

A large, stylized circular graphic is centered on the page. It is composed of several concentric, broken circular lines in shades of blue and dark blue. A white horizontal bar with a thin blue border is positioned across the center of the circle, containing the report's title and subtitle. Small white triangles point upwards and downwards from the top and bottom edges of this bar.

Corporate Social Responsibility Report 2017
(Keep Learning From The Past Pursue Dream Towards Future)





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 2017 (from January 1 to December 31, 2017), as well as some of the previous or recent related activities.

Date of publication

March 31, 2018 (the next report is expected to be published in March 2019).

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 2017, the data collection was conducted in accordance with the existing work process of the Company. The financial information herein is based on the The 2017 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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Letter to the shareholders



Fifty years ago, in 1968, Midea founder, He Xiangjian, sowed the seeds of Midea's enterprises with the goal of improving lives. After half a century, Midea has prospered into a towering presence and become a technology group with operations in consumer appliances, HVAC systems, robotics and industrial automation systems, and smart supply chain (logistics) as it takes the lead in grasping new opportunities brought forth by industrial networks, digitalization, artificial intelligence, and human-machine collaboration.

Each momentous advancement in human history is dependent on the grand context of the era; we must salute and express our gratitude to this vibrant time, for it was in these 40 years of economic reforms in China that gave birth to entrepreneurship and propagated the nation's revival. Each generation of Midea people has fought through dire times, and their unwavering resolve and courage to embrace changes and innovation has advanced Midea's glorious transformation from that small rural workshop 50 years ago.

Midea achieved some remarkable results in 2017, boosting a 51.35% growth in revenue to RMB241.92 billion, while net profit attributable to shareholders of the company rose by 17.71% to RMB17.28 billion. Midea ranked 450th in the Fortune 500 rankings of 2017, moving up 31 places from the previous year. Midea also ranked 335th in the Forbes 2017 Global 2000, an improvement of 67 ranks. According to the "BrandZ™ Top 100 Most Valuable Chinese Brands 2018", Midea rose to the 26th spot in their rankings and maintained its lead as the highest-ranking home appliance brand in three consecutive years. Midea was featured among the Top 10 companies of CCTV's "National Brands Plan" and it has been selected as one of the top ten public companies in China by CCTV for two consecutive years. As of the end of 2017, Midea's market value reached RMB 363 billion after an annual growth of more than 100%.

By the age of fifty, people must be able to understand and accept their place in the world, give up on superficial complaints, and be free of idle thoughts. To be an evergreen enterprise, we should keep up with the times, set high goals, restore confidence in entrepreneurship and the creative spirit, and undertake tasks set forth by the times.

This era's changes have been beyond imaginable. Half of the top Fortune 500 companies from 2000 have disappeared from the rankings. A large group of companies that were once great have fallen from grace in 2017. Under the swift current of changes of this era, Midea must remain humble and respectful while embracing changes and innovation in order to keep up with the times. We must always keep a progressive mind and an entrepreneurial spirit to fulfill our dreams and abandon mediocrity. Today, Midea must progress with simultaneous grace and vigor; much like the flowing Amazon River, still waters run deep. Today, Midea must look to the stars while keeping its feet planted firmly on the ground in order to strike forward thousands of miles with small steps.

Our past is merely a preface to our future achievements. In 2018, Midea will be moving forward with a new transformative phase and reform with greater courage and resolve. We shall boldly choose what is right; only by abandoning the alluring sights before us can we make long-term plans for the future and attain our renaissance. Our struggles inside our cocoon shall give birth to a beautiful butterfly embodied in yet another glorious era for Midea.

This year, Midea shall initiate a new round of change based on user-centric core values as we reconstruct the value chain, corporate structure, and corporate culture to improve user experience and create value for users.

We shall continue to focus on fostering internal growth within the company and seize market opportunities in consumptive and structural upgrades. We shall build a user-centric business model and management system to expand investment in innovation, improve the R&D environment, innovate incentive systems, recruit top R&D talents, and improve R&D layout. We shall also continue to improve user experience and build high-quality products to improve the overall core competitive ability of our products.

We shall further promote transformation of corporate digitalization and use software and data to construct and drive high-performance operations in the value chain, including R&D, planning, manufacturing, procurement, quality, logistics, customer service, and installation. We aim to implement an end-to-end synergy, advance flexible customization, production platformization and modularization, digitalized craftsmanship, smart logistics, smart customer services, and other in-depth reforms to strengthen the foundation of industrial internet.

We shall continue to advance the integration and business development in robotics and automation and speed up our preparation for the entire industrial automation and robotics sectors. We shall seize opportunities in the robotics market in China and advance the integration and rapid growth of domestic robots in China. We shall improve our capabilities in developing core robotic parts and software systems as well as integrate artificial intelligence and sensory and visual technologies for expansion into new sectors such as smart manufacturing, smart logistics, smart home, and medical and recovery.

We shall advance the integration and synergy of global operations and M&A projects and advance Midea's global presence to establish a framework for different sectors, different market spaces and regions, and different cultural backgrounds and mindsets. We shall promote our global sales operations and increase the growth of our own brand as we strengthen risk controls overseas and establish a comprehensive overseas corporate governance and compliance system.

Midea is standing at the forefront of the era, but only by actively seeking changes and rapid reforms can it fulfill its mission in the midst of the great rejuvenation of the Chinese nation, resonate with the nation, and write a more beautiful chapter.

The path towards transformation is still long and arduous. In 2018, the Midea team shall demonstrate resolve and courage for reforms in every opportunity and make unremitting efforts. The peak may be steep but we must climb.

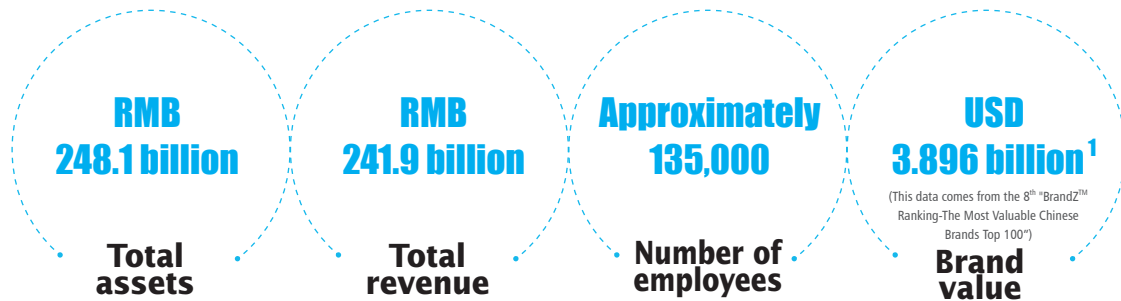
Hereby, we would like to thank all shareholders for their company, support and trust, and pay tribute to all shareholders and investors who are committed to our value creation!

Board of Directors, Midea Group

March 2018

Company profile

- **Name of the Company:** Midea Group Co., Ltd.
- **Registered address:** No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
- **Time of establishment:** 1968
- **Time listed:** September 18, 2013
- **Stock exchange listed:** Shenzhen Stock Exchange
- **Total number of shareholders:** 142,730
- **Total shares issued:** 6,561,053,319

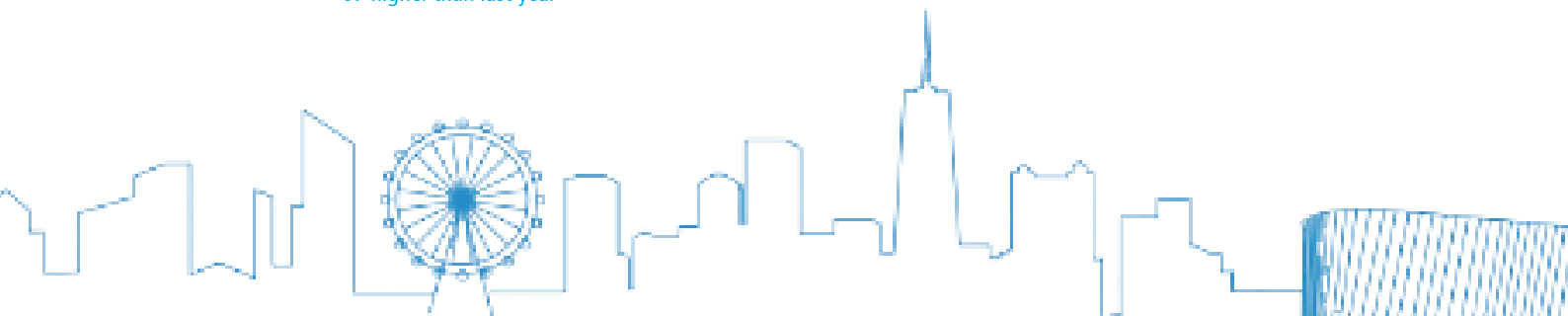


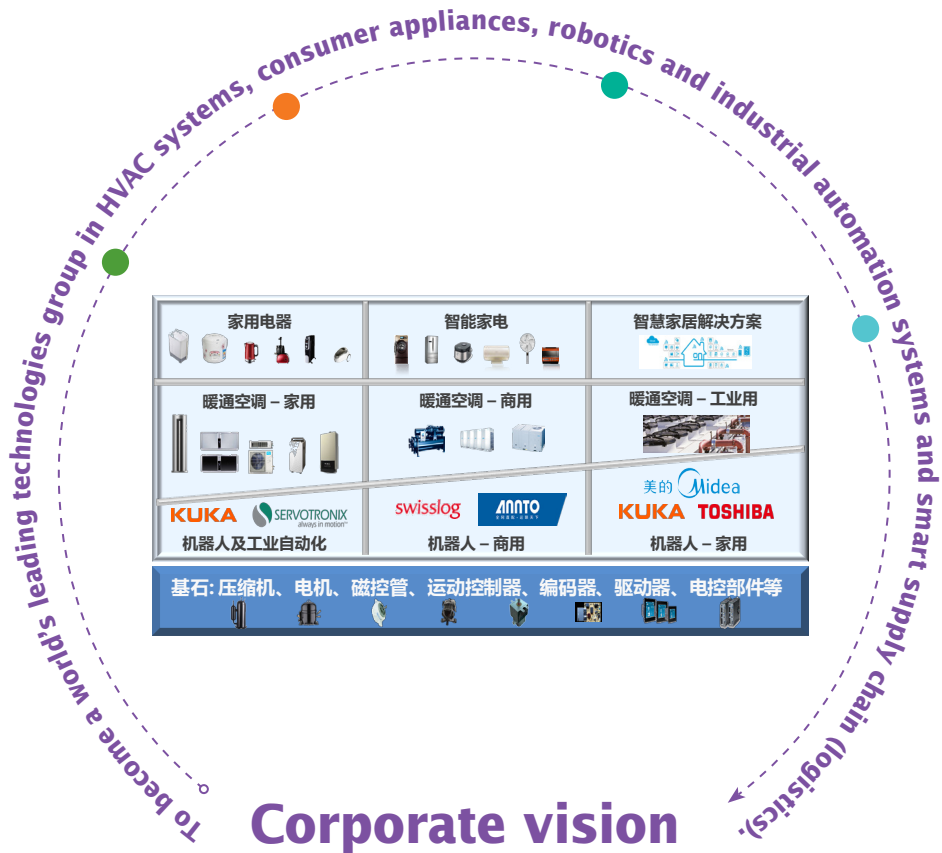
Ranked the **26th** in the 8th "BrandZ™ Ranking - The Most Valuable Chinese Brands Top 100".
Highest ranking among home appliances brands.

