2018 for a third consecutive year

### Top 100 Most Valuable Tech Brands 2018

Ranked the 41<sup>st</sup> in Brand Finance Top 100 Most Valuable Tech Brands 2018

### 2018 The Most Valuable Chinese Brands Top 10 in Overseas Revenue

Ranked the 6<sup>th</sup> of the "BrandZ™ Ranking 2018- The Most Valuable Chinese Brands Top 10 in Overseas Revenue"

### 2018 Global Challengers Top 100

One of the seven newcomers from China in the 2018 BCG Global Challengers Top 100

### The Forbes 2018 Global Best Employers

One of the 84 Chinese enterprises in The Forbes 2018 Global Best Employers

### The Most Popular Chinese Brands

One of the Most Popular Chinese Brands announced by People's Daily on the second "China Brand Day"

# Social responsibility



## Basic Guidelines

- Adhere to honesty, responsibility, health and scientific development;
- Create customer value and effectively meet customer needs;
- Pursue maximum shareholder value and protect the interests of other stakeholders;
- Provide platforms and resources to encourage employees to create value, achieve self-development and develop together with Midea;
- Encourage professional managers to create long-term value for shareholders.

## Stakeholders

<p><b>Users</b></p>	<p>Persist in providing users with energy-saving, environmentally-friendly, personalized and healthy products and services to create a more comfortable living environment and a higher-quality life.</p>
<p><b>Employees</b></p>	<p>Practice the concept of "people oriented", respect the rights and interests as well as values of employees, provide employees with good remuneration, benefits and working environment, establish career development channels for employees, offer good trainings to enhance abilities of employees.</p>
<p><b>Shareholders</b></p>	<p>Provide shareholders with stable and lasting returns by sound economic activities, and maximize the value of Midea.</p>
<p><b>Partners</b></p>	<p>Comply with commercial laws, establish a community of shared interests, develop and share success with partners, pursue rational competition, and safeguard the healthy development of the industry.</p>
<p><b>The government</b></p>	<p>Abide by laws and regulations and provide support for government policies and activities. Abide by laws, historical and cultural customs of different regions in the world, and support regional environmental, economic, and cultural development.</p>
<p><b>The Society</b></p>	<p>Proactively undertake social responsibility, participate in public welfare undertakings, and actively play our role in various social undertakings in education, medical care, sports, people's livelihood, disaster relief and charity.</p>

1



User-oriented



Midea's products and services give you a better life





## Leading products

As the era of smart manufacturing begins, a reshuffle takes place in the landscape of the global manufacturing sector. Amid fierce competition, Midea puts forward three core strategies of "Leading Products, Efficiency-Driven and Global Operations", focuses on the "M-Smart Strategy" of "Smart Home" + "Smart Manufacturing", as well as beefs up its innovation system. With the insight of "M-Eco" put forward at the AWE Strategy Conference, Midea continues to explore and make plans in man-machine interaction and other areas of cutting-edge technologies. It develops more advanced products through both premium quality and differentiated technologies, thereby improving both product quality and technical content.



### Star product atlas: Air

#### ► DualJet Engine AC



AWE Gold Award

- Aeroturbine technology and dual air flows for even coolness in the room;
- Multi-vector perturbation for soft and gradual air distribution;
- 20-meter air distribution for a wider space.

#### ► Skirting Line Series Radiator



AWE Design Award

- Comfortable warmth for a small space;
- Exquisite workmanship with the aluminum alloy going through 23 processes;
- Circulating warmth like a curtain wall;
- Controllable silicon stepless power regulation technology for 10-section equivalent power output.

#### ► COLMO BLANC Range Hood

- Combination of the T-shape and the tower-shape, as well as a thinner body of 376mm to avoid head bumping while cooking;
- T-shaped hood for zero smoke;
- A+ dual and 135° sucking, as well as strong exhaust through an internal-external pressure difference of 730Pa;
- 2dB less noise under the same sucking rate through A+ acoustic resistance.



## Star product atlas: Cleaning

### ► COLMO BLANC Washing Machine



AWE Innovation Award

- Sapphire-class damp-proof and dust-proof industrial camera coupled with big data-based AI algorithm to identify the color, shape and amount of clothes;
- Custom, professional washing and drying with no damages to the shape and color of the clothes.

### ► Beverly Qing Series Washing Machine

2018 Chinese Outstanding Industrial Design Gold Award

Smart Choice Product of Year 2018

2018 Red Star Design Award in China

- Disruptive innovation of the world's first 720° washing for more cleanness and protection;
- The world's first MBS vibration reduction system for less noise;
- Smart rotary drum with a strong high-tech feeling;
- Round and smooth with a 45° human-machine angle and a round lid, representing elegance and casual luxury.



### ► Midea Dishwasher

2018 China Household Appliances Panshi Award  
Certification in 2018 by CHEARI

Golden Choice Award-Smart Innovative Product 2018

- The world's first Sahara 4.0 with hot-wind drying;
- 29-minute quick wash;
- One-button smart wash with automatic oil identification;
- Meiju APP for custom wash;
- Fingerprint-proof stainless steel+ hidden handle;
- Internal light;
- Whole-new detergent putting system.





## Star product atlas: Nutrition preservation

### ▶ Dancing IH Series Rice Cooker

2018 China High-End Household Appliances and Consumer Electronics Red-Top Award

- Multi-section IH dual heating for 720° boiling and more even heat;
- Electrode Smart Eyes automatic control for constant boiling without overflow;
- Titanium bowl for long-time heat preservation, with upgraded wear-proof crystal PLUS coating;
- Innovative steaming bowl for dual cooking, offering different tastes for different needs.



### ▶ Variable Frequency Silent Series High Speed Blender

2018 China High-end Household Appliances & Consumer Electronics Red-Top Award

- Smart variable frequency: High power motor with smart variable frequency, enabling different rotation speeds for different food materials with the best blending effect and nutrition preservation;
- Less noise: Smart frequency motor coupled with five noise reduction technologies for silent enjoyment;
- Patented blending system: Eccentric blending technology with Chinese Outstanding Patented Invention Gold Award for more blending without blind spots;
- Even heating system: 1500W bowl curved heating + micro-pressure breathing valve for fast and even heating and a stronger flavor of the food;
- Thoughtful design: One-button lid-opening to avoid scald; multiple cups for easier food processing; dual anti-overflow; and different taste choices.



### ▶ Midea Electric Pressure Cooker

AWE Product Award

- Variable pressure for better boiling and a strong flavor of the food;
- Maglev variable pressure, enabling different pressures for different food, as well as a stronger flavor of the same food;
- High-pressure fast cooking from 70kPA to 112kPA;
- Vacuum preservation technology to keep the food fresh for as long as 24 hours.



## Star product atlas: Water health

### ► Beverly Series Water Purifier

2018 IFA Product Technical Innovation Golden Award

- No need to change the membrane for as long as four years, saving your time;
- Time-saving experience with 2.5L/min water dispensing;
- Exquisite with a body as thin as 132mm, saving your space;
- Simple with 45° dual-filter design for automatic filter changing;
- Pure physical water-saving design, saving 20% more than China's level 1 water efficiency.



### ► Beverly Series Water Purification Dispenser

2018 IFA Product Technical Innovation Golden Award

- Chic appearance: Perfectly round and smooth;
- Six brewing methods for eight scenarios, allowing you to better entertain your guests;
- Pioneering FIST integrated composite filter, saving 50% filter-changing cost;
- 4. 5-inch running-track mirror omni-view TFT screen for TDS real-time monitoring;
- Four-section temperature control for instant heating, 87% higher water output speed;
- 22L ultra-efficient refrigeration chamber with three modes including the dry mode and the moist mode;
- One-button cleaning+ regular cleaning to prevent secondary contamination.



### ► Beverly GQ3 Electric Water Heater

2018-2020 National Energy-Efficiency Star

2018 China Water Heater Industry Health Pioneer

- Titanium core, anti-corrosion tank, replacement-free magnesium rod and smart risk identification;
- A small body with a large water capacity, for example, 800mm for 70L, 6 times larger capacity;
- Turbo+ instant heating within 1.5 minutes;
- Pure-Clean water for healthy bathing;
- Smart butler system to record bathing habits for 49 days;
- Power-off protection during water discharge and silver ion bacteriostasis.





Midea Chic Water Life "BUGU" Series was officially launched, setting a trend for chic home appliances.

As people pursue a simple and comfortable living philosophy as a new trend, Midea launched its "BUGU" zazen new product series in March 2018. Carrying a 50-year technological gene, this product series awakes the local cool and chic gene with an exquisite and simple design philosophy from China's new-generation designers.

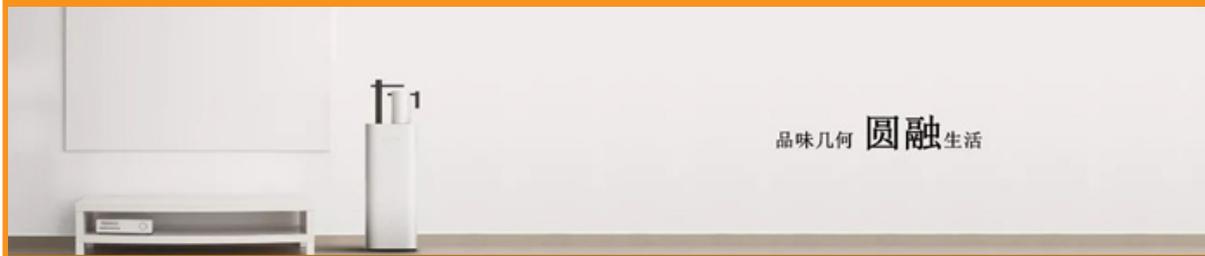
On the domestic home appliance market, Midea has opened a new chapter of chic home appliances with the latest technology coupled with the simple and chic design aesthetics. The first Midea Chic "BUGU" Zazen Water Life Product Series responds to the simple living philosophy of the younger generation with a minimalist design, integrating aesthetics into life and making technology sexier.



Midea Time

In March 2018

"BUGU" was launched



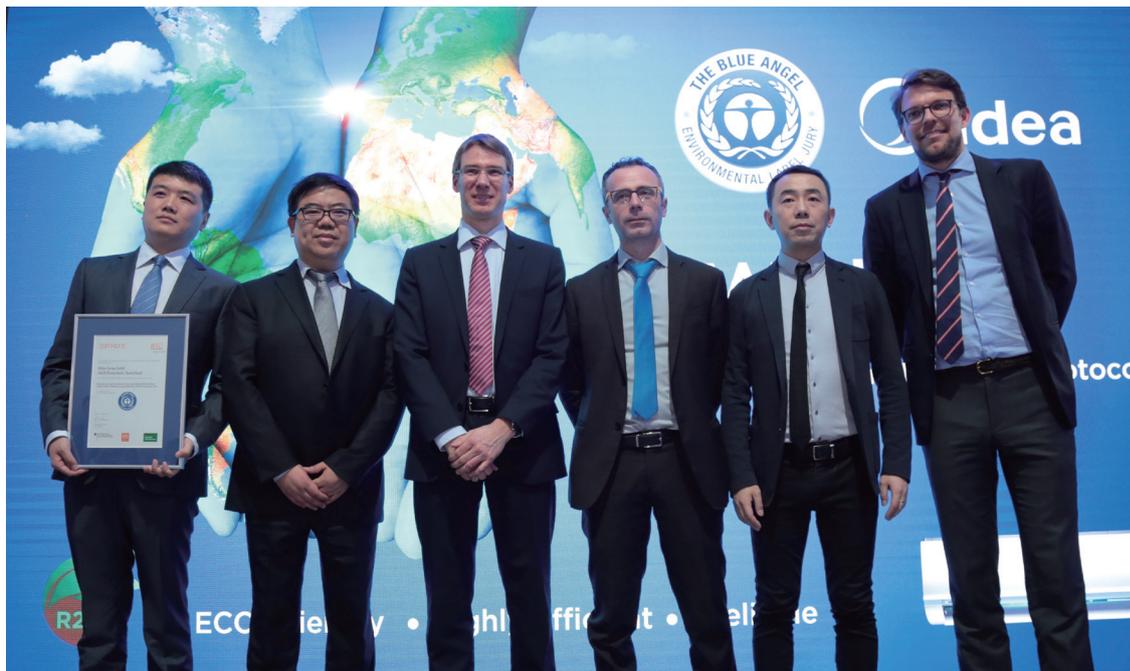
Midea Air Conditioner took the lead to pass the certification by Der Blaue Engel, providing a technical solution for the "Kigali Amendment".

At MCE in March 2018, Midea Split AE Series R290 Full-DC Variable-Frequency Air Conditioner, with technical advantages including the extremely low GWP refrigerant, high energy efficiency, low noise and severe material safety control, was certified by Der Blaue Engel, with Midea becoming the first A/C maker around the world to obtain this certification.

Der Blaue Engel is a certification program led by Germany's environment ministry, representing the highest standards of comprehensive energy efficiency, health and environmental protection characteristics in the home appliance sector. It is of historic significance that the Midea Residential Air Conditioner R290 Refrigerant Technology Application can win this honor and that Midea can provide a technical solution to the "Kigali Amendment".

### Midea Time

**In March 2018  
Midea passed the  
Der Blaue Engel  
certification.**





**Midea launched a whole new high-end AI-powered home appliance brand—COLMO.**

In October 2018, Midea’s high-end AI-powered home appliance brand—COLMO held a launch ceremony and made its global debut at Mont Blanc, the highest mountain peak in Europe. COLMO means climbing. Featuring the brand essence of “Simply Extraordinary” and the brand concept of “Technology Serve the Nature of Life and Design Maximize the Value of Rationalism”, COLMO integrates the cutting-edge technologies around the world and the wisdom of high-end smart manufacturing. It is committed to providing best-quality and self-learning AI-powered home appliances.

To create a smart life experience with extraordinary technology is the vision and goal of COLMO. Relying on the Emerging Technology Center at the Silicon Valley as the base for cutting-edge technology research, COLMO integrates AI core technologies into high-end home appliances, offering consumers comfortable and smart use experience through image recognition, deep learning and big data expert systems. Meanwhile, COLMO promotes a unique “rational aesthetics” of simplicity in its product design to achieve a perfect balance between avant-garde design and original texture. It aims to create a better life with rationalism and offer a smart life to high net worth individuals around the world.