Ranked the **450th** in the list of Fortune Global 500 published by Fortune in 2017
31 higher than last year

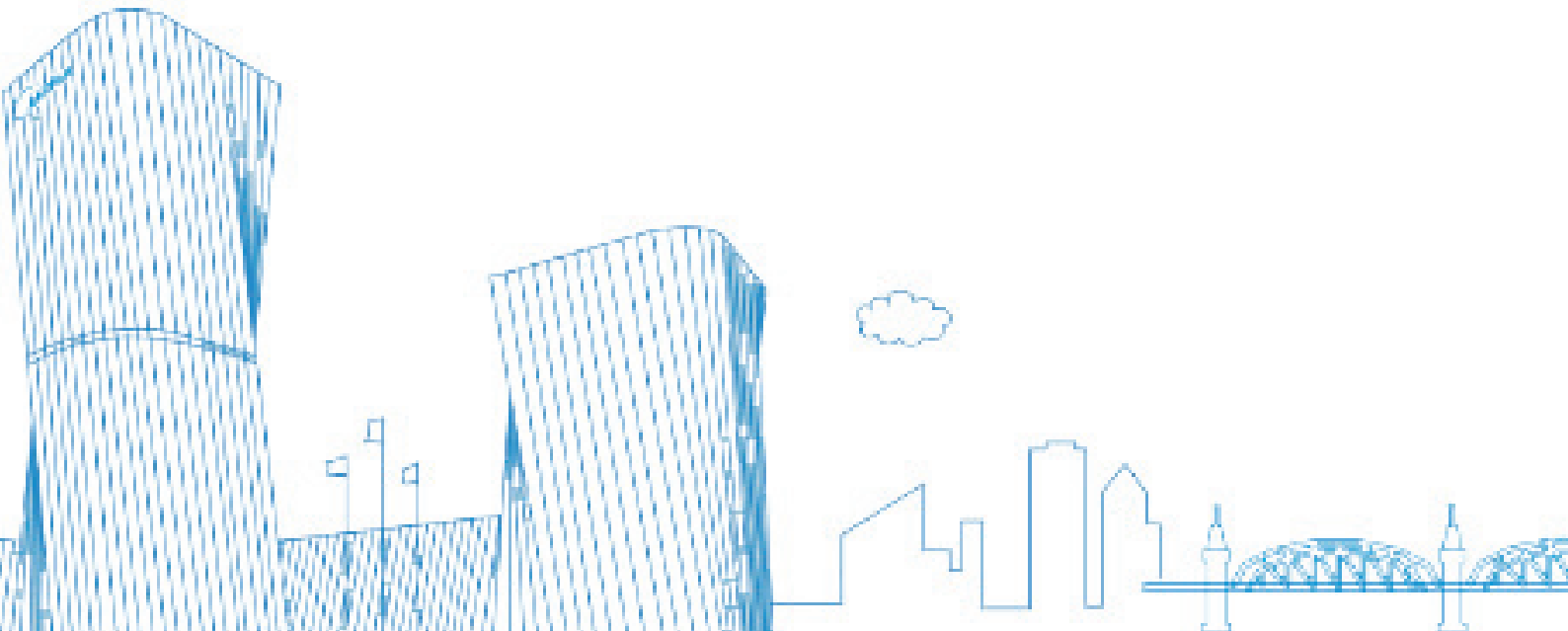
Ranked the **335th** in the list of Forbes Global 2000 published by Forbes in 2017
67 higher than last year

Ranked the **12th** in the Bund Ranking • The Most Innovative Chinese Brands

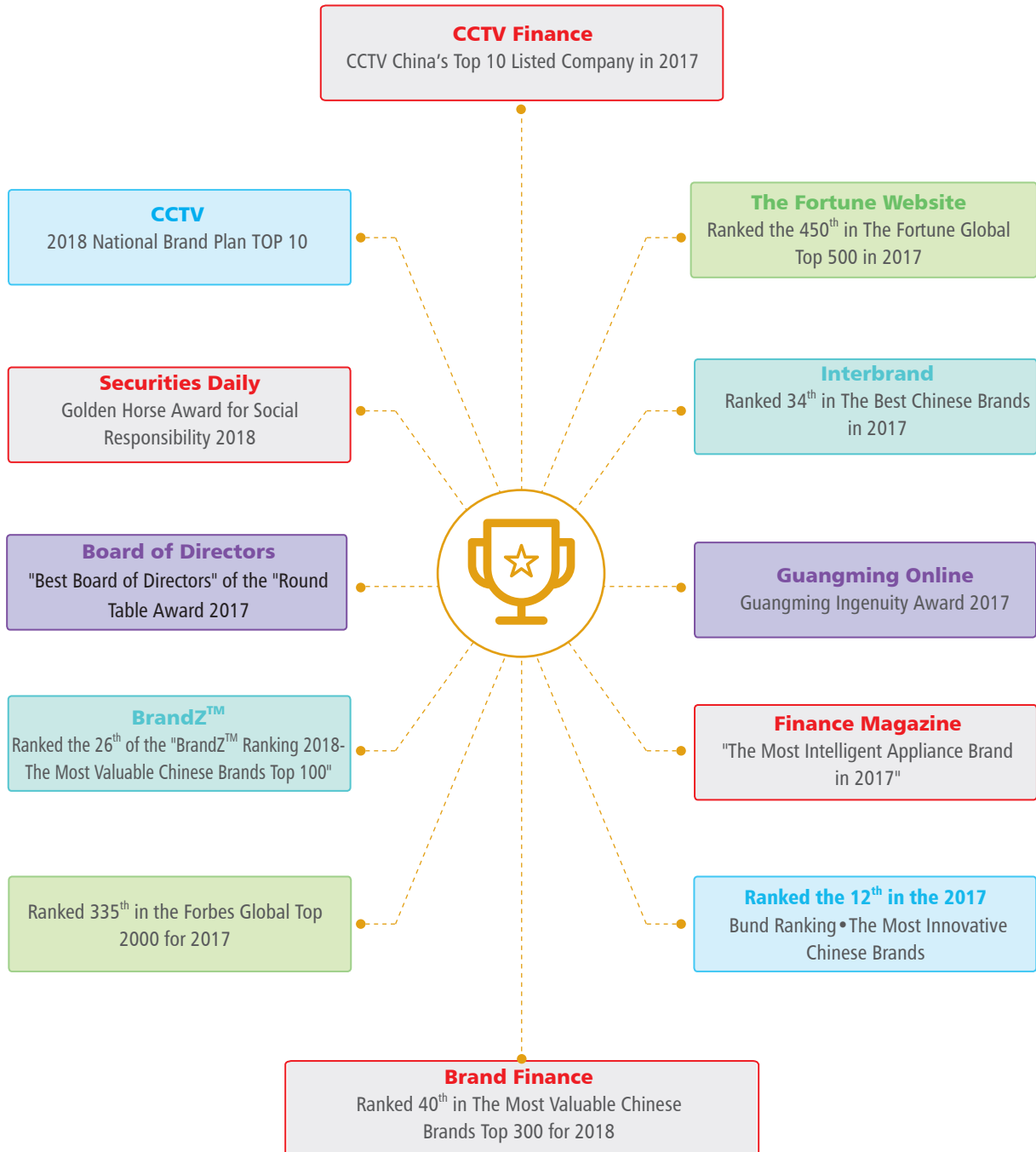




Corporate vision



Honors awarded in 2017



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

Users		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.
Employees		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.
Shareholders		Provide shareholders with stable and lasting returns by sound economic activities, and maximize the value of Midea.
Partners		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.
The government		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.
The Society		Undertake social responsibility in economy, 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.

Midea's mission



The smart life you've been looking for

Midea air + smart equipment

Air sockets, smart center, air ball, sleep rings



科技有心
美的智能空调
MIDEA.COM | 4008899315

01

User-oriented

Midea's products and services give you a better life



Star product atlas: Air conditioning

► Midea Air Conditioner YB202

The innovative "no wind" system is equipped with three air outlets, which offers three windless mode choices of "no wind up, no wind down, and no wind". There are 2655 micro - air circular holes set in the 15 air deflectors to let out air more accurately and softly. Two infrared cameras are installed to automatically protect children from direct cold wind.

- "No wind up, no wind down and no wind" modes
- Automatic cold wind for children
- High-frequency cooling and heating
- Self-cleaning of the internal machine
- Dust removal through flip-over of the external machine



► Midea Air Conditioner NTH22-18AR

- Honors of AWE Design Award 2018, German Red Dot Award 2017, German IF Design Award, South Korea Good Design Award and China Red Star Award
- Curved LED display window for visible warmth
- Long-distance remote control, laser pattern touch design on the top for more convenient use
- Two grades of breeze for better air circulation
- Mute air channel as low as 39 decibels for warm and calm release
- 400mm ultra-long PTC heating element for warmth by a touch
- 70°wide-angle swing design for warmth to reach more space
- 24H appointment and timing, auto shutdown for no operation in 12H
- Child lock and toppling power off functions for safety of the elderly and children
- GB fireproof material and double overheat protection for more safety and security



► Multi-Functional AC KFR-72LW/BP3DN8Y-Air100 (B1)

- Honors of AWE Gold Award 2018
- Integration of air conditioner, purifier, humidifier and fresh air ventilator, etc.
- Control indoor air environment from five dimensions of temperature, humidity, wind sense, cleanliness and freshness at the same time for your own ideal "microclimate" at home
- The world's first residential "microclimate" control product



Star product atlas: Cleaning

▶ Cordless Handy & Stick Vacuum Cleaner

- Award of "Innovative Product of the Year"
- Industry-leading quick charging technology (1 hour)
- Intelligent dust sensing technology for intelligent suction adjustment according to the amount of dust inhaled and battery life extension
- Powerful motor with multi-cone dust separation for long-lasting suction
- One click to empty dust and washable dust cup
- Multi-functional accessories for different cleaning needs



▶ Midea Robotic Cleaner

- G-slam path planning function with no missing, little repeat sweeping and less collision, pre planning for high efficiency
- Electronically-controlled water tank for intelligent control of water amount for ground protection and quick water evaporation, and water amount adjustment according to different grounds
- Smart drop-proof and climbing functions for easy cleaning of complex family environment
- Powerful motor for thorough cleaning



▶ Midea Built-in Dishwasher

Midea redefines sink dishwashers by integration across four fields in this product.

Midea has found the answer through 19 years of professional manufacturing experience and research: a sink dishwasher that is more suitable for Chinese families - different water quality has a significant impact on the cleansing and lightness of dishes. In light of that, the reasonable configured fresh waterway and breathing system of the sink dishwasher offers "breathing live water" to the dishwasher, making a cleaner dish-washing.

- Live water for cleaner dish-washing
- Mixed dual power for vegetable and fruit washing and a removal rate of over 95% for 18 kinds of pesticide residues
- One-click cleaning of kitchen waste for a more elegant life



- 4.0mm manual ingenious sink
- 52db ultra-quiet
- 29min ultra-fast washing
- Frequency conversion and high efficiency
- Chinese-style bowl basket with a large capacity

Star product atlas: Nutrition preservation

▶ Artificial Intelligent Full-Auto Rice Cooker

- Honors of AWE Gold Award 2017
- Full-automatic rice measuring, rice taking-in, rice washing, water taking-in and rice cooking
- Accurate ratio of rice to water for delicious rice
- The first artificial intelligent cooking utensil for exclusive customized good rice for every family
- The first integrated solution to provide users with good water, good rice and good cooker



▶ MB-PFZ3503 Variable Pressure IH Rice Cooker

- South Korea "Good Design" Dean Award, Red Dot Award, 2017 German IF Award, Appearance Patent Award, Governor's Cup, Silver Award of International CMF Design
- The first aluminum alloy cooker in the industry made by the seamless one-piece molding process with good quality and exquisite appearance. The all-metal body with vacuum plating rose gold wire drawing effect represents the high-end quality of the product, and the ITO holographic hidden interface shows the beauty of technology and simplicity.



▶ "Xiaogangpao" & "Gangtiexia" High Speed Blender

- Integration of innovative designs such as high-horsepower motor, Krupp blades from Germany and hot and cold cups
- The eccentric spoiler technology used in this product is recognized as an internationally leading level by experts of the China Light Industry Federation
- Iron Man BL1206A boasts the first spill-proof valve with the pneumatic micro-pressure SmartBall and an automatic sensing spill-proof ring for doubled spill-proof effects



▶ "Halei" High Speed Blender BL1503B

- Equipped with the first intelligent frequency constant speed motor in the industry for high performance of intelligent frequency conversion
- Different rotation speeds for different food ingredients, constant rotation speed for a quieter blending process
- 1500W high horsepower motor offering the best blending speed for each type of food
- Innovative dual-heat-tube concave dish heating system with the largest heating power of 1500W to avoid long heating time.
- Micro-pressure spill-proof valve designed to solve the three major problems of incomplete cooking, long cooking time and easy malfunction of spill-proof electrodes.



Star product atlas: Water health

► Beverly G400 Water Purifier

- Top 4 in All View Cloud's annual industry-wide ranking, IF German Design Award, Red Star Award, Choice Award of Chinese Household Appliances
- The smallest model with large water capacity in the industry, equipped with the first PAC long-term composite filter in the industry, the first double-sided integrated waterway board in the industry and the first end cold UV sterilization faucet in the industry
- Better performance and more than 40% reduction in size compared with competing products in the industry for cabinet space saving
- Integrated filter cartridge and simple waterway for a lower risk of water leakage



► Beverly I8 Series Gas Water Heater

- Honors of AWE Product Award 2017 & China Red Star Award for Design 2017
- Thermal ignition engine for fast water heating - 3.0T zero-cold water technology for optimization of the operating efficiency of the cycle engine, achieving turbocharged cycle engine power heating, and two times faster hot water outlet for a shorter waiting time; separated cold and hot water pipes for normal use of both hot and cold water in quick and enjoyable bathing



▶ Phase-change energy storage electric water heater

- Honors of AWE Innovation Award 2018
- Energy core - the world's first phase change energy storage electric water heater
- Game-changing heating and energy storage with breakthroughs in the structure and form of the electric water heater
- Pipeline structure for the replacement of the traditional liner, the thinnest 20cm pipeline in the industry
- 50% reduction in size with the same amount of hot water



▶ MRC1782 - 600G Alpha Series Water Purifier

- Honors of AWE Innovation Award 2018
- Adhering to the concept of "All-side Focus, Great Creation", and application of side placement + side extraction + side display for ultimate respect for users
- Front and back composite filters with a two-year life, cutting-edge integration technology, lower quantity and a doubled service life
- 3:1 high water saving system with zero risk for the family



Considerate customer services to support products



Standardized services

Midea has invested a lot of resources to enhance its brand image and service quality. Service image, service etiquette and standardization are gradually improving. The service process of the front-line service personnel is under guidance. Marketing and technical trainings and employment with real-name certificates are promoted. And the entire service process is monitored.