**In October 2018, COLMO was launched.**

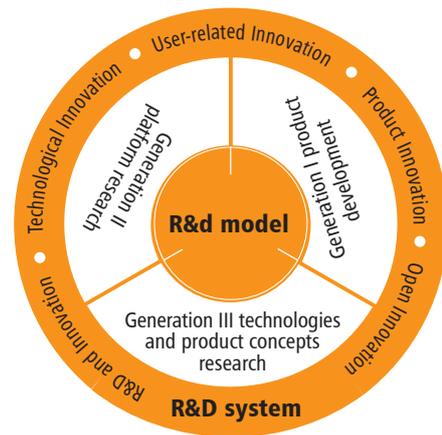


## Technological Innovation

### Four-level global R&D system

Focusing on consumers, Midea will continue to increase R&D investment and product development. It will focus on R&D and innovation, promote technological innovation, user-related innovation, product innovation and open innovation system construction, and build a globally competitive R&D system. With the Central Research Institute as the core, Midea continues to improve its fourth-level R&D system. It pays attention to the construction of a prior study system and makes medium and long-term plans for technology reserve.

According to the "Leading Products" strategy, an innovative R&D model of "Three Generations" has been put in place, namely, "Generation I product development, Generation II platform research, Generation III technologies and product concepts research". "Generation I product development" means product development projects with specific launch schedules; "Generation II platform research" means platform innovation projects to support next-generation products with whole-new selling points and technologies; and "Generation III technologies and product concepts research" means technology research projects to support next-generation platform innovation.



## “Numbers about Midea”

### Patent application

**15,895** patent applications

**6,102** invention patents

### Patent awards

**2** gold awards

**2** silver awards

**11** excellence awards

### International design awards

**51** international design awards

**16** Red Dot Awards (Germany)

**14** iF Awards (Germany)

**21** IDEA Awards (the U.S.)

### R&d Achievements

In 2018, Midea filed 15,895 patent applications in total, including 6,102 inventions. At the end of 2018, the number of domestic patent applications of Midea exceeded 94,000 in total and 44,000 patents were granted.

While carrying out the core technology research, Midea has attached great importance to the transformation of R&D achievements. Various accolades have been won. In 2018, Midea won two gold awards, two silver awards and 11 excellence awards of Chinese Outstanding Patented Invention. The products that won the awards include "Eccentric Turbulence Mixer Blender", which won the "Chinese Outstanding Patented Invention Gold Award" and "Beverly Qing Series Washing Machine", which won the "Chinese Outstanding Industrial Design Gold Award". The New Refrigerant R290 AE Series is certified by Der Blaue Engel, with Midea becoming the first A/C maker around the world to obtain this certification. Meanwhile, Toshiba Front Loading Washing Machine that made its debut on IFA 2018 has passed the Germany VDE certification for being highly energy-saving. In product design, Midea won a total of 51 international design awards during 2018, including 16 Red Dot Awards (Germany), 14 iF Awards (Germany) and 21 IDEA Awards (the U.S.). In product quality, Midea was granted the National Business Quality Award at the 2018 National Business and Technology Quality Conference. In order for increasingly competitive products, Midea has been strengthening R&D investment and the development of innovative products, as well as focusing on the improvement of product quality and process design.



standard innovation

product innovation

Double drivers for R&D achievements

**In March 2018**

The national standard of the Food Blender, of which Midea had led in the drafting, was approved and filed.

**In July 2018**

The Methods for Assessing the Quality of Rice Cooked in Rice Cooker, the world's first such standard, of which Midea had led in the drafting, was approved and issued.

**In October 2018**

The IEC60335-2-15 international standard revised under Midea's leadership was approved at the 97<sup>th</sup> IEC.

Midea had seven advanced corporate standards which were selected into the 2018 Corporate Standard "Forerunner" Pilot List published by China National Institute of Standardization.

**In December 2018**

The group standard titled Technical Specifications of Long-Lasting, Hydrophilic and Corrosion-Resistant Coated Aluminum Foil Used in Air Conditioner Fins, which had been drafted under the joint leadership of Midea and CHEARI, was selected into the list of "2018 Top 100 Group Standard Demonstration Projects of the Ministry of Industry and Information Technology, representing a positive contribution to the standardization of industry technology.

The national standards of the Electric Cooker and the Energy Efficiency Limits and Levels of Electric Pressure Cooker, of which the drafting and revision had been completed under Midea's leadership, were publicized in December 2018 for opinion.

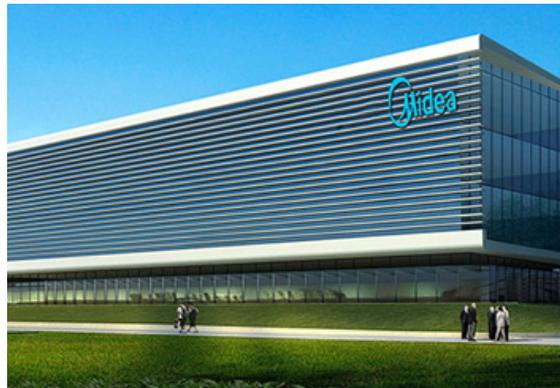
**14 scientific and technological achievements were certified as International Leading**

In 2018, a great number of technological achievements made under Midea's leadership were certified as "International Leading".

14

Scientific and technological achievements were certified as "International Leading".

- "The Research and Commercialization of the Low-Noise Key Technology of Horizontal Dust-Cup Cleaners"
- "The Research and Application of the Energy-Efficient Technology for the Midea Building Management System (M-BMS)"
- "The Scenario-Based Dry-Burning Protection Technology and Gas-Leakage Alarm Technology"
- "The Research and Application of the Efficient and Even Burning Technology"
- "The Research and Commercialization of the Low Harmful-Gas Emission Technology for Gas Water Heaters"
- "The Research on the Application of the High-Efficient Phase Change Power Storage Technology in Electric Water Heaters"
- "The Research and Application of the Healthy Storage Technology for Dishwashers"
- "The Research on High-End Functions of Energy-Efficient Dishwashers"
- "The Key Technology for R290 (Propane) Indoor Air Conditioners and Its Application"
- "The Research and Application of the Strong Heating Capacity and the High-Level Comfort Key Technology for Air Heaters"
- "The Research and Application of the Indoor Micro-Climate Multidimensional Regulation Key Technology"
- "The Development and Application of the Ultra-Low-Temperature Gas-Liquid-Mixed Ejection Air-Source Heat Pump System"
- "The R&D and Productization of the Smart Moist Control Technology"
- "The R&D and Productization of the Week-Long Freshness Technology"





## Efficiency-driven

### Continue to promote T+3

Midea has implemented the T+3 model that is customer-oriented with an aim to satisfy market demands quickly. It carries out reforms with a focus on driving the whole supply-demand value chain, proactively responds to users' demands, targets sore business points, focuses on the connection of breaking points, and carries out in-depth reforms in four areas, including synergy of production and sales, transparency of delivery time, offline direct delivery and synergy of suppliers. Amid drastic market and competition changes, Midea has established a complete set of reversed forcing mechanism and a supply-demand model driven by market terminals.

Midea implements a shared inventory system for warehousing management through the smart cloud warehouse together with the collaborative warehouses distributed nationwide. Based on the efficient offline distribution system and strengthened terminal service capabilities, Midea connects commodities, funds, information and logistics and propels the improvement of the "shared inventory" logistics platform of concentrated logistics distribution.



### M-smart cloud to win the future with "digits"



Optimizing the logic of user experience is a key to better service efficiency. The digital service marketing cloud system provided by MeiCloud simplifies and standardizes complicated matters:

Marketing Clouds allows scenario marketing to support the upgrading of digital marketing in enterprises, effectively integrates online and offline user data, establishes a whole-channel connection with consumers, helps enterprises to operate accounts and facilitates sales;

E-Commerce Clouds builds a whole-channel marketing system, launches comprehensive new retail solutions, provides services including whole-network order execution, smart supply chain, integration of business and finance as well as construction of official website malls, gathers whole-channel data, extracts key business indicators, streamlines e-commerce operation and serves as a reliable business driver;

Channel Clouds enables digitization to assist enterprises in refining channel marketing, connects whole-channel information flow of agents, distributors and terminal stores, and achieves mutual benefits and win-win results with channel customers; as well as realizes digital transparency of corporate channel management.

In order to enhance user service capability in the consumer durables industry, Marketing Clouds centers around the unification of consumers' user experience and provides consumers with consistent enterprise-specific experience. Whether it is online or offline purchase, Marketing Clouds carries out consistent aggregation management through further one-touch quick service obtainment in respect of user account number, basic information, address, purchase, installation, maintenance, e-invoice, product, credit rights and product information on basic behaviors. As a result, consumers are able to experience the consistent services of an enterprise through any terminal (WeChat, App, shopping guide or physical store).

Looking forward into the future, China's digital ecosystem is expanding with the potential to drive breakthroughs in the entire industry. Amid such a trend, Midea will continue to promote digital transformation and win the future with "digits"!



### The exploration and application of C2M model

Midea proactively explored and implemented the application of C2M model in various product categories (washing machines, water heaters, lifestyle appliances). Through digital upgrading in the whole value chain of R&D, production and sales and with a focus on key projects such as platform-based and modular development, flexible manufacturing and intelligent marketing, Midea implemented the business model of individualization and customization for household appliances oriented by users' real demands. In this way, it has achieved a win-win situation with the consumers, as well as recognition from the market.



### Building core competitiveness of urban distribution

Importance was placed on the core business of integrated warehousing and distribution services. Supported by a self-developed information technology system and a distribution network across the country, Annto realized fully visualized direct distribution to every corner of the country for various scenarios. Midea also deepened its unified warehousing and distribution strategy by cutting unnecessary links to speed up all-channel distribution and capital turnover to build a supply chain logistics system featuring "Shared Warehouses, Unified Dispatch, Quick Response and Fast Distribution". Based on the nationwide distribution network established, Annto launched a number of distribution service products, including One-Day Delivery, Timed Delivery and Appointed Delivery, to expand external market on all fronts.

In 2018, the city distribution and home distribution business scale of Annto saw a year-on-year increase of 300%. For example, Annto fully deepened cooperation with Cainiao in 2018 to jointly build an efficient logistics service system. During its engagement in the Double 11 project of Tmall, Annto ranked among the top large piece delivery cooperators of Cainiao in the ratings by Tmall buyers. Based on the logistics center network in 118 cities nationwide, Annto is able to deliver to 19,956 towns and villages within 24 hours and to 16,511 towns and villages within 24-48 hours, with a 48-hour distribution coverage ratio of 87.6% in China.

“Numbers about Midea,”

**The distribution network**  
118 urban logistics centers

#### Efficiency

Deliver to **19,956** towns and villages within **24** hours

Deliver to **16,511** towns and villages within 24-48 hours

A 48-hour distribution coverage ratio of **87.6%** in China

A **300%** YoY increase in the distribution business scale





## Global operations

Midea has been pursuing the globalization strategy as always. It further promoted its global business layout to solidify its global competency. It formulated a global supply cooperative mechanism, strengthened localized operations in overseas business, and promoted product globalization. Midea established 15 overseas manufacturing bases with around 33,000 employees and has 24 sales operation offices in North America, South America, Europe, Asia, Africa and Oceania, with business covering more than 200 countries and regions. Meanwhile, guided by the market and focusing on users, Midea has also established 20 global R&D centres in 9 countries, including the U.S., Italy, Germany, India and Singapore, to work on future products and technologies with foresight.

In 2018, based on its overseas regional operation offices, Midea established Midea International Business with a reform of the international business organizations from a platform unit to a business entity. Under a unified global macro framework, the three regions continued to advance international corporate governance by adjusting measures to local conditions, reinforced the integration of R&D, production and sales systems in regional markets, and further strengthened cohesion effects.



### “Numbers about Midea”

#### The global network

**15** overseas manufacturing bases

**20** R&D centres

**24** sales operation offices

Business covers more than **200** countries and regions

Around **33,000** overseas employees



### R&D internationalization

In recent years, China's manufacturing industry has taken on three prominent characteristics: from product sales to industry standards sales, from product internationalization to R&D internationalization, and from individual product competition to the competition of cluster competency. China's manufacturing industry has started to enter new turning points. Under such a trend, Midea has firmly grasped the opportunities to formulate another important strategy after product internationalization - R&D internationalization as part of the global operations strategy.



With a global vision, Midea has set up R&D institutions in major economies, key markets and technologically developed countries or regions. So far it has founded R&D centers in nine countries around the world, such as the U.S., Japan, Italy and Austria, for the purpose of performing asset allocation within the global range and developing itself into a global tech giant.

Product localization, utilization of regional technologies and integration of local resources are the three important functions of Midea's global R&D centers. By proactively embracing the world's advantaged asset allocation, Midea takes technology innovation as the base point for global market layout and has gradually broken industrial boundaries and established new differentiated competitiveness and business models.

In the future, Midea will continue to practice the policies of innovation-driven development and optimization of supply-side reform, accelerate the construction of the global technology network, reinforce core technology competence with a solid R&D system and keep growing towards a global tech giant.

## User-oriented

Midea pursues a user-oriented philosophy, implements an innovation mode focusing on users' actual demands, and drives product sales and corporate development through collecting real user experience. From the past product design steered by designers, to the integration with market survey opinions, and then to the establishment of an interaction platform with users to listen to their voices for collaborative innovation, Midea has reflected users' demands into product R&D and intelligent manufacturing processes step by step. On top of that, Midea has established a user research office to simulate the use of products by consumers in real life. Meanwhile, through in-depth visits and research and big data analysis, Midea includes the research results into product planning, development and testing to provide guiding opinions for product R&D and improvement.

### The "User Experience Center" serves as a bridge for "Zero-Distance Communication"

To better understand user demands, Midea has launched a series of product performance experiences and one-stop experience centers to optimize products through collecting real consumer experience and have direct, one-to-one and face-to-face communication with users for their demands. From the "1 kWh per Night" experience, "User Experience Club of Water Heaters" and "30-day Free Trial Allowing Return of Failed Products" to the Integrated Smart Home Experience Pavilion and Shanghai User Experience Innovation Laboratory, Midea has been seeking product development oriented by user demands with a focus on users' product experience and has built a bridge for "Zero-Distance Communication" in advance.



Midea launched a "customer-oriented" product experience improvement program to thoroughly improve the customer's "seeing, hearing, touching, feeling and smelling" experience in all the links including pre-sales consultation, buying, using and after-sales service. Meanwhile, Midea's new products are much easier to use in addition to more serialized and delicate exterior design. As a result, negative comments on Midea's major products on e-commerce platforms have decreased 26%.

### The "Midea Service" platform continues to create value for users.

"Midea Service" is Midea's self-service platform for household appliance users. Its integrated service functions include installation, repair, deep cleaning of household appliances, online customer service, etc.. Users may also search useful information such as service outlets, user manuals and e-invoices through the platform. The core direction for the upgrading of the "Midea Service" platform is to establish data-based and transparent service assignment and rating management that are most needed by users. In addition, it aims to analyze and predict the macro trend of service demands, dynamically adjust resources and labor arrangements and perform rapid and timely service responses, which are of great significance to the optimization of corporate management and can increase order management efficiency and improve staff management level. Ultimately, it will result in improved user service experience and become another core corporate competitiveness.

An important upgrading of the "Midea Service" platform is the whole-process visualization of order information. Upon a successful appointment, a user may view the whole service process, receive duly notified reminder messages, reasonably arrange his/her own time and wait for the service engineer at home, which solves the problem of monitoring blind spots.

Enhancing customer service capability is a necessary route for an enterprise to increase its brand value and build up its brand image. Having been refining itself from commonality to individuality and from system to details, "Midea Service" is gearing up all the time to create value for users continuously!

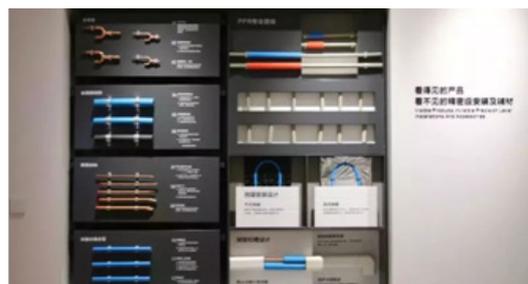




### Terminal revolution, from static to interactive experience

Midea adopts a scenario-based marketing model for its real-estate-market home appliance experience center. Starting from the perspective of the real estate market for the whole house and with professionalism at the core, the center is dedicated to providing consumers with whole-process real-estate-market home appliance services to satisfy consumers' extreme requirements for comfortable home scenarios on all fronts.

Midea's real-estate-market home appliance experience center consists of five segments to cater for consumers' demands under different scenarios. In the comfortable life laboratory, with smart home as the core, smart life scenarios are created in the living room, kitchen, bedroom and bathroom; in the area of environment system, water system and nutrition system, solutions are provided respectively for indoor air, heating and lighting, for drinking water and domestic water and for food; in the design area, professional designers provide overall smart home solutions by giving comprehensive consideration to users' home decoration demands and product functions. At the same time, based on Midea's real-estate-market home appliance experience center, more membership services can be provided for consumers, covering health, nutrition, household life and other aspects.



### Midea's first Integrated Smart Home Experience Pavilion is open | Providing one-stop service and smart experience

Relying on the national chain of home decoration stores, Midea has created a new comprehensive experience center that integrates all Midea appliances and smart home solutions. In the experience pavilion, Midea offers a one-stop home appliance solution for every home decoration consumer.

In the future, the operation center of Midea's integrated smart home experience pavilion will be able to provide consumers with the most suitable smart appliance packages according to their preferred home decoration styles and living habits, together with one-stop pre-sales, after-sales, delivery and installation services. Consumers can purchase and get all the home appliances installed by one single order. Additionally, the most cost-effective package will be offered to help consumers avoid the trouble of selection and communication. Midea's one-stop service can help consumers buy all the home appliances at once.

In the future, Midea will provide one-stop home appliance service for more consumers via the Integrated Smart Home Experience Pavilion. It is always committed to creating a more intelligent and comfortable home life for users.



## Channel Marketing

Midea continued to optimize and extend the applications of the CCS2.0 System, the MeiCloud Sales System and the RMS system to support and deepen channel reforms. The Company introduced house decoration design software, developed the suite design capacity of household scenario and provided consumers with all household appliance solutions and one-stop shopping experience

In 2018, Midea launched the WeChat mini program of "Midea Home Delivery" to provide offline stores with an instrument of online channeling, terminal sales and member operation, in order to facilitate the digital transformation of terminal stores; based on inventory transparency and synergy of physical goods on the whole channel, Midea opened up the information flow of synergistic warehouse, established whole-channel inventory sharing and digestion rules, and enabled the automatic adjustment system of the channel inventory level, so as to implement shared inventory management and increase inventory turnover ratio.



## Midea E-commerce

Big data of users enable the manufacturing end to supply in a better way to the retail end.

In terms of online channels, Midea continued to focus on products and users. It built an Internet-based big data platform and launched strategic cooperation programmes with platforms such as JD and Tmall to continuously explore digital precision marketing models. On one hand, it tapped further into customer value and needs, so as to develop more competitive products for the online market. On the other hand, marketing efficiency increased significantly through integrating advertisement putting and applying smart advertisement putting tools, as well as focusing on the promotion of lean and data-based operation.

In 2018, Midea attached importance to user operation. It concentrated on core users, connected the membership systems of Midea and e-commerce platforms, as well as linked online and offline data. A unified member profile system was put in place with unified member identity, interests and assets. And member identity recognition will be boosted through long-term, fixed member privileges. Furthermore, online channel authorization control was strengthened. Appraisal mechanism has been built for the e-commerce operation and customer service systems. In 2018, Midea carried out a supply chain deep coordination programme with e-commerce platforms, which enabled accurate prediction, smart distribution to warehouses and automatic re-stocking through big data and system connection. Such a smart supply chain can respond quickly to consumer demand and improve shopping experience.

In 2018, Midea's online sales exceeded RMB50 billion in 2018, up by 22% YoY, maintaining the highest sales on China's mainstream e-commerce platforms such as JD, Tmall and Suning in various household appliance categories. Particularly on the Double 11 Shopping Festival, Midea's online sales hit a new high of more than RMB5.3 billion, which makes Midea the top seller in various home appliance categories on China's three major e-commerce platforms of JD.com, Tmall and Suning.com for six consecutive years.

### “Numbers about Midea,”

#### Online sales

Over RMB **50** billion of online sales

Up by **22%** YoY

Over RMB**5.3** billion of online sales on the Double 11 Shopping Festival



2



M-Smart life



Connect family life with social life through considerate services





## Forward-looking planning for “M-Eco”

In March 2018, Midea held the “M-Eco” strategy conference in Shanghai, where it shared its perception of the future: Man and machine will enter a more profoundly and harmoniously collaborative relationship and usher in the “M-Eco”. In addition to being an extension of the “M-Smart Strategy”, this strategy strives to take big data and AI as drivers, equip products, machines, processes and systems with perception, cognition, comprehension and decision-making capabilities, fully connect Midea’s unique advantages in its product and business range and enhance the practice of manufacturing and life to a new height, thus bringing better life experience to users.

Under the backdrop of the “M-Eco”, intelligent manufacturing is entering a deeper level while robot introduction and unmanned factory construction is just the beginning. The most essential nature of intelligent manufacturing lies in the interconnection of all businesses based on big data analysis and connection and in the connection of research and development, supply chain, production, logistics, sales and post sales, including the used-to-be relatively separate link such as the consumer link. Over nearly three years of production standardization and digitization, Midea has basically accomplished the global collaborative production platform of “One Midea, One System and One Standard” and developed whole-value chain supporting software.



## Midea Time

In March 2018, the “M-Eco” strategy was unveiled.



## Innovative Industrial Internet



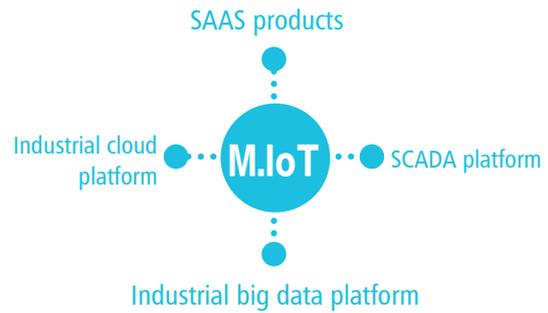
To accelerate the transformation towards a world's leading technologies group and further advance digitalization, based on its software advantages, rich manufacturing experience and industry-wide advanced KUKA robot and automation technologies, Midea built industrial Internet factories and industrial Internet platforms at the production base pilot in Nansha, Guangzhou.

In August 2018, the pilot project successfully started operation. In October, Midea officially launched its industrial Internet platform "M.IoT" and became a provider of comprehensive industrial Internet platforms integrating autonomous industrial knowledge, software and hardware. M.IoT focuses on building the SCADA platform, the industrial cloud platform, the industrial big data platform and industrial SaaS service to provide standardized, cloud-based and platform service, including C2M, supply coordination and solutions, with openness to the public. So far, more than 20 types of platform products have been established, including SAAS products, PAAS products and SCADA platforms.

The Nansha pilot project was recognized as a "Guangdong Province Industrial Internet Application Benchmark Project", as well as a "2018 National Industrial Internet Innovation Demonstration Project". Midea will continue to increase its investment in digitization and the industrial Internet operations as a way to prepare for the future and drive growth.

## Midea Time

**In August 2018**  
Midea's Industrial Internet platform "M.IoT" successfully started operation.



## Smart home

### Midea deepens its Smart Home Appliance business and carries forward its smart home strategy.

In 2018, Midea integrated its Smart Home Appliance business, established an IoT company, continued to optimize the Cloud Platform, Meiju APP, intelligent connection modules, big data and after-sales services, networked the Group's business divisions and operating units, and kept increasing user satisfaction. The Company planned and implemented intelligent scenarios, built the highly usable, strongly interactive and standard IoT platform, promoted the stable connection between users and devices, improved users' experience in using intelligent products, vigorously propelled external cooperation for ecological expansion and the building of developers' platform, and facilitated the development of the Group's Smart Home Appliance business.

Internally, the Company published the standard white paper to specify the production standards for the Smart Home Appliance business within the Group and dedicate to improving the connection experience. In 2018, on one hand, through using and programming on domestic chips, IoT Company further enhanced the application scope and standardization of intelligent connection, reinforced market layout, completed the connection of experience optimization 1.0 version at three terminals, and launched Meiju APP 5.0 after internal integration; on the other hand, it integrated IoT big data, developed the value of intelligent devices and user data to a big depth and drove the intelligence of products. In addition, in the Smart Eyes project, with big data as the penetration point, it inspected user experience in a digital manner and provided visualized data support for production and operation.

Externally, IoT Company continued to strengthen technical development and market layout in intelligent household appliances, improve the market competitiveness of intelligent household appliance products, expand the external ecosystem, enlarge the connection entrance and enhance the value of user services. In 2018, IoT completed the launch of a number of projects in cooperation with the platforms and manufacturers including Alibaba Cloud, Tmall, Huawei, OPPO, VIVO and Skyworth. Furthermore, it involved in the establishment of domestic and international IoT related standards and continued to speed up the connection and integration with external parties to build Midea's Smart Home Appliance ecosystem.

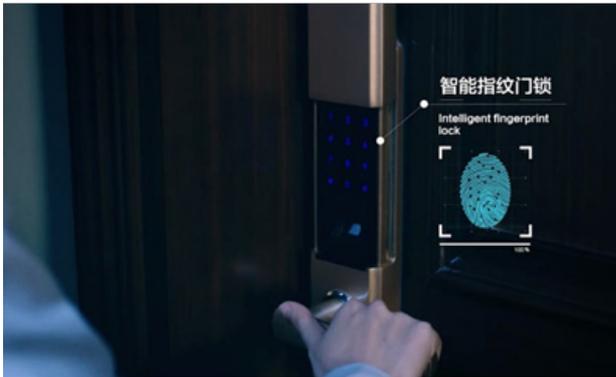


## Smart home application solutions

The new products technologies developed independently by Midea, such as smart gateway, smart door lock, combustible gas detector, smoke detector and smart panel, offer safe, convenient and cozy living scenarios to users. Midea has thus become one of the few brands in the industry that are able to provide overall smart home solutions from chip to cloud and to terminals.

Under the industrial Internet layout, by virtue of powerful storage units and big data platforms with global connections, Midea develops, sorts out and analyzes data in real time while collecting data to guide its product R&D in a better and faster manner. During the use of products, users' use data and feedback on problems are an important link of Midea's quality monitoring and product improvement. It increases good ratings of products and customer satisfaction by recording and analyzing users' advice and forwarding it to the R&D department and the quality department for improvements.

Midea's smart home ecosystem that is created from big data and smart home appliances can not only satisfy daily life demands, but also perform highly intelligent "thinking" on the basis of data analysis. It adjusts its own functions and settings according to the analysis of users' living habits in order to be closer to life scenarios. As an important part in Midea's building of industrial Internet, Midea Smart Technology Co., Ltd. keeps guiding product R&D and the optimization of product functions through big data collection to directly solve consumers' sore points so that users can feel the tangible improvement of life quality and enjoy a smarter and better life.





Midea joins the "IoT Open Eco-Coalition" to deepen user experience

On 4 July 2018, the "IoT Open Eco-Coalition" was founded. Its first group of members include a number of famous manufacturers such as Midea, vivo, OPPO, TCL and Ecovacs. Based on the consensus of all parties, the IoT Open Eco-Coalition will provide consumers with complete, convenient, smart and safe smart home experience, offer its partners open, low-cost and fair interconnection solutions across device manufacturers, and establish a fully open smart ecosystem.

Midea Meiju, the IoT ecological platform of Midea Group, will rely on the Group's powerful resource integration capabilities and devote to the establishment of favorable cooperation relations with a more open attitude. Midea Group cooperates with mobile phone companies mainly to improve the experience in respect of device networking, connection and control, create more convenient and easy-to-use smart home appliances and bring a better life to users.



Midea Time

On 4 July 2018  
"IoT Open Eco-Coalition" was founded



Midea was selected as the Open Innovation Platform of Guangdong Province for New Generation Artificial Intelligence on Smart Home.

On October 23, the first group of four open innovation platforms of Guangdong Province for new generation artificial intelligence was officially announced. Midea Group was selected as one of the "Open Innovation Platform of Guangdong Province for New Generation Artificial Intelligence on Smart Home".

Midea Group will use AI technology to empower its home appliance products, create new smart home service models and bring about a more convenient home life. Meanwhile, it will establish an open innovation ecosystem and a cooperative win-win mechanism on smart home, promote the organic integration of smart home with smart communities and even smart cities, drive the development of the AI industry and create together a new era of AI-based home.