Simplified application

There are accesses in the homepage of Midea's official website for installation and maintenance appointment making, service progress inquiry, service network query and other service information. Addresses and contact information are available. Users can submit installation and maintenance applications online and check the status of installation and warranty service acceptance at any time.



Focus on customer satisfaction

Midea's 400 service hotline is promoted from the sales end and service front end so that users can contact the company in time for their needs. We attach importance to user requests and will solve the problem within 48 hours after receiving a phone call from any users.



With the increasingly fierce market competition, services as part of sales have become new competition points for many brands. How to let users perceive and appreciate every service is a question that Midea has always been thinking about. Therefore, Midea has been trying to offer quality services by unifying service standards, introducing differentiated services and innovating intelligent services.

Unify service standards

In many points and forms of after-sales service, service standardization is no doubt the most influential. In addition to establishing a perfect after-sales service network and improving the quality of service personnel, Midea unifies the service standards for door-to-door cleaning and maintenance of home appliances, realizes service standardization and unification, and creates a personalized service system that is different from the national common service standard.



Introduce differentiated services

In terms of the differentiated service strategy, Midea has built a market service reputation with its innovative service experience and full online and offline service coverage. Through the introduction of a personalized warranty replacement policy, Midea moved beyond the service practice of the industry and proposed new ideas for industry services. In order to specify professional service functions, Midea has classified, certified, trained and evaluated its service outlets, and established a high-level technical service center to keep improving consumer satisfaction in its products and brands.



Innovate intelligence services

As e-commerce sales have increased dramatically, in order to provide consumers with more efficient and caring service experiences, Midea has built a complete distribution and service system based on big data and the internet technology. Midea's various platforms are closely coordinated and strictly controlled from booking and sorting to the last kilometer delivery, so as to ensure seamless connect of customer needs and services in the system, achieve delivery and installation integration and significantly improve consumer experience. In terms of after-sales services, users can use the WeChat public account of "Midea Service" to achieve one-touch repair, rates consulting, progress inquiries and other functions, enjoying Midea's services without having to leave home.



In the future, Midea will continue to establish and improve a new competitive system that is based on the entire business chain development system driven by services. Based on consumers, Midea will launch more standardized, procedural, cultural and detailed services, and actively promote the transformation and growth of the entire industry towards service optimization and management upgrade through big data and the Internet technology.

The Midea people are working hard in a heavy snow

● We will be there for you even in such a freezing day.

@Xifan

When the after-sales service personnel got that my product was an IH rice cooker and it was not convenient for me to send it to the service center in such a snowy day, he offered to come to my house for repairment. I really appreciated it. Midea's after-sales service is amazing.

@Zhenxi007

Midea's after-sales service is so good. The technician installed the air-conditioner for me even in a heavy snow day with icy roads. Thumbs-ups for Midea services!

@Xiaodudou30118

I bought a Midea gas water heater, and the technician installed it on time despite a heavy snow day. I appreciated it so much, and 100 thumbs-ups for Midea's after-sales services.



● The most beautiful view – the blue in the silver is the most beautiful view in this winter.



● Spider-men in the winter

The most difficult part of air-conditioner installation is the fixing of the outdoor unit. It requires two technicians to cooperate with each other to ensure a smooth installation and operation of the machine. When the technicians climb out of the window with a safety rope for a high-above-the-ground job, they are the real spider-men in the winter.

Terminal revolution, from static to interactive experience

● Midea's flagship stores

The flagship store is one of the core strategic channels for Midea Group's domestic sales. Since 2013, Midea has been promoting the construction, and invested specialized resources to help its business divisions of residential air conditioners, refrigerators, laundry appliances, consumer appliances, kitchen appliances, environmental appliances, water heaters and central air conditioners to build a professional flagship store management and service system. As of the end of 2017, the total number of Midea's flagship stores exceeded 2,100, achieving a coverage rate of more than 95% in the 3rd- and 4th-tier markets. The e-commerce O2O integration business with flagship stores as the main carrier is under development, and the comprehensive after-sales service capabilities of all product categories are thoroughly improved.



● The future kitchen life experience platform

My Cooking is a brand-new future kitchen life experience platform created by Midea, which shows the forward-looking and advanced level of Midea in the field of kitchen technology, and reflects the pursuit of a good consumer experience of Midea. Functional experience areas such as product display, baking experience, social sharing, children's playground, cross-border market, product experience and cultural experience have been set up in My Cooking Experience Pavilion based on daily life scenarios, aiming to deliver to consumers a kitchen culture with healthy and relaxed family atmosphere. In 2018, Midea plans to build 5,500 My Cooking outlets (primarily My Cooking Experience Pavilions, My Cooking Experience Halls and My Cooking Experience Shops). With My Cooking Experience Pavilion as the blueprint, Midea will build a new retail scene oriented by experiential sales for kitchen appliances, and improve the standard system of My Cooking.



● The integrated smart home experience pavilion

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. Midea is committed to creating a more intelligent and comfortable home life for users.

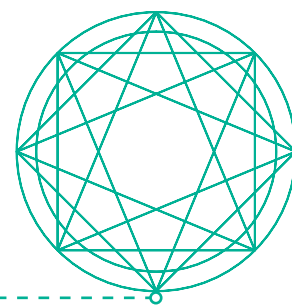


互联网+时代 发现智能 触摸未来

02

M-Smart life

Connect family life with social life through considerate services



M-Smart is a "one-stop and fully accessible" intelligent Internet of Things (IOT) platform built on the basis of the Midea Smart Cloud. It integrates all categories of home appliances, individual smart products and smart product packages to provide a series of core IOT products and services such as product access, product analysis, product management and big data. It helps product developers quickly realize the interconnection between users and devices, devices and devices, as well as devices and users.

Base on continuous technological innovation and accumulation of experiences, Midea hopes to make its Smart Cloud platform become an intelligent IOT platform that provides complete and more accurate solutions for the home appliances, smart home, automobile, real estate and other industries. Meanwhile, based on M-Smart's certification service, Midea hopes to build a mutual trust and win-win ecological cooperation mechanism to help professional users realize the business value of IOT quickly.

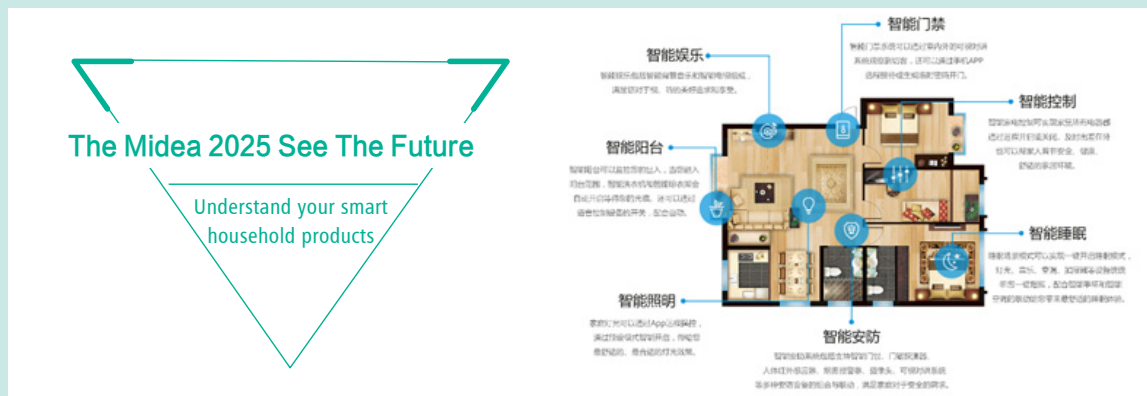
M-Smart · 智能硬件开放平台

提供智能家居、智能车载、智能硬件等开发支持，实现用户与设备及设备与设备之间的互联互通互动，帮助更多传统行业实现互联网化发展。

Midea's smart home strategy aims to give you a smart life.

The smart home strategy is a strategy of transformation from a single product manufacturer to an integrated, systematic product and service solution provider, including a full range of smart home appliances and smart home solutions.

With this strategy, home appliances shift from cold, unfeeling machines to smart hardware that can interact with users.



In addition, Midea will also return to users to implement the user-oriented concept which focuses on user needs. Midea's quality product development strategy – CDOC ("Concept, Design, Optimize and Capability"), is the best practice for this concept.

Under the guidance of the CDOC strategy, Midea will study and analyze the difficulties faced by users from the perspective of listening to user needs, and creatively meet the individual needs of users with great professionalism. Midea is committed to providing users with smarter home products.



Midea deepens its smart home business and carries forward its smart home strategy.

In 2017, Midea Smart Technology continued to strengthen the implementation of the M-Smart strategy and optimize the cloud platform, the Meiju app, communications modules, smart security and after-sales services to improve customer satisfaction. In addition, Midea gradually expanded its overseas IOT+ business, improved the integration of Echo/Alexa ecology, and provided strong support for the global strategy by its smart home efforts.

Midea continued to increase investment in R&D of smart home appliances and market resources, and kept improving the market competitiveness of its smart home appliances. In March 2017, the IOT Wi-Fi security chip was introduced by Midea Smart Technology. The chip was designed in accordance with the national financial security requirements and meets the highest security level standard that can be granted by the China Information Security Evaluation Center in the field of USBKEY. In May 2017, Midea Smart Technology's smart home security products passed the test carried by a body under the People's Insurance Company of China (PICC). These smart products were underwritten by PICC and Midea became the first manufacturer in the industry to obtain product liability insurance for its products. In December 2017, the 4.0 version of the Meiju app was released by Midea Smart Technology. The page was upgraded and the operation process was simplified to provide users with in-depth understanding of their commonly used functions and scenario-based smart services. In 2017, Midea Smart Technology won seven well-known international industrial design awards such as German IF Award, German Red Dot Award and IDEA of the United States. Moreover, the invention patent of Midea Smart Technology won the Outstanding Award of the 19th China Patent Award.

Midea Smart Technology actively promotes the construction of the M-Smart platform ecosystem. Upholding the concept of "M-Smart Inside", Midea Smart Technology has developed a third-party IOT platform—the Meizhi app, and promoted its access to real estate projects of Evergrande, Country Garden and Vanke to realize integration of smart communities and smart homes. Furthermore, Midea Smart Technology strengthened the opening-up of the M-Smart system, and improved external cooperation in the cloud-to-cloud connection, the third-party mobile terminal control, intelligent hardware access and introduction of third-party contents and resources. Midea Smart Technology has established strategic partnership with 105 M-Smart partners in total, including China Mobile, Huawei, State Grid, COFCO, Honyar, On Star, Whaley, Ayla Networks, Dooya, Hutlon, etc.

Midea Smart Technology took the lead in building a systematic service capability. In 2017, Midea Smart Technology launched new products and technologies to create a safe, convenient and enjoyable living environment for users, including the independently developed smart gateways, smart door locks, combustible gas detectors, smoke detectors and smart panels. Midea has become one of the few brands in the industry that can provide integrated smart home solutions from the chip to the cloud and the terminal.



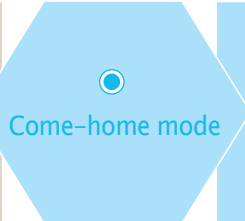
Midea Smart Technology's security package

Midea Smart Technology's security package includes passive infrared detectors, door and window alarms, combustible gas detectors and smoke detectors, providing protection for the house, as well as the people and property in it. When an intrusion is detected by the door alarm and the passive infrared detector, a warning message will be automatically sent to the house owner. Smoke and combustible gas detectors can be installed at the key positions in the home for 24-hour monitoring. When a fire or gas leak occurs, the detectors will send a warning message to the user's mobile phone or to the community's property management office. Additionally, together with the self-developed gateways, the security package can be interconnected with the home appliances and other products to achieve smart operation of household equipment, providing users with a convenient and comfortable future smart home experience.

The design concept of the security package is "keep it simple". It is not only simple in appearance, but also simple in installation. It does not require too many wires and screws for the installation, and the whole installation process can be completed within half an hour. Moreover, power consumption is low and fewer battery replacements are needed. Most importantly, this product package can be linked with any Midea smart home products, and all functions can be controlled by users with their mobile phones.

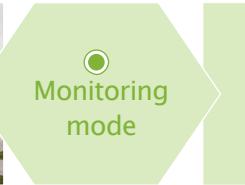
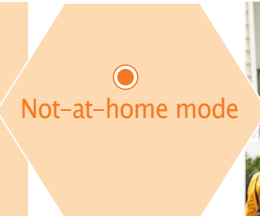


Complete life scenario solutions



After a day of work, you only need to unlock the door by a simple fingerprint scan, and the entrance light will be automatically turned on. Background music starts, the air-conditioner and television are turned on, and window curtains are opening slowly. You are instantly surrounded by coziness.