Midea Time

On 23 October 2018,  
Midea was selected  
as the Open  
Innovation Platform  
of Guangdong  
Province for New  
Generation Artificial  
Intelligence on Smart  
Home.



## Smart manufacturing

### Human-robot collaboration and Midea's smart manufacturing

In 2018, with the vision of the innovative "M-Eco" strategy, Midea made bolder explorations in smart manufacturing. In addition to introducing robots, building intelligent factories and placing importance on big data analysis and connection to enable interconnections among all businesses, Midea made great efforts in establishing an ecological circle of industrial Internet and providing automation and commercial solutions that can adapt to various complicated production application scenarios.

So far, Midea has established an integrated corporate-level automatic MES system at headquarters, business units and base factory levels. It has covered all the 32 domestic factories of the Group with over 1,000 production lines. With a daily number of nearly 10,000 users, the system generates the uploading of 600,000 financial transaction proofs, takes one million warehouse records of materials, controls more than 90,000 production processes and covers the collection and tracing of the whole manufacturing process every day. As a result, it has enabled intensive management of people, properties and materials during the manufacturing process and substantially increased the efficacy of smart manufacturing.

Midea's exploration in smart manufacturing both reflects its own corporate evolution and sets up an example for the intelligent construction of lean factories in Chinese enterprises. With the implementation of the "M-Eco" strategy, it is believed that Midea will realize industrial empowerment for the practice of human-robot collaboration and become a powerful driver in many enterprises' transformation towards smart manufacturing.

### “Numbers about Midea”

#### Midea MES system

#### Covering within the Group

**32** domestic factories

Over **1,000** production lines

#### Daily data processing ability

Uploading of **600,000** financial transaction proofs

**1,000,000** warehouse records of materials

Controlling more than **90,000** production processes





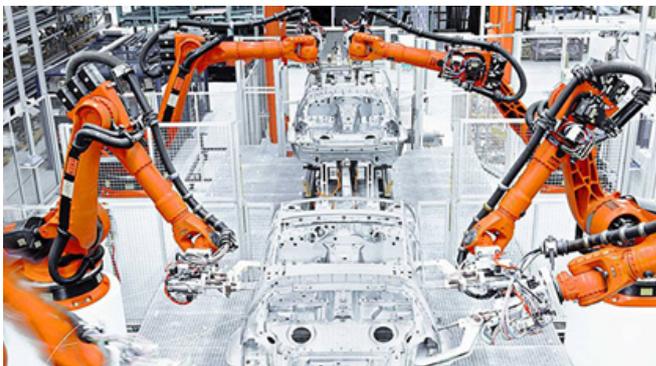
On March 21, Midea announced that it would invest in the businesses of KUKA in China and establish with KUKA three joint ventures to expand the business in industrial robotics, medical care and warehousing automation. This move aims to accommodate the fast development of the Chinese markets in smart manufacturing, smart medical care, smart logistics and new retail, develop products and solutions that meet the requirements of Chinese customers, and achieve a comprehensively fast growth of the automation business division. Soon afterwards, its smart manufacturing base took the lead in settling in the core area of Guangdong Intelligent Manufacturing Innovation Demonstration Park, which is the first project implemented after the establishment of the joint ventures.

Midea has been emphasizing excellent performance through the value chain. It achieves the optimum segment collaboration by connecting upper and lower streams of the industrial chain. Midea-KUKA Smart Manufacturing Base will become a key link in the layout of Midea's "M-Smart Strategy". As a technologies group spanning consumer appliances, HVAC, robotics and industrial automation systems, and smart supply chain (logistics), Midea has a good knowledge of the complexity and pain points of China's manufacturing industry. Through the absorption of KUKA's advantages in robotics and automation, the two parties are expected to build Midea-KUKA Smart Manufacturing Base into an industrial model integrating R&D, production and sales. In the future, in light of the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Base will drive the development and upgrading of the smart manufacturing industry in Shunde and even the whole South China Region.

## Midea Time

On 21 March 2018

**Midea announced that it would invest in the businesses of KUKA in China and establish with KUKA three joint ventures.**



## Deepening strategies



In January 2018, the launch ceremony for the Midea Smart Home & Country Garden • Longyu Garden project was held. Li Qiang, General Manager of Midea Smart Home attended the ceremony. The handover ceremony for the co-built intelligent prototype rooms was held as well. Midea Smart Home has diverse product lines and comprehensive service systems with experience in cooperation with domestic high-end real estate projects.



On 12 June 2018, Midea Group signed a strategic cooperation framework agreement with Hikvision. The two parties will give play to their own industrial advantages and carry out in-depth cooperation in smart home, smart retail, smart manufacturing, industrial IoT, robot automation and artificial intelligence.

In the future cooperation, the two parties will give full play to Midea Group's advantages in smart home appliances, smart home, robotics and industrial automation, smart logistics and industrial digitization, supported by Hikvision's extensive experience in video application, visual analysis, smart security, smart manufacturing and smart parks, so as to achieve synergistic effects from the alliance of the two giants and continuously enhance innovation capabilities in product and service. Meanwhile, the two parties will explore in artificial intelligence, new retail and Internet of Everything and keep deepening cooperation in smart home, smart retail and smart manufacturing.

Through the cooperation, the two parties will jointly dedicate to the continuous increase of technological content in products, promote the upgrading of smart home + smart manufacturing, bring the practice of manufacturing and life to a new height, achieve in-depth cooperation across industries and bring a better life experience to users.





On July 23, the Strategic Cooperation Signing Ceremony between Midea Group and Honeywell was held in the headquarters of Midea. The Central Research Institute of the Company will carry out strategic cooperation with Honeywell Technology Business Division (China) in a number of innovation areas.

Midea Group and Honeywell will carry out in-depth innovation strategic cooperation first in the smart and sensing technology and materials. While Honeywell Technology Business Division (China) will provide Midea Group with customization business and offer support in respect of the prospective research of related fields, Midea Group will help Honeywell to enhance its insight of market demands.

In the future, the two parties will discuss global business cooperation in more aspects. The alliance of the two Fortune 500 companies in innovation will allow them to complement their respective advantages, create a bigger space for innovation and commercial value, and bring better products and services to users.



On September 13, the Strategic Cooperation Signing Ceremony between Midea Group and Greentown China was held in the headquarters of Midea. The two companies will carry out multiple-dimensional cooperation in corporate procurement, marketing, smart home appliances, smart home and science and technology towns.

The cooperation is based on the two parties' shared development philosophy. As a technologies group in consumer appliances, HVAC systems, robotics and industrial automation systems, Midea Group is dedicated to bringing a happy life to human beings. Greentown China, a leading developer of excellent real estates and comprehensive life service provider, is engaged in real estate development, agent construction management, asset operations, life services and housing technologies. It leads the industry with outstanding product and service quality and is committed to developing "the No. 1 brand as an ideal comprehensive life service provider".

Upholding the principle of "cooperating for win-win results and seeking common development", Midea Group and Greentown China will optimize the cooperation models and contents in a deeper manner, seek help from each other's strengths, proactively explore the development orientation and route of "real estate+intelligence", achieve the synergistic effects of advantages, mutual complementation of resources and reciprocal benefits, and make joint efforts in pursuing high-tech residences and happy life.



3



Corporate responsibility under  
a new normalcy



Every day is beautiful with Midea



## Corporate culture

### Faith in a Seed



Over decades of booming development, Midea has grown from a seed into a towering tree. It has grown into a tech giant through attaching great importance to talents, science and technology and innovation continuously. While helping advance the development of the times, it has made its own success. One generation plants the trees in whose shade another generation rests. While looking into the future, we cannot forget our past.

In October 2018, Midea hosted an event themed “Faith in a Seed”. In the event, the Midea team went to the old address of the company at Midea New Village. We looked back upon the Group’s development history in front of the picture corridor and reviewed the journey and experience over the fifty years of Midea’s development as a way to inherit the founder spirit and stay true to our mission.



## 50<sup>th</sup>-Anniversary Hiking



A seed must grow to become a big tree and one must walk to reach thousands of miles away. In November 2018, Midea held the 50th-anniversary staff hiking activity themed “Let’s embrace what’s next” in Shunde, Hefei, Wuxi, Suzhou and Singapore. At its 50th anniversary, Midea showed its determination to carry forward its cause and forge ahead into the future, supported the commonweal cause through the happy hiking and demonstrated the unique charm of its team!

On the hiking track, there were “Midea’s historical memories”, which allowed staff to review the times of strenuous corporate development; “Midea’s ball pool”, which enabled staff to learn cool facts about Midea; and “Midea’s brand development history”, which made staff learn about Midea’s growth path. Upon the closure of the activity in the morning, Midea donated RMB2,349,000 to its corporate commonweal support funds to support its needy staff.

The co-movement in the five cities was a challenge full of love and positive energy. Embrace what’s next with you, fearless of dangers and obstacles, but only boldness for forging ahead. Fly like the Roc and a bright future is only to be expected. Let us work hand in hand to create a better journey for the next fifty years!

### November 2018

**Co-movement in Shunde, Hefei, Wuxi, Suzhou and Singapore with the 50-anniversary staff hiking activity themed “Let’s embrace what’s next”.**



Hefei



Suzhou





Shunde



Wuxi



Singapore

## Midea's care

As an enterprise growing up in China's reform and opening up, Midea Group has been dedicated to various **Social charity** work for the public good and proactively shouldering social responsibility.



### In January

Donated RMB **10** million to Beijiao Town.

Donated to the Beijiao Town Charity Federation for **9** consecutive years

A cumulative donation amount of RMB **90** million.

### In June

Donated RMB **10** million to the "Enterprises Helping Villages".

Donated to the event for **9** consecutive years

A cumulative donation amount of RMB **155** million.

### In October

Donated RMB **16.7** million to Huanglong Village

- RMB **100** million donated to support the government's poverty alleviation program.

Midea has been supporting the charity cause for **20** years

with a total donation of over RMB **7** billion.



In January 2018, Midea donated RMB10 million to the Beijiao Charity Federation for the 9th consecutive year, with a cumulative amount of RMB90 million, which were used for poverty alleviation, education and other charity activities in the local community.



At the 2018 Guangdong Poverty Alleviation Day & Rural Revitalization "Enterprises Helping Villages" Ceremony held in Guangzhou in June 2018, Midea made another donation of RMB10 million. This was the 9th consecutive year of Midea's participation in this ceremony since the "Guangdong Poverty Alleviation Day" was founded in 2010, with the cumulative amount donated reaching RMB155 million, helping people in Foshan, Shunde, Beijiao, Yingde, Liannan and other regions.



The donations were primarily used to help the orderly, the poor, those in need, education, new village building and other social welfare activities. With the donation receiving institutions knowing exactly their responsibilities and how to use the donated money properly, all the donated money has been made good use of and produced positive effects in the society.

At the Midea Strategy Conference held on October 19 where Midea unveiled its new corporate vision, mission and values, Midea also announced a donation of RMB16.70 million to the Huanglong Village to promote rural revitalization in Shunde, and another RMB100 million to support the local government to achieve the poverty alleviation goal by 2020 through improving health, education and industry.



In 2019, Midea will continue to attach great importance to helping those in need as a way to meet its social responsibility and give back to society. In response to the call of the Guangdong provincial government and the government's office, Midea has been trying to help reduce poverty through industrial development, creating more jobs and giving donations for public welfare. It has continued to donate RMB10 million to the Beijiao Charity Federation for poverty alleviation and public welfare. And another RMB10 million has been given on the Guangdong Poverty Alleviation Day to improve education, medical care and housing in poor villages of the province.

Over the past 20 years, Mr. He Xiangjian, the founder of Midea, and Midea Group have donated over RMB7 billion in poverty alleviation, disaster relief, elder caring, education and other charity areas. Through the warmth and power of an enterprise, they have planted new seeds for the future of society.

Midea has always been persisting in its own concept - while pursuing higher quality for its products and services, it maximizes its efforts to help more people and regions to improve life by assuming social responsibilities. Over the 20 years of thick and thin, Midea has never stopped its pace on the commonweal journey. In the future, Midea Group will continue to support the development of commonweal and charity and give back to society at a greater extent.

## Care for employees

Over the years, Midea has been carrying on the corporate culture of introducing and retaining excellent professionals, including the organization of large collective wedding ceremonies for 27 consecutive years to boost staff happiness. On 8 December 2018, Midea's 27<sup>th</sup> Collective Wedding Ceremony was held in its Global Innovation Center, where 50 couples tied the knot.

The bright red Lingnan style wedding ceremony both demonstrates the brilliance and uniqueness of Lingnan culture and reflects the valuing and inheritance of local culture by Midea Group as an outstanding national brand. The Group's wishes for its employees' romance carry profound humanistic care of an enterprise.

### Collective Wedding Ceremony

50 couples tied the knot at the Midea Global Innovation Center.



## Bearing early security warning in mind

### Fire drill "Based on Prevention and Supported by Firefighting"

To reinforce the fire safety awareness of all the internal personnel of Midea's head office and enhance their abilities to escape and self-rescue in emergencies, the Company worked with the Beijiao Special Fire Brigade of Shunde District to organize a fire emergency evacuation and firefighting drill themed "Based on Prevention and Supported by Firefighting" in June 2018. In the early stage, the Company kept making great efforts to broadcast the fire drill information through poster machines and building TVs so that staff could realize the importance and necessity of fire safety and prepare themselves for the drill.



More than 500 employees participated in the fire drill. The promotion of security knowledge and the comprehensive firefighting drill consisting of both emergency evacuation and firefighting practice have further reinforced the staff's awareness of fire prevention and enhanced their escape and self-rescue abilities in emergencies, with precious firefighting experience accumulated. At the same time, it has also demonstrated the Company's valuing of staff security and displayed its corporate responsibilities as one of the world's top 500 companies.



### Detect potential hazards, identify risks and ensure safety



To prevent production safety and material safety accidents, in December 2018, the Company's Procurement Center held the year-end activity of "Production Safety and Material Safety" themed "Detect Potential Hazards, Identify Risks and Ensure Safety". In the activity, the project team required all the staff members to shift their mindset of "I'm asked to ensure safety" to "I must ensure safety" and then "I will be safe". The staff members were required to operate according to the procedures, be alert to dangers and abide by the principle of "four no-harms", including no harm to others, no harm to self, no harm by others and no harm by self, thus to create a favorable safe production environment jointly.