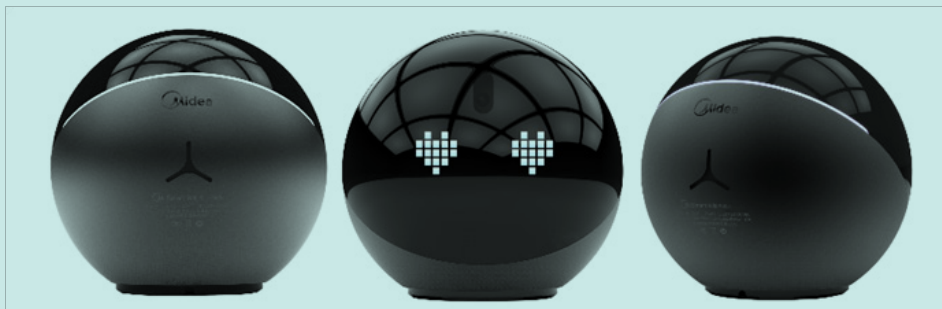
When no one is at home, the alarming system will be running. Once the door and window alarms and the passive infrared detectors at the entrance, windows or hallway are triggered, the smart camera will immediately start recording and dial your phone to alarm you to keep safe every corner of your house.



Keep thinking about your house on a business trip? You only need to go to an app to check the status of your house anytime and anywhere, including remote control over the door and windows, the gas and water equipment, etc.

Bubble robotic housekeepers

The Midea Bubble desktop robot is a completely intelligent hardware product with excellent audio and video services, smart home control and various services. It combines mastered voice, graphics technology and Hi-Fi tuning technology, and supports high-definition speech recognition, Hi-Fi music system and smooth gesture and face recognition. In service content, it combines high-definition video and a variety of sensors to realize voice home appliance management and automation scene management. It can also provide high quality music, stories and other audio content as well as high-definition English and other language teaching. Moreover, it is equipped with a remote control and video monitoring system. In terms of expansion, based on distributed, modular and backward compatible designs, it supports the interconnection of distributed voice scenarios, upgrading of intelligent engines and the expansion of the Cube series of mobile robots.



Enjoy a smart home life

On December 8, 2017, Midea Smart Technology held the “Meiju App 4.0 Release and Product Launch Conference” at the Midea Global Innovation Center. Midea Smart Technology presented Meiju 4.0, the brand new Smart Cloud and new products at the conference, providing business departments and users with a service platform which is more user-friendly, smarter, closer to life and safer to practice the concept of “enjoy a smart home life”.

Meiju 4.0 debuted at the conference. In addition to the new page upgrade, the new version of the app understands every user’s commonly-used functions in an in-depth manner. It simplified the operation process, especially in smart connection, and designed scenario-based intelligent services for users. Users can define scenarios based on the location and time. Based on user data collection and analysis, Meiju 4.0 can provide a series of personalized services. It can offer real-time message alerts, smart goods and service recommendations according to the user’s service order status. It can also recommend personalized products and services based on the user’s habits, device status and personal preferences.

Midea Smart Technology assumes the strategic mission of smart home development of Midea Group. It will take user needs as the starting point, and serve business departments on home appliance intelligence development to promote the intelligentization process for better development in the smart home field.



Meiju 4.0



The M-Smart platform adopts ZigBee's technologies

2017 was the second year that Midea Group acted as a promoter member of the ZigBee Alliance. At present, the Midea M-Smart platform has realized access to multiple product categories such as lighting, environmental monitoring, security control and background music by adopting ZigBee's technologies, providing various application scenarios for the M-Smart platform. Midea Smart Technology's research institute has connected the M-Smart platform with ZigBee, and created a systemic smart home solution. This systematic solution has now begun to be deployed in the fields of smart real estate, smart hotels and home decoration.



The intellectual property management system of Midea Smart Technology Co., Ltd. has been successfully certified.

In December 2017, after strict internal and external examinations at all levels, the intellectual property management system of Midea Smart Technology Co., Ltd. of the Central Air Conditioning Division was certified by Zhonggui (Beijing) Certification Co., Ltd., which was considered fully compliant with requirements of the "GB/T 29490-2013 Enterprise Intellectual Property Management Regulations", and was granted the intellectual property management system certificate, indicating that Midea Smart Technology has taken an important step in advancing the standardization of intellectual property management.

In the future, Midea Smart Technology will focus on the patent layout of core products from various aspects on the basis of this intellectual property management system, which plays an important role in safeguarding the market and sales of products. The patent work of Midea Smart Technology will be carried out based on the idea of "good products, good patents", and focus on work standardization in accordance with the standards of the intellectual property management system. Midea Smart Technology will be committed to creating smarter, more convenient and comfortable intelligent living experience for users with a completely new attitude, as well as providing more customers with quality products and services for integrated smart home solutions. It will connect the future with "Midea intelligence".



Midea Smart Technology has been successfully certified by ISO9001 and CMMI-5

On January 26, 2017, China Quality Certification Center (CQC) announced that the R&D system in the Smart Home System of Midea Smart Technology Co., Ltd. was certified by the ISO9001:2015 system. In February 2018, Midea Smart Technology Co., Ltd. of the Central Air Conditioning Division was successfully certified by CMMI-5 (optimal level) after evaluation, indicating that Midea Smart Technology has achieved an internationally advanced optimal management level in terms of process organization capability, software R&D capability and quality management.

In the future, Midea Smart Technology will continue to improve its software and hardware quality with various excellent management means and methods, and build a systematic service capability on this basis. With a completely new attitude, it will be committed to creating smarter, more convenient and comfortable intelligent living experience for users with a completely new attitude, as well as providing more customers with quality products and services for integrated smart home solutions. It will connect the future with "Midea intelligence".

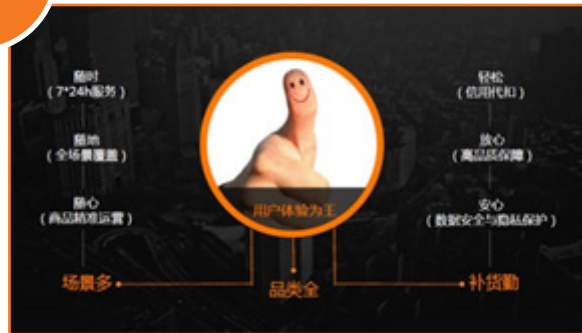
Joining hands with Alibaba, Midea has established Xiaomaigui to launch self-service retail terminals

Midea has always been committed to exploring the deep integration of new retail and home appliance manufacturing. Looking at the development pattern of the industry and consumer trends, it has taken the lead in putting forward the concept of "National Appliance 2.0" and guiding users to upgrade consumption. Relying on advanced scientific research technology and smart logistics, Midea is trying to build a new retail model based on the internet technology, taking consumer cognition and insight as the clue, and targeting new product experiences and services.

In order to create all-scenario instant retail sales, Xiaomaigui is dedicated to improving user experience of self-service retail and satisfying instant needs in various scenarios, and self-service vending cabinets are launched. A brand-new terminal based on the IOT smart technology has been created by Xiaomaigui. This terminal supports the accurate and disordered display of a large number of goods, and the buying process is extremely simple. It only takes three steps to complete a rapid buying: "scan the code to open the door - self-picking - close the door and make payment". Xiaomaigui has realized a high degree of online services from terminal to backstage supporter, from buying to logistics. With the support of big data, Xiaomaigui also achieves zero-theft and smart replenishment. The loss rate caused by expired shelf-life and other reasons has also been greatly reduced.

Based on the IOT technology and a high-quality supply chain, Xiaomaigui covers all kinds of scenarios and has greatly improved the user experience of self-service retail. It organically integrates people-goods-fields by creating a sustainable self-service retail business operation intelligent system, and returns to the true nature of retail.

In the future, Midea, together with Xiaomaigui, will work on all-scenario instant retail sales. Midea will also provide full support for the rapid growth of Xiaomaigui in terms of product supply, large-scale manufacturing, quality and service assurance.



Midea is deepening its strategies

In January 2017, Tencent QQ and Midea Group entered into a strategic cooperation agreement in Shenzhen. The two parties will jointly build an in-depth cooperation based on IP licensing and IOT Cloud technology to achieve connection, dialogue and remote control of home appliances. The first step in the cooperation between the two parties is to jointly launch a variety of smart home appliances based on QQfamily IP licensing and Tencent IOT cloud technology.

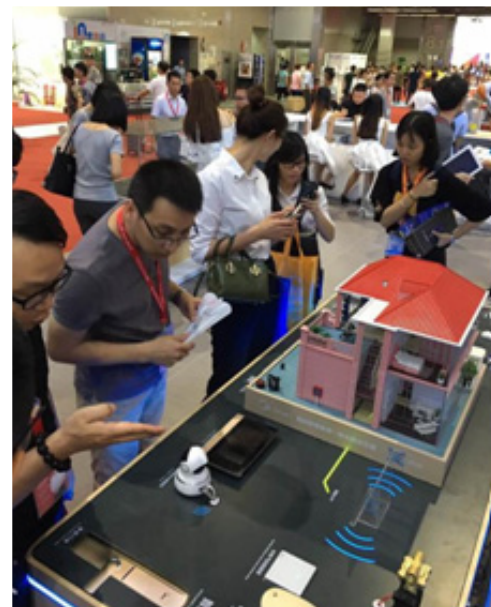


Shortly after that, Midea Group signed a strategic cooperation agreement for 2017 with JD Group. The two parties will further expand the scope and depth of business cooperation in the future, and strengthen comprehensive deepening cooperation in areas such as smart home, logistics, data opening and channel expansion to further increase market influence and create a new model for industrial integration.

Midea is deepening its strategies

On July 8, 2017, the four-day China Construction Fair (Guangzhou) kicked off at the Canton Fair Exhibition Hall and Poly World Trade Exhibition Hall. As the leading brand of the industry, Midea Smart Technology presented its smart home solutions such as intelligent gateways, intelligent access control, intelligent lighting, intelligent detection, intelligent control, intelligent security and smart appliances at the fair, creating a comfortable, convenient and safe environment for users. It attracted the attention and praises of the audiences and media.

With the upgrading of consumer attitudes, people are paying more and more attention to the quality of life. Scenario-based experience and one-stop solutions are what consumers really need. Midea Smart Technology attaches great importance to the value and experience of users and is committed to the innovation and upgrading of smart technologies to meet the needs of users for simple, quality and personalized lives.





*The World IS
More Beautiful With Midea*

03

Every day is beautiful with Midea
Charity and public welfare activities



Social charity

Summary of the work done for targeted poverty alleviation during 2017

Midea Group has been making great efforts to help alleviate poverty in the Guangdong Province. As it grows bigger and stronger, it willingly takes on social responsibility and gives back to society. In 2017, Midea donated a total of RMB20.5 million, of which RMB 10 million was given for targeted poverty alleviation to the Guangdong government's office for poverty alleviation and development, and another RMB 10 million was given to the Beijiao Town Charity Federation for poverty alleviation and public welfare of the town. Additionally, it supported the Foshan Municipal Government to help reduce poverty in Liangshan in the Sichuan Province by donating 1,100 sets of small domestic appliances which worth RMB 0.5 million to the people there in July 2017. 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.



Social charity

Supporting poverty alleviation and other public welfare activities

On July 25, 2017, Mr. He Xiangjian, the founder of Midea, announced a total donation plan of RMB 6 billion in Shunde District. At the ceremony, the Guangdong He Xiangjian Charity Foundation, whose honorary chairman is Mr. He Xiangjian, announced officially to be renamed as Guangdong Hedi Charity Foundation. Hedi Charity Foundation was founded by Mr. He Xiangjian in December 2013, and registered with the Guangdong Civil Affairs Department. The foundation mainly supports education, retirement, sports, culture and arts, poverty alleviation and disaster relief, environmental protection and other public welfare drives.



At the donation ceremony, Hedi Charity Foundation released a total donation plan of RMB 6 billion, including equity donations and cash donations. These charitable funds will be used in charity projects which are managed by professional charity organizations according to norms. The charity system covers various areas such as targeted poverty alleviation, education, medical care, pensions, innovation and entrepreneurship, cultural heritage and charity development. It has promoted the establishment of two new charity foundations, and donated to 5 charity societies at the provincial, municipal, district or town level. It took nearly three years for the planning and preparation for this donation.



On the morning of February 2, 2018, the "Donation Ceremony of Midea Group and Guoqiang Charity Fund for the Development of Charity and Public Welfare in Beijiao Town", which was jointly organized by Beijiao Government and Beijiao Charity Society, was held in Beijiao. For the ninth successive year, Midea Group donated RMB 10 million to Beijiao Charity Society for charity activities in poverty alleviation and other areas. By the end of 2017, Midea Group had donated over RMB 214 million to Beijiao Charity Society (including donations from Guangdong Hedi Charity Foundation, Midea Group and Midea Real Estate, etc.). In the future, Midea Group will continue to support the development of charity and public welfare in Beijiao Town, promote the appropriate use of resources and repay more to the society.