## Talent development

### Talent concept: Midea helps its employees succeed and its employees help Midea succeed

Midea has always adhered to the management philosophy of "people-oriented: talent is the most important resource of Midea", and pursues a talent strategy of "human capital appreciation over other capital appreciation". "Midea would rather give up a 1 million profit than to lose an employee who has been helpful for Midea's development". This is the core guiding philosophy of Midea's human resources management.

Midea is committed to becoming the "best employer" for its employees. It set up an open employment mechanism and created a competitive advantage in attracting and retaining talent. In terms of recruitment and use of talent, it broke the limits in "geography, ties of blood and kinship" and recruited talented persons from multiple sources. In accordance with the principle of "promote the capable and demote the incapable", Midea created an "open, just and fair" employment environment with open competition and a performance appraisal system based on a target-oriented responsibility system, aiming to let talented persons stand out and make good use of their talents. Midea employs people of different ages from across the world and offers them equal personal development and promotion opportunities, as well as fair and competitive remuneration.



### New talent advantage based on the "One Midea" talent system

In terms of Midea's human resource policy, the common goal is building an integrated enterprise, which is focusing on "One Midea" to establish an integrated talent system, and strengthen internal mobility and improvement of employees. Employees will face a broader management platform, more professional tasks and more job rotations. In the future, Midea's human resources will focus on strategy, service experience and value creation. It will comprehensively shift to a professional, elaborate and systematic management mechanism, and continue to unify and optimize policies, systems and management standards. It will consolidate the basic human resources system, improve the organization and talent mechanism, and build a new cost-competitive advantage driven by efficiency, thus to provide strong support for strategy and business.



### Globalization of talent

In recent years, Midea has accelerated the development and employment of international talent and promoted localization of the talent. It kept introducing high-level talent from all over the world, and put in place a series of policies and measures for the introduction and development of international talent, as well as improving the international quality of local talent. A good development platform, good remuneration and comfortable living and working environment are the main factors that attract international talent. The joining of foreign talent brings advanced technologies, operation and management experience to Midea.



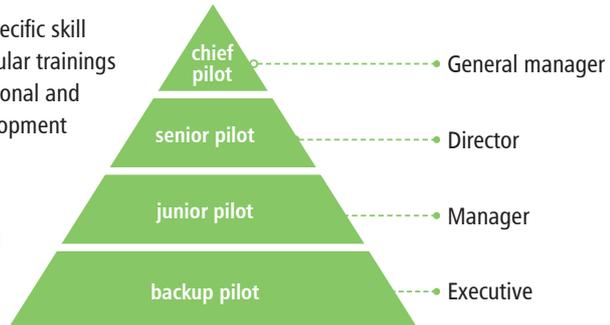
Introducing international talent while improving the international quality of local talent



### Staff training

In Midea, new employees will receive orientation and job-specific skill training or tutoring, while in-service ones will be given irregular trainings inside or outside the Company to help improve their professional and universal skills. In this way, Midea people enjoy better development opportunities.

Midea has also put in place a multi-tier leadership training system, which is a mature "pilot" cultivation model featuring "backup pilot", "junior pilot", "senior pilot" and "chief pilot" in correspondence to the reserve talent for executive, manager, director and general manager.



The attendances at internal training sessions were 571,476 in 2018, of which 14,641 were management personnel, 166,017 technical and marketing personnel and 173,404 operational personnel. The trainings included:

- Building a pilot Leadership Development Program and a High-Potential Leaders Training system to facilitate talent management and training. 48 talent training programs were carried out, where 3,386 highly skilled managerial staff were trained for a total of 41,415.5 man-hours.
- Building a professionalism promotion system. 603 such programs were carried out, where 301,871 staff were trained for a total of 1,970,508.95 man-hours.
- Providing channels for common skill improvement. 620 such programs such as the Lecture for Staff and language trainings were carried out, where 60,239 staff were trained for a total of 217,628.7 man-hours.
- Improving individual comprehensive ability. 81 external trainings for individuals at junior, middle and senior levels were organized, where 513 staff were trained for a total of 11,161 man-hours.
- In order to help new graduates develop themselves fast and foster a new power for the Company, 61 relevant programs such as the Re-Education of New Graduates and the Training Camp for New Graduates were organized, where 8,025 new graduates were trained for a total of 200,091.5 man-hours.
- 18,000 staff visited Meike, a mobile app developed by Midea for online training, for a total of 518,000 times in 2018.
- Facilitating organizational learning by developing 744 internal trainers. Annual teaching time was 8,912.3 hours in total. And a total of 829 courses were designed in the year.
- 14,161 key technical staff and working team leaders were trained for a total of 274,534 hours.

## “Numbers about Midea”

### Talent development

**571,476** attendances at internal training sessions

**3,386** highly skilled managerial staff were trained

**301,871** staff were trained in a professionalism promotion system

**60,239** staff were trained for common skill improvement

**513** staff were trained in external trainings for individuals at junior, middle and senior levels

**8,025** new graduates were trained

**518,000** visits by staff on Meike

**744** internal trainers were developed

**14,161** key technical staff and working team leaders were trained

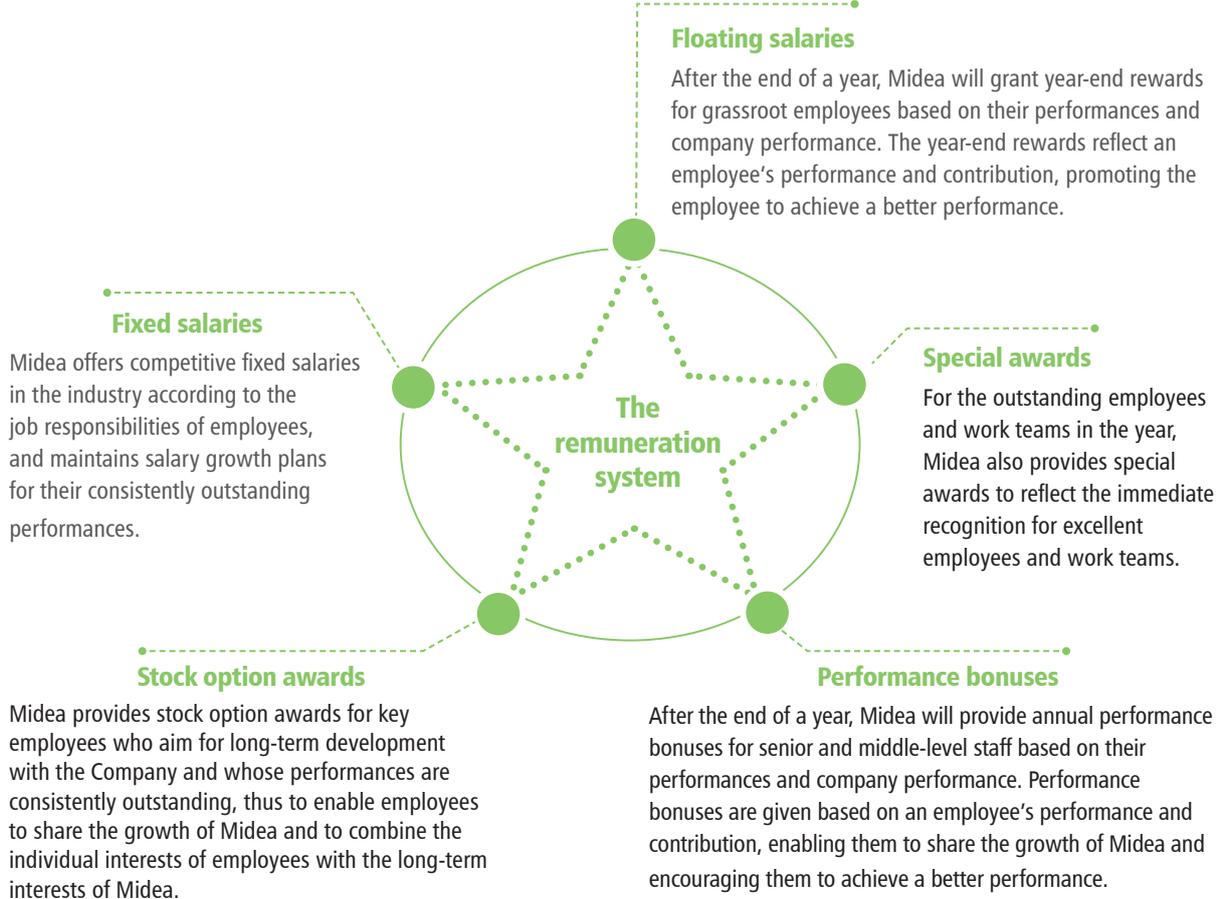
## The staff remuneration policy

In order to provide globally competitive remuneration for its employees, ensure the fair and rational distribution of internal incentive resources, as well as standardize the management and operation system, Midea has formulated its management rules for internal performance incentives. Such rules require standard whole-process management and monitoring with regard to the design of incentive policies, decision-making on the distribution of incentive resources, the formulation of incentive standards, the calculation of payments, etc.



Staff remuneration shall be paid on time according to the Salary Management System. The Company decides the regular salary of the employees according to the position's value and evaluation performances and decides the variable salary according to the Company's and employee's performance. The remuneration distribution shows more consideration for strategic talent and ensures the market competitiveness in the salary of core talent. The Company shall make dynamic adjustments to the staff remuneration policy according to regional differences, number of employees, staff turnover, environment changes in the industry and paying ability of the Company. Midea implements a unified remuneration strategy and standard, which are free from sexual prejudice.

## The remuneration system





## Labor rights

The safety commission has been set up in all the subsidiaries of the Company to manage the Company's environmental protection and occupational health and safety on all fronts. The Company organizes its staff to go for occupational health check-ups every year and proactively improves the work environment and implements shifts for positions with high risk of occupational diseases. Meanwhile, the Group has established, promoted and implemented the EHS management standard, which has been promoted and implemented by the safety commission and the labor union of all the subsidiaries.

The labor union has been established in all the subsidiaries of the Group. The union is consisted of employees from different positions and levels. Its service scope basically covers all the employees to ensure labor rights and interests.

The Company places importance to potential discrimination during the operations on a long-term basis and offers employees a variety of channels for complaints. The Company has internal departments including the Legal Affairs Department which are dedicated to handle such cases. In 2018, the Company was not involved in any event of discrimination against race, skin color, gender, religion, political opinions, origin or social background as defined by the International Labor Organization, or any other relevant forms of discrimination in respect of internal or external stakeholders.

The Company values the employer-employee relationship and takes active steps to safeguard employees' rights and interests. The Company will notify the employees immediately prior to any operational changes with significant effects on its individual employees to minimize the effects of such changes on individual employees.

The Company conducts staff engagement (including satisfaction) survey on a periodic basis every year and uses the results to drive the improvement of its human resources work and policies to form a positive cycle.



## Staff welfare

The Company offers diverse welfare policies targeting all its employees, including statutory welfare, basic welfare and featured welfare. Among them, the ten basic welfare benefits include meal allowances, housing allowances, transportation allowances, medical check-ups, commercial insurance, holiday greetings, traveling allowances, retirement allowances, hardship grants and staff leave. The featured welfare benefits include paid learning leave and free basic outpatient service. The Company has established M-Love Support Funds to build itself into a friendly enterprise, support needy and impoverished employees and tide the employees over family difficulties due to critical diseases or deaths. The Funds apply to all the employees in the Group and target the employees who need support as well as their spouse, parents and children, with an individual support amount capped at RMB300,000. In addition, the Company offers staff statutory leaves and public holidays complying with the state and local government policies, including maternity leave and breastfeeding leave, which are implemented strictly in accordance with the state and local government policies and regulations.



## Supplier management

The Company has been committed to enhancing the transparency of supply chain management, which runs throughout the entire supplier life cycle, including sourcing and introduction, performance appraisal, price management and material confirmation. To further deepen the application of the whole value chain system, gather data clouds and establish a transparent global supplier system, the Company started to prepare for the establishment of Midea's supplier cloud platform in 2018. It is dedicated to building a set of supply ecosystems for global real-time management and interactions, performing collaborative management centering around suppliers, sorting out business systems on all fronts, carrying out data sharing and collaboration through IT technologies and building a supplier collaboration platform which is consistent, open, efficient, transparent and intelligent so as to provide support for business decision-making and assist suppliers. As at the end of 2018, the platform had been officially launched in the Kitchen and Water Heater Appliance Division. Later, it will be extended to other business divisions of the Company. Through Midea's supplier cloud platform, the Company is able to gain direct knowledge of the number of supply chains, geographical locations and other relevant information. The Company evaluates the suppliers' costs, delivery cycle and quality on a regular basis and presents them on the platform to ensure open and transparent information disclosure.

The Company has also established information networking with TianYanCha to gain suppliers' information comprehensively from all aspects including equity relationship and risk pre-warning, increase its understanding and control of suppliers and reduce the risks for cooperation.



**WEIGHT-BEARING WALL**

**Supply-driven and quality-oriented**

An optimized supply system with centralized procurement resources  
Better product quality and competitiveness

**WEIGHT-BEARING WALL**

**Promote compliance for steady and sustained development**

Protect Midea Group's rights and interests  
Establish an effective compliance system and a compliance culture



The Company carries out cooperation of various kinds with suppliers while building a standard, transparent, cooperative, win-win, long-lasting and prospective basis. It has a full set of standard procedures for introducing suppliers so as to standardize its supply chain management and ensure the establishment of a fair supplier introduction system. Midea has obtained the certificates for ISO14001 Environmental Management System certification and OHSAS18001 Occupational Health and Safety Management Systems and it has well-defined audit requirements for suppliers' qualifications. Any of its suppliers must be a legal enterprise, whose production shall comply with the requirements of relevant laws and regulations and who has obtained the certification for the assessment of environmental protection and meets the standards and requirements for environmental protection. During the introduction, the new supplier must submit documents on the acceptance for environmental assessment, including contents on waste discharge. Materials supplied by suppliers must comply with ROHS and REACH requirements, satisfy the environmental directives or certifications required by national and local regulations and the government, and meet the Company's environmental directive requirements and green design requirements. The Company classifies trichloroethylene as a major environmental factor of Grade A, packaging polybag and foam as major environmental factors of Grade B and copper product, board, carton and plastics as major environmental factors of Grade C. If the materials supplied by suppliers fall within the aforementioned scope, they should submit the license and certificate for environmentally safe production issued by local environmental departments and post evident marks on the package.