Social charity

Caring for the poor and helping people get rid of poverty

On the morning of June 30, 2017, the annual "Guangdong Poverty Alleviation Day" activity was held in Guangzhou. Many enterprises and caring people participated in the activity and pledged donations. At the donation ceremony, Midea Group donated another RMB 10 million. It was the seventh successive year that Midea Group participated in the "Guangdong Poverty Alleviation Day (Jun 30) Special Campaign" since the establishment of "Guangdong Poverty Alleviation Day" in 2010.



Looking for a "heart" and keeping the appointment with children



In September 2017, Midea Group held the activity of "Love and care for children from Midea" and visited the children with congenital heart disease after their surgeries together with Aiyou Charity Foundation. In order to help children with congenital heart disease in difficult families to start the treatment, Midea started working with Aiyou Charity Foundation in 2015 and has assisted 111 children with congenital heart disease for three years.

Although the time spent with the children was not long enough to be able to accompany each child to play, the Midea people felt relieved when they learned that more and more children were able to get their surgeries in time with the help of the Group, and get healthy and happy. They did this not because they wanted something in return; all they ever cared about was the children's health. In the future, Midea will continue to help more people in need. Midea has always been there for them and hope to do this with you in the future.



Environmentally friendly

● Environmentally-friendly activities at the Midea Headquarters – a green Midea life

The earth is our only home, and protecting resources and the environment is a common responsibility of mankind. June 5, 2017 is the World Environment Day, and the Midea people are also on the move. During the event, Midea's employees actively participated in the "waste no food" campaign to protect the environment. Moreover, the Midea people "adopted" succulent plants to express their determination to contribute to the blue sky. In the event, they left behind their footprints of environmental protection by posting photos to the social media to convey the concept of a low-carbon life.

Although the "World Environment Day" only lasted for one day, environmental awareness must be kept in mind at all times. The Green Signature Wall witnessed the determination of the Midea People to act together to live a green Midea life everyday!



Environmentally friendly

● Environmentally-friendly activities at the Midea Headquarters – a green Midea life

Midea Group adopts an environmentally-friendly and energy-saving development strategies, 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.

Environmentally friendly

● Certification of recommended energy-saving products for green building

Midea's residential central air conditioners, MC series of large chiller, MDVS series of all DC MDVS inverter, E+ Blue Diamond liner air energy water heater and other products have passed the review carried out by the expert groups of China Engineering Construction Standardization Association, and were granted the "Certificate of Recommended Energy-saving Product for Green Building". At present, Midea's residential central air-conditioner is the first and only domestic product that is granted the certificate of recommended energy-saving product for green building in China. In China, green and energy-saving buildings are designed and constructed in accordance with national and provincial standards for building energy efficiency, which can significantly increase indoor comfort and reduce energy consumption in buildings such as heating and air conditioning, and the adoption of products that are granted the "Certificate of Recommended Energy-saving Product for Green Building" is one of the important conditions for the evaluation of green buildings.



● Low-carbon products for a starry sky

Midea Air-Conditioner and WWF (World Wide Fund for Nature) jointly initiated the "Starry Sky Program" to launch a new model of "public welfare marketing" in the home appliance industry of China. This program aims to encourage consumers to "pay attention to, love and use energy-saving inverter air conditioners" and pay attention to the energy-saving conditioner market in China. The four measures of "trade-in policy, value-added services, ECO preferential sales, Star Award" enable Midea to sell more energy-saving air-conditioners to more Chinese families.

As the new energy efficiency standard for air conditioners - APF, compared to EER and SEER, it is not only more stringent in energy efficiency standards of frequency conversion, but also more comprehensive in the assessment of air conditioner performance. It provides power for the popularity of energy-saving air conditioners. Midea Air-Conditioner takes satisfying changes in consumer demand as a strategic point, and aims at high value-added and high-premium capabilities to promote high-end product structure and high-end technology upgrades. Furthermore, relying on the full self-supporting industrial chain, Midea promotes the popularization of new technologies and standards, and intensifies the cooperation with public welfare organizations to promote the awareness of environmental protection in the whole society, and accelerate the adoption of energy-saving inverter air conditioners to become the mainstream in the market.

一起低碳，仰望星空

关爱地球，从点滴节能开始

每个人心中都有一份独特的星空情怀，与生俱来，不可撼动。参与星空之旅，倡导低碳节能，重新点亮星空，激发大家心中的那份仰望星空的纯真。

星空之旅

中国节能家电领导者美的空调联手世界自然基金会 (WWF) 举办“一起低碳，仰望星空”活动，探寻中国最美星空，倡导低碳节能生活。美的空调用户有机会参与抽奖，幸运者将以美的空调“环保见证大使”的身份，加入最美星空之旅。

美的集团家用空调事业部总裁 吴文新

节能低碳，绝不限于追求经济利益，更重要的是对地球的责任。美的空调一直在引领中国空调行业的节能进步，美的空调期待有更多的节能低碳产品带给中国家庭。

世界自然基金会 (WWF) 中国区总干事 卢思骋

本土环境问题与全球气候问题交织在一起，解题需要大勇气和大智慧，需要各方联手。期望美的未来有更多深入的环保项目开展，成为家电制造业的减排先锋、应对气候变化的领导者。

2016年3月1日，“星空计划”启动仪式在北京国家会议中心正式召开。

Food safety

● Say NO to Bisphenol A!

In the electric small appliance industry, which is closely related to health, stirring cups, juicing screws and juicing cups are all food-contacting plastic parts. At present, there is no industry standard for the market. Different materials are used by different brands and food safety risks are enormous. Tritan™, a new generation of copolyester brand developed by Eastman Chemical Co., Ltd USA, has been widely recognized and promoted worldwide because it is free of bisphenol A and it is tough and durable.



Since Midea started to work on cooking appliances in 2014, Tritan materials has been the first choice for its juicing screws, juicing cups, brokers and mixing cups, and in this process the market position of Midea's cooking appliances has been significantly improved. In 2015, Midea and Eastman signed a strategic cooperation agreement. Eastman authorized Midea to use the Tritan™ brand it held in small domestic appliance products in China. This was also the first authorization of the brand to a Chinese home appliance company. Midea hopes to guide consumers to choose a healthy and environmentally friendly lifestyle by the introduction of Tritan, and join hands with Eastman in providing quality solutions for the selection of safe materials for small electric home appliances.

In the future, Midea will apply the Tritan™ brand to product manufacturing, product advertising, web pages, promotional items, sales promotion, display and packaging. Midea will also prioritize this material for maternal and child products and food-related products, and will gradually promote the use of this material in more food products to provide healthy, quality and safe products for Chinese consumers.

Bisphenol A, also known as BPA, is used industrially to synthesize plastics. Bisphenol A is similar to estrogen. Using a bottle or tableware containing bisphenol A may induce sexual precocity in infants. Bisphenol A in plastic products can also induce heart diseases. Several studies have also shown that plastics containing bisphenol A can rapidly release substances that damage brain tissue and induce cancer when the plastic is heated or exposed to hot liquids.





Anti-fraud activities

In June 2015, Midea Group initiated the establishment of the China Enterprise Anti-Fraud Alliance together with Alibaba, Vanke, CIMC, Fosun, Country Garden, Shimao, Shunfeng, Sun Yat-sen University, Guangdong Enterprise Internal Control Association, all bench-marking companies and organizations in China covering various industries.

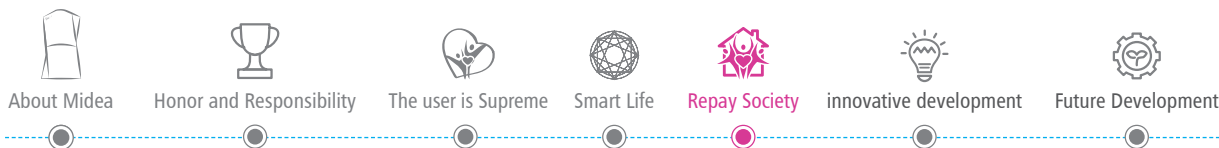


In June 2017, the China Enterprise Anti-Fraud Alliance organized the 2017 Annual Meeting with the theme of "Unity, Sharing and Win-Win". At the meeting, all members reviewed the development process of the alliance and discussed the development prospects and goals.

The China Enterprise Anti-Fraud Alliance is the first non-profit cooperative organization that is initiated by enterprises and aims at anti-fraud in China. The alliance aims to help companies implement anti-fraud actions and systems through innovation and cooperation, and promote resource sharing, information sharing, blacklist information management, and build a platform for corporate anti-fraud experience exchange as well as a clean business environment.

So far, the alliance has been extended to more than 20 provinces, municipalities or autonomous regions across the country with more than 2 million employees. It has played a leading role in anti-fraud activities across the country and established a platform for information sharing among members. It promotes fairness and justice, and curbs dishonesty of employees to avoid personnel risks of enterprises effectively. It improved the operational mechanism of the alliance, established a "Standing Council" mechanism and expanded the membership of the Standing Council of the alliance. It adheres to scientific and democratic decision-making, and implements the "Measures for the Management of Membership Fees" to ensure the long-term and healthy development of the alliance. It reformed the exchange model of the alliance, established three professional committees for internal control, auditing and investigation, implemented the district management mechanism and held various regional activities. Moreover, it actively carried out external cooperation to enhance the social influence of the alliance.





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.

● 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.



Talent development

● Training mechanism

The attendances at internal training sessions were 620,039 in 2017, of which 45,989 were management personnel, 252,361 technical and marketing personnel and 321,689 operational personnel. The trainings included:



- Building a pilot Leadership Development Program and a High-Potential Leaders Training system to facilitate talent management and training. **46** talent training programs were carried out and **2,627** highly skilled managerial staff were trained with **81,263** man-hours.
- Building a professionalism promotion system. **76** such programs were carried out and **18,767** staff were trained with **93,135** man-hours.
- Meike, a mobile app developed by Midea for online training, has extended its trainings to all managerial personnel in Midea Group. An approximate total of **121,000** logins to this app for training was recorded throughout the year.
- Facilitating organizational learning by developing **461** internal trainers. Their annual teaching time was **6,496** hours. And a total of **515** courses were designed in the year.
- Continuous training for mid-level and senior managers. A total of **28** lectures on leadership skills for mid-level management were given to **825** attendances, representing **10,725** teaching man-hours. Meanwhile, **6** such lectures for reserve high potential talent were given to **200** attendances during **14** days, representing **4,796** teaching man-hours. And **4** such lectures for senior management were given to **119** attendances during **6** days, which consisted of **1,400** teaching man-hours.
- Facilitating the training of key technical staff and working team leaders. The total training time was **160,834** hours.

 **Talent development**





Caring for employees

● Midea Support Fund

Since its establishment, Midea Support Fund has been fulfilling its missions of delivering love and helping the poor. In order to help more employees in need, Midea Group has established a long-term operation mechanism by taking 8% of the total amount of the fund as the total budget of the fund for the next year on December 30 each year. In 2016, Midea Support



Fund raised its limit again to allow an employee to apply for a maximum amount of RMB 300,000, further strengthening the support. At the same time, the approval power was delegated and the approval process was simplified. An RMB 100,000 or less amount can be approved by the business divisions, and it would be simpler and more efficient for employees to apply for the support fund.

● Group weddings



Over the years, Midea has maintained a corporate culture of introducing and retaining outstanding talent, including group weddings over the past 26 years to create more happiness for employees. On December 8, 2017, the 26th Group Wedding of Midea was held at the Midea headquarters building. A total of 32 new couples tied the knot at the ceremony.



Caring for employees

● Recreational activities

In order to enrich the cultural life of its employees, each business division of Midea Group organizes various fun games and competitions to promote the spirit of athletic sports and the spirit of solidarity, hard work, harmony and friendship among the Midea people. In these activities, team members cooperate with each other to take the challenges for joy and fun.



● Buying train tickets for employees in the Spring Festival

In the annual Spring Festival travel rush, how to go home has become a big worry for employees. To solve the problem for employees, some Midea business units order group tickets for employees immediately after Guangzhou Railway Group releases the ticket information to help them get home.



● Snacks for employees in hot summers to keep them energetic

In hot summers, some Midea business units care for front-line workers and provide them with delicious snacks. Croissants, cream cakes, jujube cakes and pocket sandwiches enable the workers to get more nutrition and improve work efficiency.





04

Corporate responsibility under a new normalcy

Technological innovation, smart manufacturing and transformation from a traditional company



Technological innovation

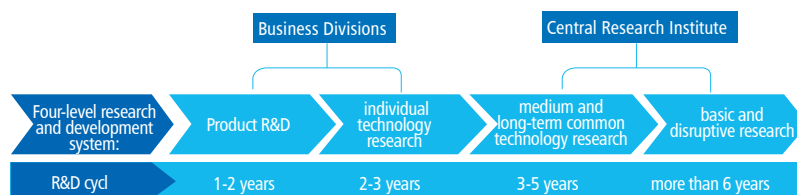
Midea focuses on building a globally competitive multi-level global R&D system. It has the world-class R&D investment and strength based on user experience and product capabilities. In the past five years, the investment of Midea in R&D has exceeded RMB 20 billion, and 20 research centers have been established in nine countries (including China) so far. While strengthening the layout of its global R&D centers, Midea also pays great attention to the commercialization of its R&D achievements. With customer needs as the core, Midea has launched a series of industry-first G400 Water Purifier, High Power FS4006IH Rice Cooker, Kid Star TA201 Separated Air Conditioner, innovative dishwashers, the next generation of small MDVS air conditioners, 32L Stone Kiln Oven, Garment Steamer YGD12B1, E1 Vertical Vacuum Cleaner, an innovative series of pulsator washing machines, innovative refrigerators and other innovative products.