Suppliers who do not comply with the requirements of laws and regulations in safety, environmental protection and staff management will be prohibited to be listed as a supplier of Grade I. The Company's production-sales suppliers shall pass the ISO9000 system certification and annual audits, keep improving and enhancing their internal quality management system, and operate independently. The Company has very specific requirements for the employment of child labor, which must strictly comply with the "Order of the State Council of the People's Republic of China (No. 364) Provisions on the Prohibition of Using Child Labor" and the Regulations for Special Protection of Juvenile Workers (LBF [1994] No.498). The Company inspects the use of child labor in suppliers on a periodic basis. In 2018, no use of child labor was found in its suppliers. In addition, the Company strictly prohibits forced or coercive labor and requires that opinions from the employees be sought for the arrangement of working hours and duties. Meanwhile, the Company has included the audit of staff's autonomy for labor in its audit of social responsibilities. In 2018, none of its suppliers was engaged in forced or coercive labor.

The materials purchased by the Company are mostly conventional materials for the manufacturing of home appliances without involvement in the problem of purchasing raw materials from regions with such problems as infringement upon human rights, illegal trades or financing violence. The Company must file a record on the nature of the place of origin when introducing a new supplier, and maintain the place of origin, brand and other relevant information on the supplier cloud platform according to the material number on a regular basis to trace the source of incoming production materials, thus ensuring the safety and reliability of the Company's supply chain system.

## WEIGHT-BEARING WALL

### Integrity and compliance

Take every compliant serious,  
ensure accountability,  
keep confidential the information of every  
whistleblower and award every whistleblower  
with a true case

## Production safety

### The accountability system for production safety

#### The Production Safety Committee of Midea Group

The Group's functional department - Product and Supply Chain Department is its centralized safety management department. The Group's Production Safety Committee consists of nine production safety committees respectively in the Residential Air Conditioner Division, Microwave & Cleaning Appliance Division, Laundry Appliance Division, Refrigerator Division, Commercial Air Conditioner Division, Small Appliance Division, Kitchen & Water Heater Appliance Division, Component Division, and Annto Logistics Technology. Subsidiaries of the divisions have their own production safety committees or safety management groups.

#### The accountability system for production safety

The Production Safety Committee of Midea Group has entered into safety accountability agreements with the general managers of the nine business divisions nationwide. The general managers has entered into 107 accountability agreements with the primary department heads while the primary department heads has entered into 569 accountability agreements with the workshops.

### Safety management team building

**Safety certificates:** 112 key unit principals have been trained and certified, 420 safety managers have been trained and certified and there are 29 China Certified Safety Engineers.

### Safety certification system building

#### Safety standardization certification

All the domestic units have obtained the ISO14001 and OHSAS18001 system certificates, 33 units have been rated as a Grade II Unit of Standard Certificate and 14 have been rated as a Grade III Unit of Standard Certificate.

Meanwhile, subsidiaries under Midea have been taking active steps to apply for honors with the government. For example, GD Witol Vacuum Electronic Manufacture Co., Ltd., a subsidiary under the Microwave & Cleaning Appliance Division, has been selected as a demonstration enterprise of "Intelligent Manufacturing and Intrinsic Safety" by Foshan Administration of Work Safety; Laundry Appliance Division Hefei Factory has won the title of Hefei Demonstration Enterprise of Safety Culture Building and Outstanding Enterprise of Hi-Tech Zone, Hefei and the "Quality and Efficiency Award - Production Safety Award"; the motor branch factory under Component Division in Huaian has been selected as Advanced Enterprise for Production Safety in the Economic Development Zone of Huaian.

### Safety expenditure

#### Safety expenses

In 2018, the safety expenses of all business divisions of the Group exceeded RMB200 million, with increased investment in firefighting engineering renovation, equipment protection, staff occupational health and environmental protection.

#### Work injury insurance

Work injury insurance expenses in 2018 were approximately RMB14 million, covering around 140,000 employees of the whole group. Personal accident insurance was purchased additionally for over 100,000 person-times of front-line employees to guarantee their safety.

#### Occupational health check-up

In 2018, the Group offered occupational health check-up for more than 20,000 employees. The risk of occupational diseases was reduced during the whole process through pre-work, on-work and post-work check-ups for positions involving occupational hazards.





## Safety training and inspection

**Safety training:** In 2018, the Group conducted three levels of training on new staff with a coverage ratio of 100% and 135 EHS professional trainers were developed. In 2018, the safety training man hours exceeded 660,000. In light of the safety training requirements for all positions, an annual safety training plan was formulated and targeted at managers, front-line employees and safety management positions.

**Safety inspection:** Through nonstop inspection tours by site safety managers every day, 97,126 potential accidents were identified, of which 93,123 were closed on schedule, representing a scheduled closure rate of 96.496%; 22,591 potential accidents were identified through employees' autonomous inspections with the submission of improvement plans.

**Safety assessment and appraisal:** By virtue of its EHS expert panel, the Group conducts safety assessment and appraisal within the entire group twice every year.

**Safety activity:** 1,686 emergency drills were conducted throughout the whole year, covering fire evacuation, leakage of chemicals, electric shock and other scenarios. At the same time, a group of professional emergency response teams were established, including 892 volunteer firefighters, 112 micro fire stations and three professional fire trucks. In addition, the subsidiaries proactively organized employees to participate in various safety activities, including snapshots of potential accidents, safety month, fire month and safety knowledge contests to enhance employees' awareness of safety and build the corporate safety culture.

**Energy conservation:** The Group encouraged its subsidiary units to carry out various energy conservation activities, including the renovation project for refrigerator production lines promoted by the Refrigerator Division, which saved the energy of about 37.64 tons of standard coals, and the decrease of natural gas use through the reduction of temperature difference by preheating water replenishing tanks of steam boilers using recycled waste heat with air compressors in Hefei Factory under the Component Division. Meanwhile, the business divisions are proactively discussing about the use of new processes, such as the use of clean energy to generate power in PV distributed power stations and the adjustment of peak power consumption by ice storage technology.

## “Numbers about Midea”

### Safety training

Three levels of training on new staff with a coverage ratio of **100%**

### Safety inspection

**97,126** potential accidents were identified

**93,123** were closed on schedule

### Safety activity:

**1,686** emergency drills

**892** volunteer firefighters

**112** micro fire stations

**3** professional fire trucks

### Energy conservation

Saving **37.64** tons of standard coals



## Compliance management

During 2018, all subsidiaries have strictly abided by the laws and regulations related to environment protection, and no major environmental pollution incidents occurred. All subsidiaries have set up reliable waste water and gas treatment systems. Through regular monitoring, supervision and inspection mechanisms, as well as third-party testing, it is ensured that the discharge of waste water, waste gas and solid waste during the production and operation process meets the national and local laws and regulations. There is no excessive discharge by any subsidiary, which is in compliance with the relevant requirements of the environment administrations. The specific treatments for waste water, waste gas and solid wastes are as follows:

### Waste water treatments

The waste water from subsidiaries is classified as household waste water and industrial waste water. Household waste water is discharged to the municipal waste water treatment network and waste water treatment plants after being pre-treated in septic tanks, etc. And industrial waste water is discharged to the municipal waste water treatment network and waste water treatment plants after being pre-treated in the subsidiaries' waste water treatment stations. Meanwhile, the rain sewage diversion system is promoted in old factories and the existing production processes are improved to reduce waste water.

### Waste gas treatments

The waste gas from the subsidiaries is mainly the industrial waste gas and dust produced in the production process. Corresponding waste gas treatment systems have been set up for different types of waste gas. For example, waste gas from screen printing line is treated with spraying, defogging, UV photolysis and activated carbon adsorption devices, and organic waste gas from oil spray lines for metal working and plastic injection is treated with molecular sieve wheel adsorption and RCO catalytic combustion devices. Waste gas is discharged at a high altitude after emission concentration of benzene, toluene, xylene and VOCs in it is up to the Emission Limits of Air Pollutants, a local standard. Dust producing equipment operates in a closed environment, with a fully automatic dust sucker or powder dust collector treating powder dust without discharging it outwards.

### Prevention and control of noise pollution

Noise produced in the operating process of the main noise equipment in the production processes of various factories including punching machines, powder spray coating line, oil spray line, plastic injection machine, wire winding machine, waste water and gas treatment facilities is 60-90dB (A). The company has taken the following preventive and control measures: 1) Select environmentally friendly low noise equipment, deploy various equipment in the workshop rationally and take basic shock absorption and enclosed sound insulation measures for the equipment; 2) Ensure sound insulation by making use of factory buildings and doors and windows, and especially in the air fan room with big noise, doors and windows with good sound insulation effect are recommended being set; 3) Forestation in the factory area and on the border of projects is strengthened and green plants are set rationally there, which both beautify the environment and assist in noise adsorption and sound insulation. After taking the above noise prevention and control measures, noise in the factory area can be up to third-level standard in the Emission Standard for Industrial Enterprises noise at Boundary(GB12348-2008):  $\leq 65\text{dB(A)}$  at daytime and  $\leq 55\text{dB(A)}$  at nighttime.

### Solid waste treatments

The solid waste from subsidiaries is classified into general solid waste, hazardous solid waste, and household solid waste. Hazardous solid waste, according to laws and regulations, is required to be treated by qualified treatment institutions; general solid waste, after being classified at the subsidiaries, is collected and treated by resource recycling plants; and household solid waste is treated by the local sanitation administration, which is in compliance with the relevant regulations.



### The environmental effect evaluation of construction projects and other administrative permits in relation to environmental protection

All subsidiaries strictly observe the laws and regulations governing environmental protection, and all construction projects are in compliance with the environmental effect requirements and other rules, with no misdeeds during the Reporting Period. Once a construction project is finished, a third-party testing institution is hired to examine indexes including waste water, waste gas and noise, and the approval and acceptance of the environmental effect evaluation report is finished in time.

### Contingency plans for environmental accidents

All subsidiaries have finished the compilation and approval of their contingency plans for environmental accidents. Emergency mechanisms for environmental pollution accidents have been established and improved, and the subsidiaries' ability to deal with environmental pollution accidents has been enhanced, so as to maintain social stability, protect the lives, health and properties of the public, protect the environment, and promote a comprehensive, coordinated and sustainable development of the society. According to the subsidiaries' contingency plans, new contingency pools have been built and block valves have been put at the master rain discharge outlets to avoid the spread of accidents.

According to the accident levels, subsidiaries have formulated rules covering working principles, contingency plans, risk prevention measures, commanding departments, responsibilities and labor division, and have filed these contingency plans with the government.

### Environment self-monitoring plans

All the subsidiaries have formulated their own environment self-monitoring plans according to China's relevant laws and regulations, which include:

- 1) Waste gas pollution source monitoring: Sampling points are set at various discharge ports of waste gas for monitoring on a quarterly basis;
- 2) Waste water pollution source monitoring: Samples are fetched at intake and outlet ports of waste water treatment stations to monitor changes of pollution source of waste water and up-to-standard emission of waste water after being treated at the waste water treatment stations. Monitoring items include COD<sub>Cr</sub>, SS and petroleum products, etc. The data is uploaded to the governmental monitoring authority online and the government authority conducts real-time monitoring;
- 3) Noise monitoring: Noise monitoring points are set at noise sensitive points and on the border of factories. Noise is monitored once in spring and summer respectively and at daytime and at nighttime respectively each time;
- 4) Solid waste pollution source monitoring: Hazardous waste produced from the subsidiaries is handed over to the units with qualifications for treatment, monitoring systems are established, and related management forms and accounts are set up.

### Other environment-related information that should be made public

According to the national and local laws and regulations, information including pollutant discharge information, the construction and operation of pollution prevention facilities, environmental effect evaluations of construction projects and other administrative permits in relation to environmental protection, contingency plans for environmental accidents, and environment self-monitoring results is all made public through the official WeChat account, company websites, etc. on a regular basis.



## Compliance management

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### Evaluation of human rights

The Group and its subsidiaries are audited by domestic and overseas customers and certification institutions every year. The Company organizes internal audits of social responsibilities (including human rights) on an unscheduled basis and keeps making improvements based on the results of internal and external evaluation of human rights.

### Rights of natives

The Company respects and values the collective rights of natives, including their rights to preserve their own customs and systems and to make decisions by themselves. On the basis of strict compliance with relevant laws and regulations, the Company fully ensures the natives' free will and their entitlement to compensations in the event of changes in their land ownership and land use right due to reasons such as demolitions. In 2018, the Company was not involved in any infringement upon the aforementioned rights of natives.

### Customer privacy

The Company is committed to ensuring the safety of internal personal information and other data. Thus, it has formulated a series of continuously effective methods to ensure that the Group complies with the requirements of laws and regulations in processing relevant information, including the EU General Data Protection Regulation (GDPR) implemented recently. In 2018, the Company was not involved in any proved event of complaint in respect of the invasion of customer privacy or the loss of customers' documents.

### Social and economic compliance

Strict compliance with social and economic laws and regulations is necessary for the Company's sustainable development. In 2018, the Company was not involved in any event of being fined substantially or sanctioned on a non-monetary basis due to violation of laws and regulations in social and economic fields.

### Environmental compliance

The Company persists in the principle that a company is both a main body responsible for environmental protection and an important player in environmental protection. In 2018, the Company was not involved in any event of violation of environmental laws and regulations.

### Security practice

All the security teams of the Group and its subsidiaries are trained professional teams, which have been trained on human rights policies and procedures before working. The Company conducts training on safety management, service standards, first-aid and anti-corruption on a periodic basis. At the same time, the Company carries out inspections, appraisals and motivations for the management and implementation of training on security staff. The security teams respect the rights and dignity of all people and abide by all laws and regulations in performing their duties.

### Unfair competition

In 2018, the Company was not involved in any pending or closed litigation in respect of unfair competition behaviors or violation of Antitrust Law and Anti-Monopoly Law of the People's Republic of China. Neither was the Company recognized as an entity involved in the violation of related laws.

### Anti-corruption policies

In 2018, the Company introduced the Code of Business Conduct of Midea Group, which explicitly specifies the requirements for anti-corruption. The Code emphasizes the importance of complying with the local country's laws and fighting against unfair competitions through "no commercial bribes", "no bribing government officials" and "political donations, charitable donations and sponsorships". Since the introduction of the Code, all the Company's departments have been earnestly implementing it in routine operating activities.

### Marketing and logo

The Company attaches importance to and protects consumers' rights to be fully informed and of information symmetry in purchasing the Company's products or being served by the Company. In 2018, the Company was not involved in any violation in respect of either product and service information or marketing.

## Environmentally friendly

Midea Group adopts an environmentally-friendly and energy-saving development strategy, effectively promote sustainable and harmonious development with the environment, and firmly implement green design and clean production to provide the society with green products and services.



### Clean production

Midea Group is the first household appliance company in Guangdong Province to voluntarily apply for and pass the clean production certification. It has been adhering to the management philosophy of energy saving, environmental protection, green and low carbon. The Company continues to implement clean production and increase investment in environmental protection facilities to improve the internal environment of workshops and reduce pollutant emissions. It explores energy conservation potentials, and continuously adopts comprehensive prevention-based environmental strategies in its production processes, products and services to minimize the risks for mankind and the environment.



### A water and slag separation, purification and recovery system

Midea is equipped with waste water treatment facilities, among others. The Company has established a water and slag separation, purification and recovery system for the treatment of waste gas and waste slag from the production processes, and has invested tens of millions in building an advanced environmentally-friendly dusting production line and dip lacquer production line to protect the environment. The production meets the regulations of the State Environmental Protection Administration on construction projects.



### Purification, noise reduction and waste disposal

The Company has taken active environmental protection measures in its daily production. It has installed equipment purification systems or discharged waste water or waste gas from the treatment centers after centralized treatment. Noise control is achieved by sound insulation of workshop walls and silencing of equipment. Solid industrial waste is collected and classified for storage and treated and disposed on a regular basis, while domestic waste is collected and disposed by professional cleaning companies in time.



### Improvement of the resource utilization efficiency

The Company promotes WEEE detachable recycling design and energy consumption design of EUP products. It promotes product standardization and lean production to enhance labor efficiency. Moreover, it implements 6 Sigma and QC innovation management to reduce scrap rate, and promotes 5S on-site management to improve logistics to reduce waste. It also implements off-peak power consumption, water conservation, green procurement, paperless office and many other energy-saving initiatives to continuously improve and enhance the utilization efficiency of the environment and resources.



### Green supply chain building

In addition to ensuring green production, the Company also actively advocates to build a green supply chain. Since 2005, the Company has successfully implemented a RoHS program and established a hazardous material management system, standing at the forefront of the country.



### Green logistics

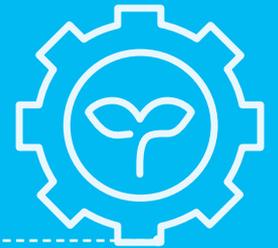
To achieve the goal of green logistics, Annto has formulated a "green logistics" system, including the establishment of a joint warehousing and distribution system; the development of integrated transportation and logistics outsourcing; the improvement of distribution full load rate; the implementation of oil-to-gas conversion projects for warehouse forklifts, etc.. In addition, the Company has established a complete set of good practices in the storage and transportation of fast moving consumer goods such as frozen foods, confectionery, dairy products, beverages and alcoholic beverages in accordance with the requirements of HACCP.



4



Rise as a national enterprise

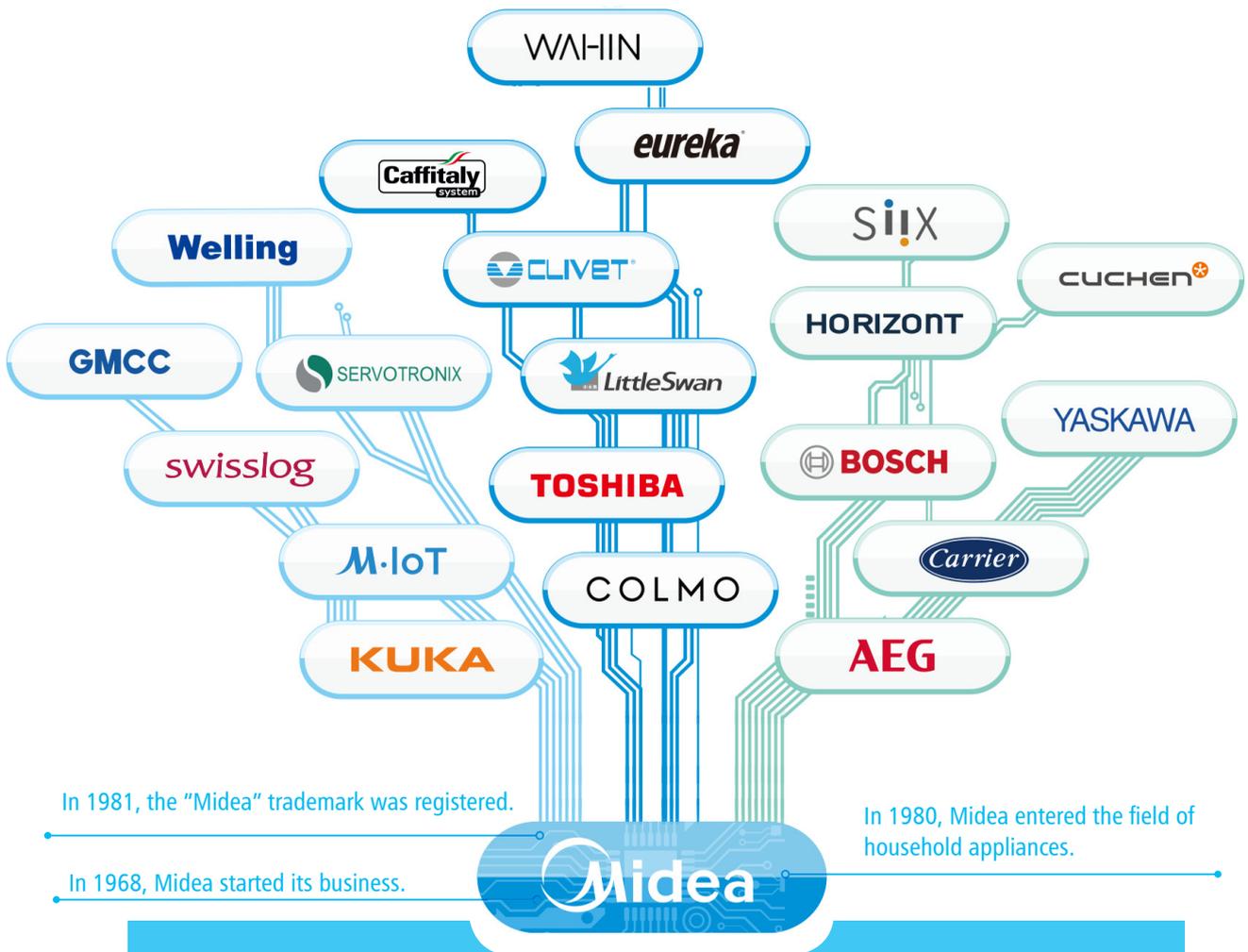


Brand value and corporate governance





## Brand value



In 1981, the "Midea" trademark was registered.

In 1968, Midea started its business.

In 1980, Midea entered the field of household appliances.

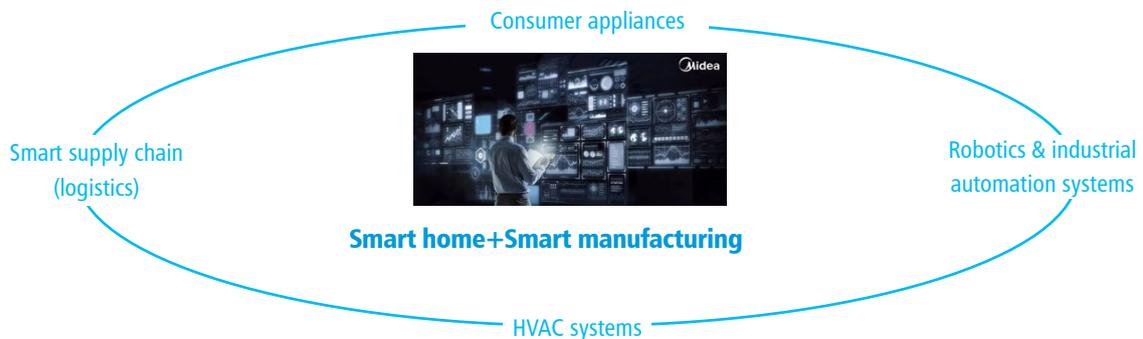
Midea started its business in 1968 and entered the field of household appliances in 1980. In 1981, the "Midea" trademark was registered and "Midea" was officially born. In recent years, after a series of mergers and acquisitions at home and abroad, Midea has become a large-scale comprehensive group that operates in consumer appliances, HVAC, robotics and industrial automation systems and smart supply chain (logistics). It owns more than 10 well-known brands at home and abroad such as Midea, Little Swan, WAHIN, Welling, Annto, COLMO, GMCC, Eureka, KUKA, Swisslog, Servotronix and Toshiba (authorized brand).

## Brand value

“Midea” has become a national brand in China upon years of branding efforts including brand cultivation, brand asset accumulation, as well as strengthening its presence at home and abroad. For more than ten years, the countdown at CCTV’s Spring Festival Gala was titled “Midea Moment”, which has helped boost brand recognition and influence. Midea has also sponsored the national swimming and diving teams for ten consecutive years and is a strategic partner of the Chinese Swimming Association. Midea will continue with sports marketing to appeal to the younger generation and “go international” in a further manner.

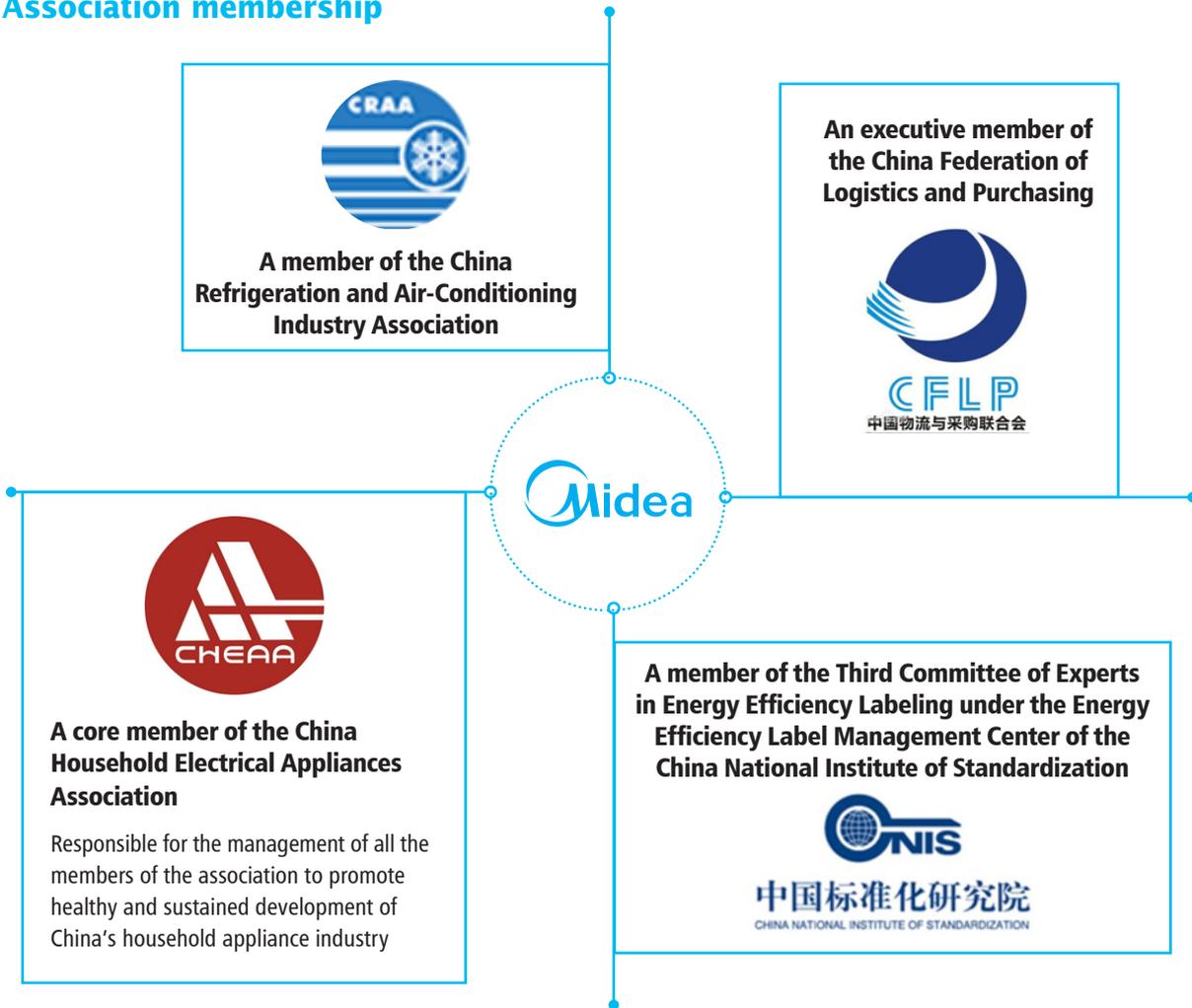


As a technologies group in consumer appliances, HVAC systems, robotics & industrial automation systems, and smart supply chain (logistics), Midea has been dedicated to increasing the technological content of its products and the intrinsic value of its brands. With smart home + smart manufacturing products as its focus, Midea appeals to the new generation of consumers with diversified, young-people-oriented products and services. In the future, Midea will continue to explore and innovate. With “M-Eco” as the new starting point, Midea will work on man-machine integration to reach a new high in manufacturing and life practice, as well as to create a better life for consumers.