● 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.

Since 2014, Midea has been working to build the Central Research Institute and Midea Smart Technology's Research Institute. The construction of the institutes is an important milestone for Midea's R&D system, which can help improve the product innovation capability and build a globally competitive technology research system. The Central Research Institute aims at medium and long-term common technology research of 3-5 years, as well as basic and disruptive research over 3-5 years, while the business divisions are responsible for new product development of 1-2 years and individual technology research of 2-3 years. Midea Smart Technology's Research Institute undertakes the establishment of an open smart home appliance platform, while the business divisions are responsible for the intelligent research and development of home appliances of all categories. In the future, Midea will also increase its investments in science and technology, improve its innovation mechanism and enhance its innovation capability.



By the end of 2017, 20 research centers have been established in nine countries around the world, including China. The total number of R&D personnel is more than 10,000, including over 300 foreign experts, 4 national qualified personnel and 19 provincial qualified personnel. 3 postdoctoral workstations and 4 academician workstations have also been established. While strengthening the layout of its global R&D centers, Midea has signed technological cooperation agreements with top domestic and foreign research institutes of MIT, UC Berkeley, UIUC, Stanford, Purdue University, Tsinghua University and Chinese Academy of Sciences, etc., so as to establish joint laboratory in-depth technical cooperation to create a global innovation ecosystem. In addition, Midea organized the second "Midea Global Technology Strategy Forum" in May 2017, inviting global top technology talent to gather together in Midea and discuss the future technological development.



Technological innovation

● Proprietary technologies

Focusing on consumers, Midea keeps increasing R&D investments for product development to build a globally competitive technology research and development system and enhance innovation capabilities. By the end of 2017, the total domestic patent applications of Midea exceeded 70,000, and the authorized patents were **35,000**. In 2017, Midea Group applied for **16,934** patents, including **7,714** patents for inventions. The evaluation results of the 19th China Patent Awards of the State Intellectual Property Office showed that Midea Group won one gold medal of China Design Award, nine Excellence Awards of China Patent, and three Excellence Awards of China Design, which was the best achievement since Midea's establishment. In the 2017 Global Enterprise Innovation Capability Report released by Clarivate Analytics (formerly Thomson Reuters), the number of invention patents of Midea in the field of home appliances ranked the first in the world for three consecutive years, and both patents for household appliances and kitchen appliances ranked the first.

While working on core technology research, Midea pays more attention to the commercialization of its R&D achievements and has obtained a number of honors. Midea Smart Technology Co., Ltd. was recognized by Guangdong Science and Technology Agency as "Guangdong Internet of Things Smart Home Engineering Technology Research Center" and "Guangdong White Goods Technology Innovation Center". A total of 16 technologies were recognized as "internationally leading technology" by experts in the year, including the key technology research and industrialization of high intelligence index room air conditioners, research and industrialization of key technology of voice suppression of integrated air conditioners, research and industrialization of key technology of nuclear boiling and braised cooking of IH rice cookers, research and industrialization of breaker based on eccentric spoiler and multi-layer dense IH technology, compression technology of M-Ai full frequency quasi grade II and its application on MDVS, application of liquid spray technology in distributed centralized heating system with ultra-wide loop temperature and high temperature backwater, research and application of intelligent steam cleaning technology for household oil sucking machine, home range hood Research and application of intelligent steam cleaning technology, research on key technology of new generation variable frequency power supply for microwave ovens, application research and industrialization of enamel technology in microwave ovens, research and industrialization of key technologies for high-performance modular commercial microwave ovens for high-speed rail use, modular and easy-to-clean materials and their application in kitchen appliances, and AC VVVF technology etc.. In the field of industrial design, a total of **72** international design awards were granted to Midea in 2017, including **20** German Red Dot Awards, **26** IDEA Awards from the United States, **17** German IF Awards, **5** Japanese GMARK Awards and **4** Korean GD Awards.

Technological innovation

● The 22nd Science and Technology Month Event – "Advanced Products, Collaborative Innovation"

On October 17, 2017, Midea's 22nd Science and Technology Month for Innovation Exchange and Awards Granting was held at Midea's Global Innovation Center in Shunde City, Guangdong Province in China. May innovation achievements of Midea were exhibited in this event. It was the first time for Midea, a company that insists to take scientific and technological innovation as the first motive force of development, to open the "Science and Technology Month" event to the public. The total awards of the 22nd Science and Technology Month reached an amount of more than RMB 200 million, and a total of 135 innovative products or technologies were rewarded at the event.

In this Science and Technology Month, Midea rewarded hard-working engineers in scientific research and innovation in the past year with a huge sum of money, and exhibited achievements of technological innovation and industrial transformation. Eight awards were set for this Science and Technology Month, including Innovative Advanced Unit, Product Innovation Award, Research Innovation Award, Science and Technology Star, Design Innovation Award, Manufacturing Efficiency Improvement Award, Quality Improvement Award and Star Manufacturing Award, aiming at enhancing the global brand influence and core competitiveness by breakthroughs and innovation on core technologies. In order to further promote Midea's global strategy, master international core technologies and integrate global innovation resources, KUKA, TOSHIBA, CLIVET, SERVOTRONIX and other overseas entities were included for the first time in the scope of evaluation in this Science and Technology Month, and the same evaluation level was adopted for both domestic and foreign companies. During the two-day exhibition, Midea set up ten exhibition areas including the Smart Home Area, the KUKA Area and the Robotics Area. In these areas, dozens of products and technologies were displayed to convey the unique "Midea innovation concept", demonstrating the science and technology power of Midea.

"Leading Products, Operational Efficiency and Global Operations" is the current three major strategies of Midea. "Leading Products" is placed in the first because of its practicality, and collaborative innovation is one of the indispensable supports. The 22nd Science and Technology Month with the theme of "Advanced Products, Collaborative Innovation" is precisely the best embodiment of this concept of Midea. The series of symposiums in the same period will focus on this topic to connect the systems for cross-field collaborative innovation and establishment of a sound collaborative mechanism for the global R&D system.

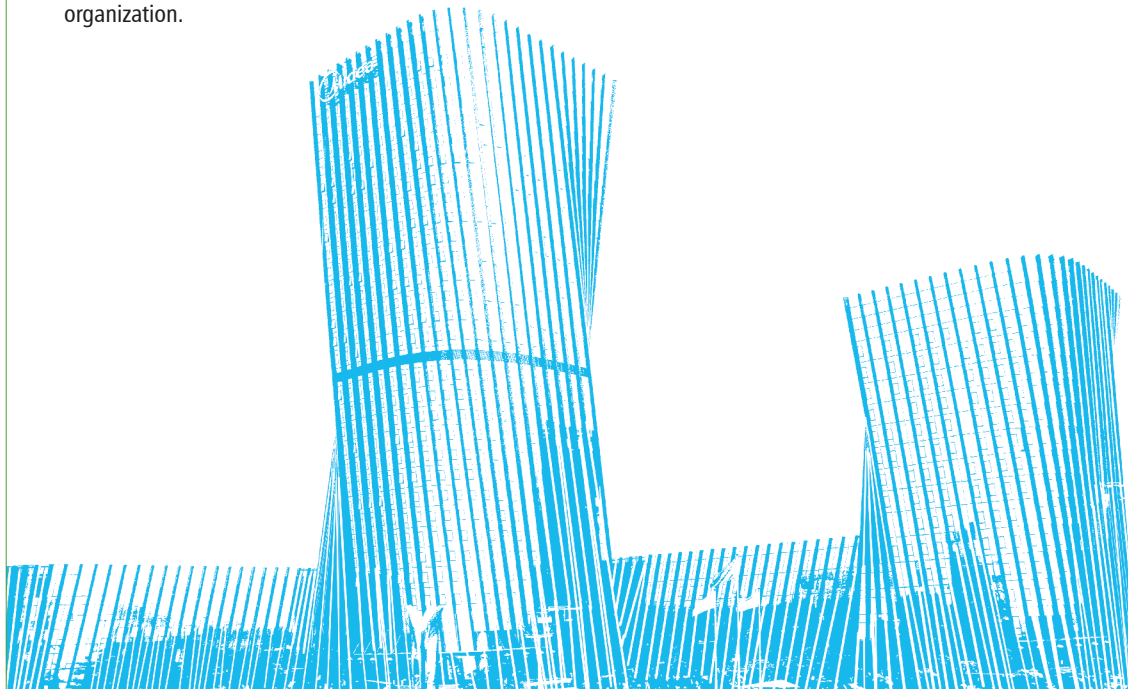
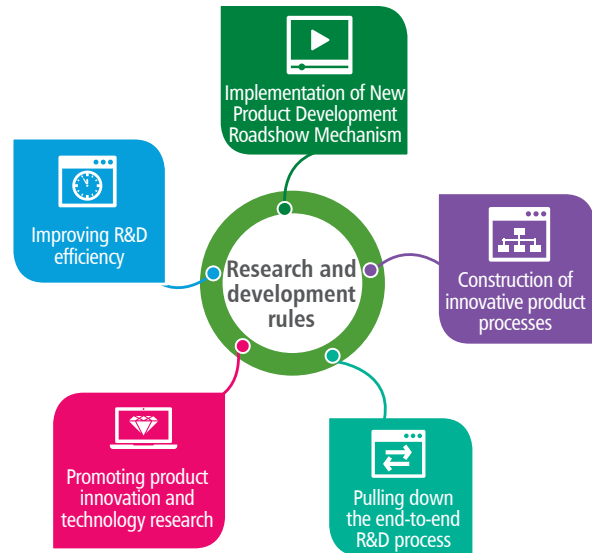




Technological innovation

R&D planning for 2018

In 2018, the R&D system of Midea Group will continue to focus on development of advanced products. Product innovation and technology research will be promoted, and R&D processes will be connected end-to-end to build innovative product processes, implement a new product development roadshow mechanism and increase R&D efficiency. The strategy of "Leading Products" will be promoted from platform innovation, differentiated selling points, technology breakthroughs, end-to-end user experience, leading industrial design and other aspects. A "self-driven" R&D organizational culture will be created by the reform of the management model and the incentive mechanism to stimulate vitality of the organization.



Top global industrial design awards

In 2013, Midea Group Industrial Design Center was included into the first group of China's "National Enterprise Industrial Design Center", which is intended to encourage and guide more enterprises to pay attention to the construction of industrial design centers and support the fast growth of industrial design enterprises.

In 1995, Midea established the Industrial Design Center, being the first company in China to establish an "Industrial Design Center". In 2013, it was included into the first group of China's "National Enterprise Industrial Design Center". It brings together global industrial design elites, including more than 30 foreign top industrial design experts and more than 300 design teams.

In 2017, nearly 100 products of Midea were granted top global industrial design awards, including the German IF Award, German Red Dot

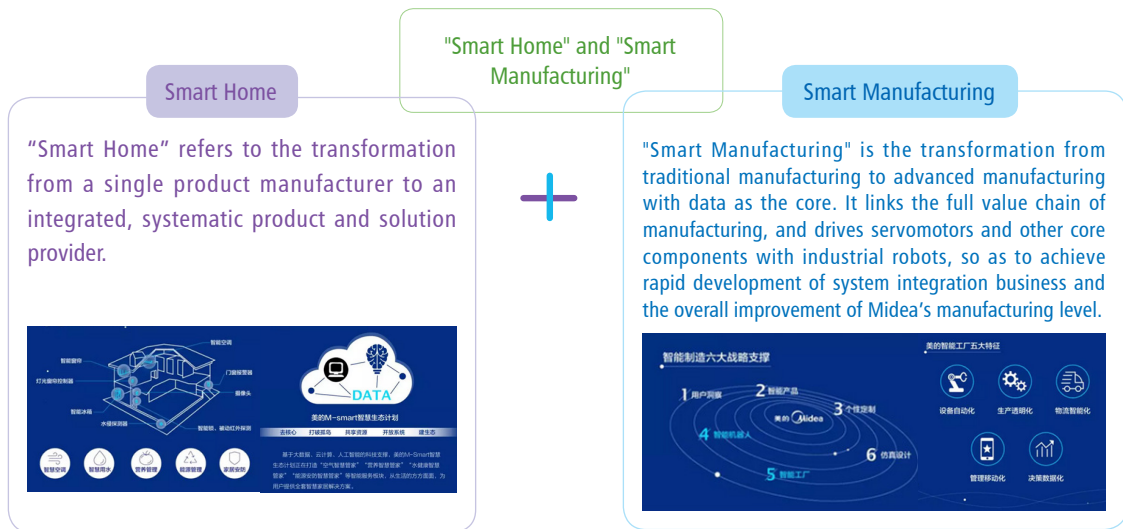
Award, Japanese G-Mark Award, US IDEA Award and the South Korean GD Award. Among them, the Mini-series of consumer appliances were granted both IF Award and Red Dot Design Award; the vertical new air-conditioning products were granted both Red Dot Award and IDEA Award; the Vandelo new generation of four-door French products were granted both Red Dot Award and G-Mark Award; the refrigerator and wine cabinet set was granted IDEA Award, G-Mark Award and the Taiwan Golden Dot Award; the modular water purifier and dispenser was granted the IF Award and GD Award.