## Association membership



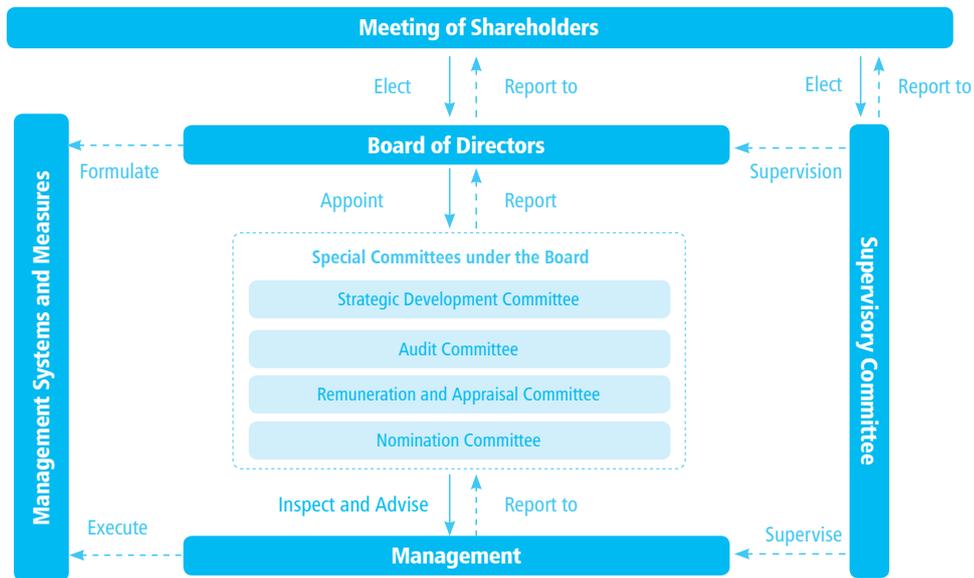
## Early warning policies

The Company is equipped with a well-established defense mechanism in brand management. Externally, the Company cooperates with a number of public opinion monitoring companies to carry out all-round monitoring on domestic and foreign mass communication contents. Based on the Group's global business layout, the monitored contents include contents involving the Company's product development, contents involving industrial trends and changes in global political relations, which cover a wide range with strong adoptability. In addition, the Company has established solid think tank resources in the interpretation of global policies, global strategic acquisitions and crisis review and response through close communication with a number of international PR companies. Internally, the Company has established a comprehensive internal crisis response mechanism and a crisis response group to ensure the effectiveness of crisis response.



## Corporate governance

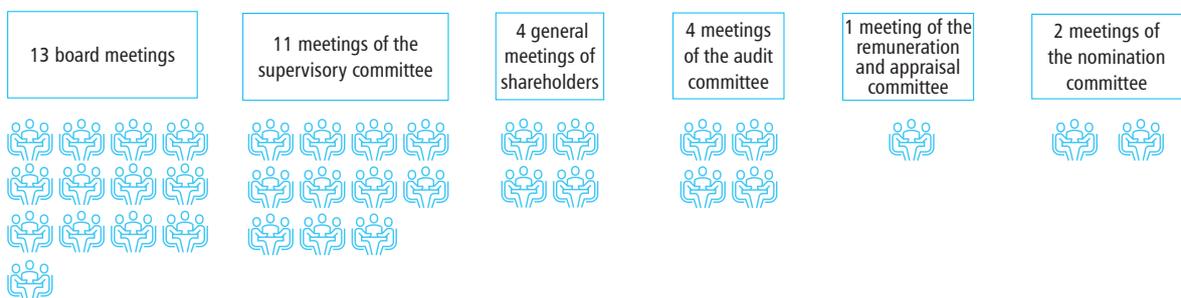
In accordance with the existing laws, regulations and rules, Midea Group has established a complete corporate governance structure, including the general meeting of shareholders, the board of directors and its special committees (the Audit Committee, the Strategy Committee, the Remuneration and Appraisal Committee, the Nomination Committee, etc.), the supervisory committee and management, as well as the corresponding decision-making procedures, rules of procedure and management systems.



Midea's board of directors currently consists of 8 directors, including 3 independent directors; 1 of the 3 members of the supervisory committee is an employee supervisor; more than half of the directors of the special committees are independent directors; and the chairpersons of the audit committee, the remuneration and appraisal committee and the nomination committee are independent directors.



Midea has revised and improved its rules and mechanisms for a better corporate governance level. In 2018, 13 board meetings, 11 meetings of the supervisory committee, 4 general meetings of shareholders, 4 meetings of the audit committee, 1 meeting of the remuneration and appraisal committee and 2 meetings of the nomination committee were held to ensure that major decisions were legitimate, compliant, true and valid.





## The professional manager mechanism

Midea attaches importance to the building of the governance structure, internal control, and centralized and decentralized systems. A mature professional manager mechanism has taken shape. The business division system that has been operating for years, the full decentralization system and the performance-oriented appraisal and incentive system have provided a development platform for the professional managers. Midea's senior management personnel are all professional managers growing out of Midea's business practices, with an average working time of 15-20 years in Midea, and all of them are experienced in the industry and management. With a profound knowledge of the global and China's household appliance industry, they also have an accurate understanding of the industry environment and corporate management. Midea's institutional advantages have laid a solid foundation for the stable and sustainable development of Midea in the future.

In 2018, Midea continues to encourage its core management to take responsibility for the Company's long-term value and growth by further enhancing its long-term incentive schemes. In the year, Midea has launched the Fifth Stock Option Incentive Scheme, the Second Restricted Share Incentive Scheme, the Fourth Global Partner Stock Ownership Scheme and the First Business Partner Stock Ownership Scheme, which have helped, in a more effective manner, to align the long-term interests of senior management and key personnel with that of all shareholders.



## Remuneration of senior management

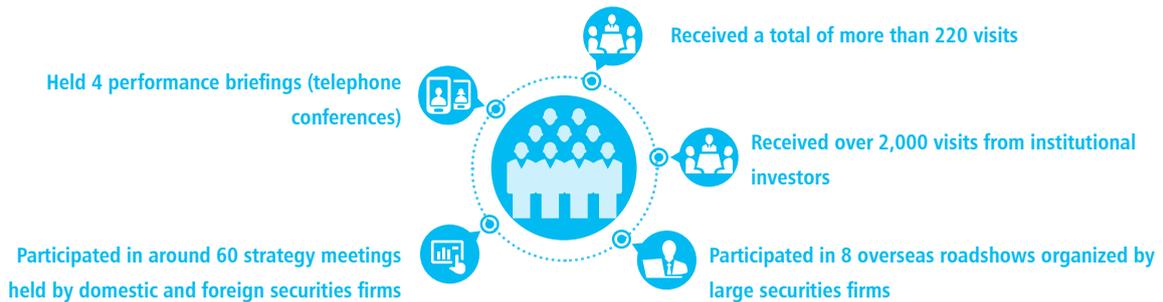
The remuneration of directors, supervisors and senior executives consist of basic annual payments and performance-related annual payments according to the Salary Management System for the Directors, Supervisors and Senior Executives which has been approved by the Company. Basic payment is determined based on the responsibility, risk and pressure of directors, supervisors and senior executives. The basic annual payment remains stable. Performance-related annual payment is related to the completion rate of corporate profit, the assessment result of target responsibility system and the performance evaluation structure of their own department. The remuneration system for directors, supervisors and senior executives serves the Company's strategy, and shall be adjusted with the Company's operating conditions in order to meet the Company's development requirements. The basis for adjusting the remuneration of directors, supervisors and senior executives are as follows: a. Wage growth in the industry; b. Inflation; c. Corporate earnings; d. Organizational structure adjustment; e. Individual adjustment due to a change in position

The Company established an appraisal system on the basis of its target-oriented responsibility system and adopted an appraisal agreement for senior management members, which determines the appraisal criterion, appraisal method and measures taken based on the appraisal result. During the Reporting Period, the Company has carried out appraisals of senior management members on the basis of its target-oriented responsibility system and the appraisal result was reflected in the annual performance-based incentive rewards. Meanwhile, the Company promoted the unification of interests between managers and shareholders through high-level staff and core management teams' shareholding schemes as well as multiple stock option or restricted share incentive schemes, laying a good foundation for the future growth of the Company.

For information about the remuneration and equity incentives given to the directors, supervisors and senior management in 2018, please refer to the 2018 Annual Report of Midea Group Co., Ltd., which has been disclosed on the same day with this CSR report.

## Investor relations management

Through investor relations activities, Midea conveys its operating policies and performance to all shareholders and investors in a timely manner. Midea actively communicates with investors. Midea's official website has an investor relations column and Midea answers questions from investors on the interactive platforms. Midea maintains market attention and strengthens shareholders' confidence. It frequently communicates with investors to enhance the company value. In 2018, Midea held 4 performance briefings (telephone conferences), as well as participated in 8 overseas roadshows organized by large securities firms and around 60 strategy meetings held by domestic and foreign securities firms. A total of more than 220 visits were paid to Midea during the year, including 2,000 person-times of institutional investors, representing a high number of investor visits among A-stock companies. In addition, Midea holds an Investor Day every year, where its major management personnel will brief investors on the Company performance and answer their questions for a better understanding of the Company among investors.





## Protection of shareholder interests

In order to share growth with investors, Midea gives high priority to shareholder returns and rewards shareholders with real benefits while maintaining a steady operating performance and increasing profitability. Since its holistic listing in 2013, Midea has distributed a cumulative cash dividend amount of RMB35 billion, with over 40% of the net profit attributable to Midea shareholders being distributed as cash dividends every year. Midea reviews its shareholder return plan at least every three years to ensure a consistent profit distribution policy and protect investor interests.

With confidence in its prospects and value growth, as well as in order to protect its image on the market, boost investor confidence, protect shareholder interests, build up a long-term stable investor base and facilitate the return of its share price to rationality, Midea unveiled a share repurchase plan in early July 2018 to repurchase some public shares with no more than RMB4 billion of self-owned capital at a price not higher than RMB50/share. Up to early January 2019, the repo commitment has been fulfilled and the repurchased shares have been retired, which has helped stabilize Midea's market capitalization and shareholder return, as well as protect the interests of domestic and foreign shareholders.

In 2018, special inspections were conducted on the commitments made to Midea's shareholders, related parties and Midea itself. No violations of the commitments were found. Nor was any parties found to have failed to fulfill the commitment before the deadline.

**A cumulative cash dividend amount of RMB 35 billion since Midea's holistic listing in 2013**



**35** billion



## Internal control

In 2018, based on potential risks and taking into consideration its realities, Midea has continuously improved its internal control system, so as to adapt to the changing external environment and the internal management requirements.

The Board of Directors of Midea authorized an internal control project team to implement an internal control evaluation, and evaluate the internal control over the risks and companies included in the evaluation scope in 2018. The internal control project team consists of two levels, namely the steering team and the executive team.

In 2018, a total of 37 companies were included in the scope of the internal control evaluation. The total assets and operating revenues of these companies accounted for over 70% of the corresponding items in Midea's consolidated financial statements.

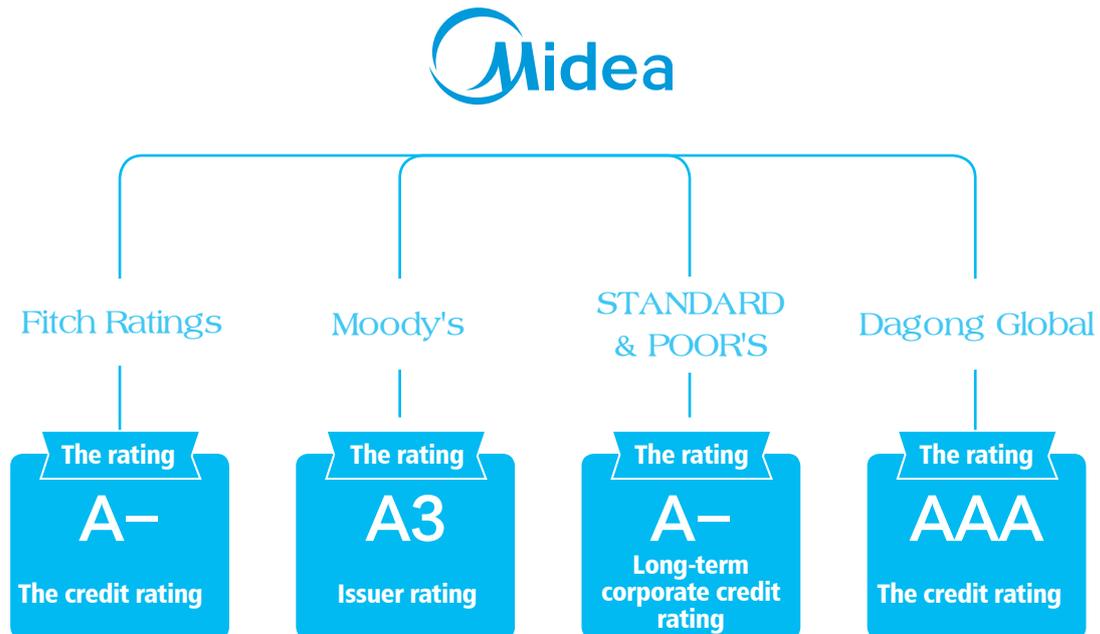


## Credit ratings

In November 2015, Midea Group was given world leading credit ratings in the household appliance industry by three well-known international credit rating agencies, namely Moody's (A3), S&P (A-) and Fitch Rating (A-), with a "stable" rating outlook. Midea is the first Chinese household appliance company to be given the international credit ratings.

Moody's believed that Midea has a large business scale, a diversified geographic market, a good brand, an extensive marketing network and a strong operating efficiency. On that ground, it gave the A3 issuer rating to Midea Group with a "stable" rating outlook, and expected that Midea would maintain its market leadership in a medium and long term relying on its advantages of stable markets, efficient production processes and sound financial conditions. S&P believed that Midea has strong markets, good profitability and excellent debt leverage. For that, it gave a long-term corporate credit rating of A- to Midea Group with a "stable" rating outlook. It expected that Midea would maintain its superior market position with positive operating cash flows and a low debt level in the next two years.

Shortly afterwards, Midea was give the highest credit rating of AAA by China's most authoritative credit rating agency—Dagong Global Credit Rating Co., Ltd. with a "stable" rating outlook. Dagong International expected that in the next 1-2 years, the business scale of Midea would continue to expand.



## @ Contact us

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For internal control, audit, anti-fraud and anti-bribery issues, please contact the Audit and Supervision Department:

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For sales and product and service quality, please contact this number: 400 8899 315

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For issues related to investor relations and the corporate social responsibility reports, please contact the Office of Midea Investor Relations: [ir@midea.com](mailto:ir@midea.com)

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For more corporate social responsibility reports, please visit:

[http://www.midea.com/cn/about\\_midea/Corporate\\_responsibility/CSR3/](http://www.midea.com/cn/about_midea/Corporate_responsibility/CSR3/)

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CSR (Corporate Social Responsibility) Report

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