Smart manufacturing

By adhering to manufacturing and transformation, transforming and upgrading based on the household appliance business, exploring new business and moving towards global operations, Midea has become a world's leading technologies group in consumer appliances, HVAC equipment, robotics and industrial automation systems. In the future strategic landscape of Midea, the Dual-Smart strategy is the key to the development of Midea, the new business planning is the core word, and technological innovation is the driving force.

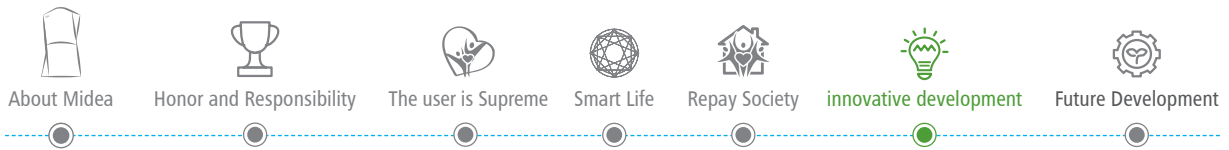


In January 2017, Midea and Tencent entered into a strategic cooperation agreement. The two parties will jointly build an in-depth cooperation based on IP authorization and IOT cloud technology to realize the connection, dialogue and remote control of household appliances. The first step in the cooperation between the two parties is to jointly launch a variety of smart household appliances based on QQfamily IP licensing and Tencent IOT cloud technology. Shortly after that, Midea signed a strategic cooperation agreement for 2017 with JD Group. Both parties will further expand the scope and depth of business cooperation in the future, and strengthen comprehensive deepening cooperation in areas such as smart home, logistics, data opening, and channel expansion to further increase market influence and create a new model of industrial integration.

Following the recent acquisition of 94.55% of KUKA, Midea announced its strategic cooperation deal with Servotronic, an Israeli high-tech enterprise that specializes in the development and sales of motion control and automation solutions with a wide range of global businesses. After that, Midea reached a cooperation intention on the global smart refrigerator project with Intel Global Smart Home. In the process of advancing cooperation with external companies, Midea actively integrates global superior resources and further extends and perfects the industrial chain.

In March 2017, Midea Group and Huazhong University of Science and Technology entered into a strategic cooperation agreement. Both parties jointly built a laboratory for robotics and intelligent manufacturing as well as a joint logistics laboratory for smart logistics. In December of the same year, the "Most Smart Application Award 2017" of Caijing Magazine was announced, and Midea won the "Most Smart Appliance Brand 2017". Amid the trend of artificial intelligence, Midea actively laid out the Dual-Smart strategy and invested a large amount of funds and manpower in the global scientific research network through technological innovation. Starting with smart home, Midea realizes application product innovation and enhances product intelligence and learning ability. Relying on big data from platforms, Midea leverages advanced products and technologies to form a smart home overall solution centered on smart home packages, smart rental, smart hardware and smart core modules. It is committed to becoming the world's leading provider of smart home solutions, and creating a smarter living space for mankind in the future.

Through open exploration and innovative practices, Midea looks to the future, and creates a "Smart Home + Smart Manufacturing" industrial platform that meets the future development of human-machine new ecology step by step. Moreover, it extends the concept of perfect human-machine interaction to areas such as life, manufacturing, logistics and medical care, and develops in depth in the fields of the Internet, AI and robots etc. Midea is working hard for integration of symbiosis and organic collaboration between machines and mankind.



Efficiency improvement

- Implementation of the "Digitalization 2.0" program for better operation and management through the entire value chain

In 2017, Midea actively promoted its "Digitalization 2.0" program. It drove the end-to-end business connection with software and data by the orientation of C2M (customer customization), and realized flexible delivery in all links of R&D, supply chain, manufacturing, logistics, finance and customer service driven by orders and data. Moreover, it built a digital planning platform to collect and analyze data on the entire value chain, and established a product concept database to realize data analysis perspectives of product life cycle and reversely support product digital planning. In terms of product development, it promoted product parameterization, standardization, modularization and platform design. With the implementation of the Super BOM system, platform architecture and module division were determined by sales drive, and module interface solidification and optimization were also pushed on. A digital process management system was built to realize electronic and structured process management data. Breakthroughs have been made in channel customization in the first stage of C2M, and customers may directly customize products in matching platforms. It means that Midea has entered into the era of customization.

Midea vigorously promotes digital and online management of channel terminal services and upgrades the CCS2.0 system. The Midea Cloud Marketing system was newly promoted to provide support and guarantee for omni-channel customer basic information maintenance, purchase and sales relationship management, purchase-sales-storage data management, price/order/sales management and policy materialization, so as to maximize true control of channel inventory, realize information transparency and sharing, and provide data and system support for sales strategy. In 2017, the new Midea RMS system (retail management system) was launched. Focusing on efficiency improvement of terminal marketing, the RMS system realizes the two major functions of business terminal management (including terminal inspection, work log, promotion management and purchase-sales-storage data query) and shopping guide promotion (including retail reporting, payroll calculation and course broadcast). Relying on the three major basic management systems for domestic sales, namely the marketing CCS system, the Midea Cloud Marketing system and the RMS retail management system, Midea covers the information management of omni-channel and terminal stores, connects product delivery, distribution and retailing, and realizes online business process, information visualization and efficiency improvement.





Efficiency improvement

Full implementation of the 632 program

In order to build an internally and externally connected IT system with unified processes, data and systems, Midea Group has fully adopted a 632 program covering 6 major operational systems, 3 major management platforms and 2 major technology platforms. As an important carrier of "One Midea, One System and One Standard", the 632 strategy has helped optimize and enhance various business areas of Midea from customer experience, management specification, operation transparency as well as internal and external collaboration, and create a unified standard and language for the whole group.



Progress with the new production strategy based on customer orders

In order to solve the drawbacks of the traditional production and sales model, Midea has implemented a customer-oriented T+3 model that can quickly meets market demand. It can guide raw material stocking, factory production and product delivery by market demands, which are reflected quickly and accurately by retailers upon market experiences. It can not only realize "on-demand production", but also force all links of the value chain to adapt to consumer needs, simplify product models, flatten channels and shorten delivery cycles. The market-oriented T+3 model coincides with the key supply-side reform concept of "supply adapts to needs". Furthermore, the effects of "zero inventory" and "reduction of intermediate links" evoke the supply-side reform missions of "cut excessive industrial capacity", "destocking", "de-leveraging", "lower corporate costs" and "improve weak links".

MBS – a lean operation system to improve manufacturing efficiency

MBS, Midea Business System, is a lean operation system that achieves flexibility, standardization, destocking, production promotion and excellent and stable day-to-day management through lean conversion of production lines, and thus realizes reducing waste, driving growth and achieving business targets (including targets of quality, delivery and efficiency). The MBS transformation pays special attention to humanity, so that employees can work comfortably and efficiently in production. With the assistance of the system, employees are motivated to make strict examinations before products are passed to the next link to avoid problems in the last check.



● Annto: technology leads the future

Annto Logistics Technology Co., Ltd. (formerly "Annto Logistics") is an innovative high-tech company that focuses on providing smart integrated logistics solutions. It provides integrated services such as vehicle integration, express delivery, warehousing and distribution as well as supply chain and international freight forwarding. It also implements smart automation integration solutions based on leading technologies and smart equipment. Annto has set up 4 professional companies engaged in cold chain logistics, international logistics, LTL express and smart technology, and 28 branch companies in the country. In addition, the overall operations of the company have been actualized to be intelligent, automated, informatized, digitalized, networked, integrated, flexible, mobile and visualized.

Annto focuses on continuous technological advancement and innovation, aiming to create a new world of logistics that is efficient, transparent and accessible. Through technological innovation, Annto has been granted various certificates such as High-tech Enterprise Certificate, National Certified Enterprise Technology Center, China Well-known Trademark and the second prize of Science and Technology Progress Award. In terms of smart logistics, with independent research and development and global resource integration, it can provide customers with world-class smart integrated logistics solutions. It owns 111 logistics centers, 176 logistics service platforms, 86,000 available vehicles and more than 3,000 last kilometer delivery sites all over the country. Under the support of massive data, Annto has achieved allover coverage in 2,869 counties as well as delivery and loading integrated services. Moreover, in terms of time-efficiency, it has achieved delivery to the door within 24 hours for 100km and 48 hours for 200km.



● Annto's direct distribution network helps improve the global value chain.

Annto focuses on building high-standard urban distribution services, integrating superior distribution resources, unifying service standards, time-efficiency standards, management and control requirements. It provides a series of value-added services for customer needs. With the powerful and stable IT system management and standard distribution system management, the company can realize visualization of the entire distribution process and provide customers with high-quality services, and as an important part of the supply chain, the management systems can also help achieve "end-to-end" full-chain connection.

Annto has established a large-scale logistics platform for the future by using scientific modeling tools to analyze the big data on logistic volume and regional sales and distribution volume of currently managed customers. It is estimated that about 100 urban distribution centers will be constructed nationwide, including 40 regional distribution centers and 60 city distribution centers, aiming to achieve 24-hour distribution within 100km covering 95% of the country's territory, including counties and towns, and meet customer needs for vehicle or LTL services.

Annto will provide customers with a package of logistics solutions to meet their distribution needs in all sales channels such as traditional channels, hyper-terminals, supermarket chains, local stores, engineering sites and consumers themselves. It also provides customers with reverse collection, collection on delivery, sample withdrawing from shopping malls, handling of defective products, booth materials delivery and other value-added distribution services, building a distribution network with high efficiency, low cost, and excellent service for customers.



时效	整车+零担	车型	代收货款	装卸服务
 100km次日达 300km当日达 300km次日达	 整车+零担模式 由客户选择	 4.2m-17.5m 厢车/商柜/平板	 代收货款增值服务 现金/移动POS支付任选	 有偿装卸增值服务
配送产品标准化、特性透明化、客户按需求搭配选择				
 配送能力强	 配送时效快	 配送服务好	 系统管控高	



Smart logistics, a new innovation trend

Annto positions itself as a modern technology-based logistics company that is driven by technology, changes logistics by technology and provides omni-channel logistics services as well as smart equipment (automation) solutions to enterprises. At the AWE exhibition in March 2018, as the strategic business unit of Midea Group in the field of smart logistics, Annto brings smart logistics to AWE for the first time. It does not only mean that smart logistics is becoming a trend, but will also become a milestone in the development history of AWE.

The four robotic systems—Air-pick, Air-carry, Optimus Prime and Bumblebee—exhibited by Annto represent different smart warehouse applications. By integrating internal (KUKA and Swisslog) and external technology and equipment resources, Annto can provide customers with smart logistics products and services that include all aspects and scenarios of logistics applications, covering everything from simple to local to high-end integrated solutions.

At present, Annto can flexibly deploy corresponding smart storage equipment according to the production capacity of enterprises in one step, and the system can carry out scheduling. For new warehouses or factories, Annto's high-end solutions are available. For existing warehouses or reconstructed factories, solutions such as Optimus Prime and Bumblebee systems are offered. In terms of smart storage, the greatest advantage of Annto is to make arrangements on the original site to combine with new solutions, which can be set up within 24 hours and be ready for use in 48 hours.

Annto has 18 years of operational experience in the logistics industry. Based on long-term business practices, automated equipment and software systems are developed to better integrate software and hardware with real-world business scenarios. Understanding the most difficult problems facing the customers, Annto can also evaluate and solve many problems in management and operation.



Efficiency improvement

● A shared inventory system -- the basis of "Midea Speed"

Midea has a warehousing and logistics system covering every corner of the country. Timely and synchronously control and management can improve sales services and provide feedback to the upstream for resource allocation. Midea integrates the smart cloud warehouse with coordinating warehouses across the country to create a shared inventory system, which, together with an efficient offline distribution system, strengthens the terminal service capability to connect commodities, capital, information and logistics, and promote the establishment of a shared logistics platform with centralized distribution.



● The Roc System – the super brain of smart logistics

The logistics system in the era of e-commerce needs extremely strong information and digital system support. The Roc System, independently developed by Annto, is a logistics data operation system that links the upstream and the downstream. It is a logistics IT product independently developed by Annto based on Midea's supply chain system. Since its operation, all enterprises and customers need to link their data with the Roc System and become users of the system.

After years of improvement, the Roc System has now basically realized a fully-linked, paperless and mobile logistics supply chain. It can be fully applied to the collection and application of big data. Even in the "Double 11" shopping spree with enormous order information, the Roc System can also provide support for customers in terms of storage layout, product deployment and inventory warning.



● Smart logistics robots – the strong arms of "Midea Speed"

Annto's smart logistics equipment is also the driving force for "Midea Speed", providing assurance for efficient operation and distribution of orders during the "Double 11" shopping spree. AGV-air pick, a smart logistics robot independently developed by Annto, is a major breakthrough of Midea in the innovation of automated logistics products. Its jacking speed is the fastest compared with other domestic products, and its high-density operation capability reaches the world's advanced level. It is also one of the AGV products with the highest precision control at present.



E-commerce

Utilization of users' big data to make the manufacturing end to serve the sales end

In recent years, the household appliance industry has seen diversified marketing channels. In face of the rapid growth in e-commerce, the comprehensive upgrade of e-commerce competition and the trend of online and offline channel integration, household appliance enterprises have further adjusted their channel strategies to promote the "Internet+" transformation. Midea Group focuses on customers and products, and builds an internet big data platform based on its competitive products to further accelerate its strategic operations regarding the e-commerce channel, and fully establish strategic cooperation with Tmall, JD.com and other platforms. Midea's flagship stores on each platform have started to produce preliminary results.

In 2017, the total online sales of Midea exceeded RMB 40 billion, an increase of over 70% year-on-year, accounting for 30% of its domestic sales. Midea's sales continued to be the first in the national e-commerce channel, with 14 of its product categories topping the national online sales. In the "Double 11" shopping spree of 2017, Midea once again surpassed itself and achieved remarkable sales of RMB 4.5 billion in the national e-commerce channel. Midea has ranked the first in the household appliance industry on Tmall, JD.com and Suning.com for the fifth consecutive year.



User demand feedbacks drive product planning and development.

At the stage of product modeling, the expected sales and competing products for the whole year are clearly analyzed, including changes in user needs. The back-end R&D is then guided by these user demand feedbacks. In the pre-sales period, Midea monitors the data on users' bookmarked list, shopping carts and changes thereof to adjust its product and sales promotion policies in a timely manner for competitive edges.



Supply chain collaboration and storage information flow connection

On the day of the "Double 11" shopping spree, a sales volume of over RMB one billion took place. Behind the sales was the efficient cooperation of factories, logistics services, e-commerce platforms and the operational departments, including the scientific forecast of sales in the pre-sales period, reasonable vehicle scheduling and reasonable inventory distribution of warehouses. After sales began at 0:00, the enormous orders were quickly passed to factories, logistics companies and the operational departments to meet the buying needs of users.



Improvement of after-sales efficiency and quality through user connection and management

After a year of e-commerce sales data accumulation and user operations, Midea has established a link with e-commerce users who has bought its products through its APPs, WeChat public account, Midea Mall and flagship stores. It attaches importance to user experience by establishing an after-sales response mechanism, trying to build a good reputation of its products.



传承五十载

KEEP LEARNING FROM THE PAST
PURSUE DREAM TOWARDS FUTURE

逐梦一百年

05

Rise as a national enterprise

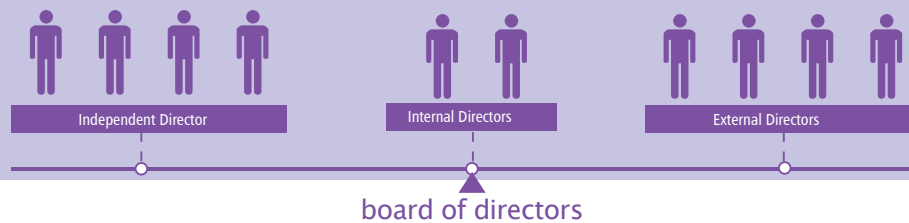
Corporate Governance, Brand Value and Internationalization Strategy



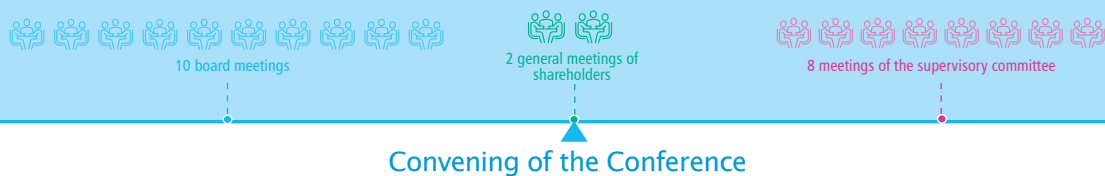
Corporate governance

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 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 10 directors, including 4 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 and the remuneration and appraisal committee are independent directors.



Midea has revised and improved its rules and mechanisms for a better corporate governance level. In 2017, 10 board meetings, 8 meetings of the supervisory committee, and 2 general meetings of shareholders were held to ensure that major decisions were legitimate, compliant, true and valid.



In 2017, Midea was chosen again as a Top Brand of CCTV's National Brands Plan 2018, and one of the "CCTV China Top 10 Listed Companies" by CCTV Finance for the second consecutive year. Additionally, it climbed to the 26th of "BrandZTM Most Valuable Chinese Brands Top 100", and was listed on the "Outstanding Board of Directors of Listed Companies in 2017 (Main Board)" by the 21st Century Economy and the "2017 China Most Valuable Mainboard Listed Companies Top 100" by the Securities Times, and ranked the 34th of Interbrand's "Best Chinese Brands 2017".



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.



方洪波
董事长&总裁
1992年加入

殷必彤
副总裁&
家用空调总经理
1999年加入

朱凤涛
副总裁&
厨房电器总经理
1993年加入

顾炎民
副总裁
2000年加入

王金亮
副总裁&
国内市场总监
1995年加入

胡自强
副总裁&
中央研究院院长
2012年加入

李飞德
副总裁&
企业运营总监
1999年加入

肖明光
财务总监
2000年加入

江鹏
董事会秘书
2007年加入

The long-term equity incentive mechanism

Midea's senior management and key middle-level personnel enjoy direct and indirect stock ownership incentive schemes, multiple stock option incentive schemes and Midea Group "Partner" schemes, among other incentive measures. This employee stock ownership structure has tied the interests of the management to the shareholders' interests, and this is an incentive mechanism that combines long-term and short-term incentives and constraints.

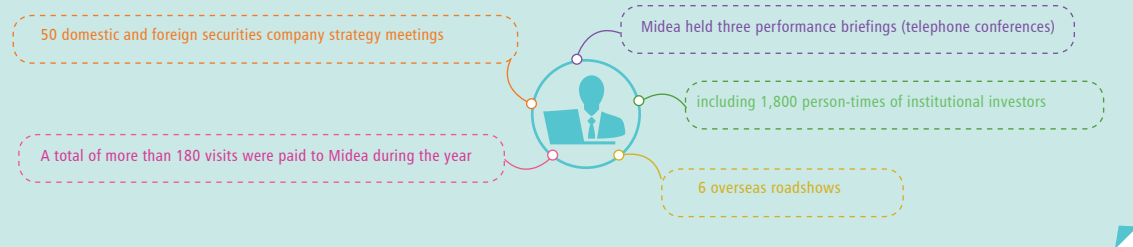
In 2017, Midea launched the first restricted share incentive scheme and the fourth stock option incentive scheme for its medium and top management and core business backbones as well as the third Midea Group "Partner" scheme for its core managers that will play a significant role in Midea's overall business performance and medium and long-term development in order to encourage the management to take responsibility for Midea's long-term value and growth. Through establishing a mechanism to guarantee the consistence of the long-term benefits enjoyed by the senior management, core backbones and all shareholders, the corporate governance has been further improved.

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 2017, Midea held three performance briefings (telephone conferences), 6 overseas roadshows and 50 domestic and foreign securities company strategy meetings. A total of more than 180 visits were paid to Midea during the year, including 1,800 person-times of institutional investors, representing a high number of investor visits among A-stock companies.

In 2017, special inspections were conducted on the commitments made by 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.

Keeping in mind the goal to maximize value for shareholders, Midea will keep creating profits and increasing returns to shareholders.

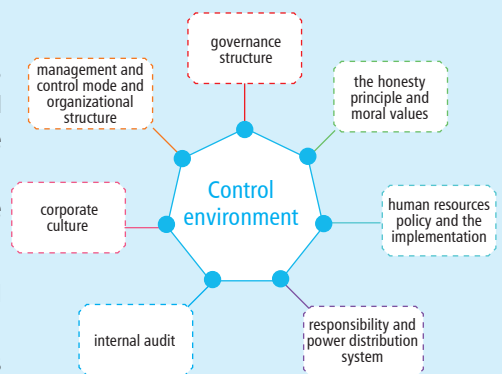


Internal control

In 2017, 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.

In 2017, Midea hired KPMG Huazhen Certified Public Accountants (special general partnership) to assist in internal control improvement. A total of 34 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.

Additionally, 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 2017. The internal control project team consists of two levels, namely the steering team and the executive team.



Brand value

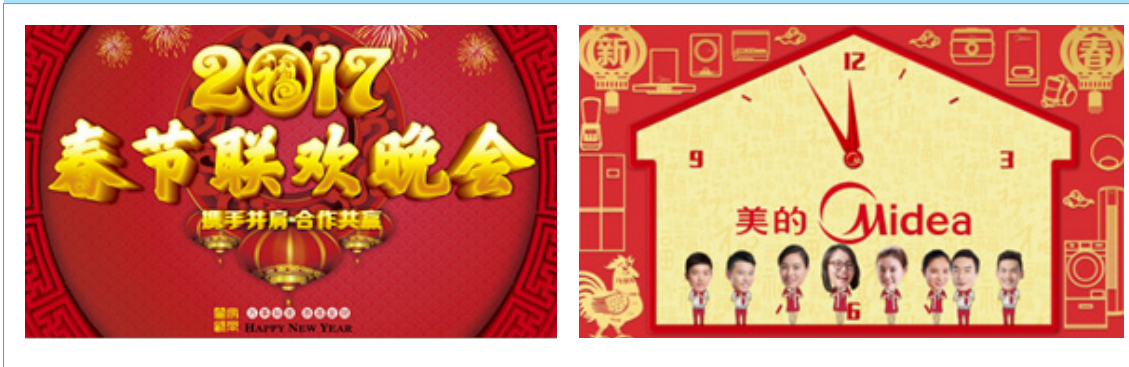
Midea started its business in 1968 and entered the field of household appliances in 1980. In 1981, the “Midea” trademark was registered and “Midea” was officially born thereafter. In recent years, after a series of mergers and acquisitions at home and abroad, Midea has become a large-scale comprehensive group that operates in consumer appliances, HVAC systems, 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, Welling, Annto, GMCC, Eureka, KUKA, Swisslog, Servotronix and Toshiba (authorized brand). The word “Midea” derives from “My Idea”; and the perfect circle connected with the letter “M” in the company logo represents the concept of “creating a perfect and harmonious life through innovation”.

Over the years, Midea has promoted its brand recognition by increasing brand influence, brand connotation and brand soft strength. For more than ten years, the countdown at CCTV’s Spring Festival Gala was titled “Midea Moment”, which has helped boost brand recognition. The continued title sponsorship of the “Midea China Classic Golf Competition” increased brand exposure at a high-end level. Midea also sponsors the national swimming and diving teams and is the first Chinese partner of FINA. Midea will continue with sports marketing to “go international” in a further manner.



● Brand advertisements

- CCTV helps boost the brand growth of Midea and Midea also helps expand CCTV’s influence.
- CCTV has always been the top priority for Midea to launch media advertisements, accounting for an average ratio of more than 80% of Midea’s total advertisements.
- Midea Group has launched advertisements at the countdown of CCTV’s Spring Festival Gala for 18 years, and “Midea Moment” has left a deep impression on the Chinese people.



● Brand advertisements

·FINA's official global partner



·China Swimming Association's official partner



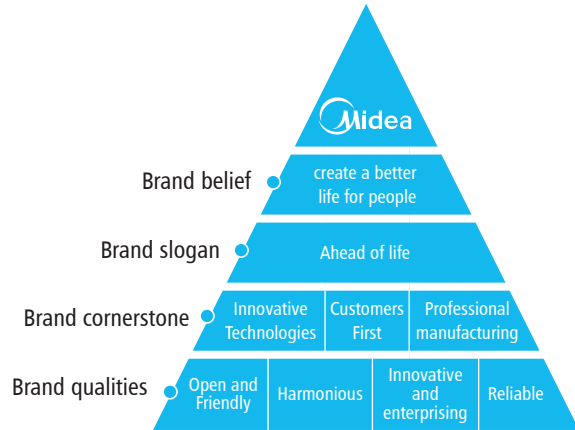
Midea began sports marketing in 2007. Through integrated marketing methods such as terminal display, event rights and media coverage, the exposure of the Midea brand has been greatly increased. And thanks to the unique public welfare and interactive nature of sports marketing, the popularity and reputation of the Midea brand have been effectively enhanced.

- Midea has sponsored the FINA World Series and the FINA World Cup every year since 2010.
- Midea has been a sponsor for the international/domestic swimming, diving and synchronized swimming series of the China Swimming Association every year since 2007.
- Athletes attend Midea's media conferences, exhibitions, TVC shootings and marketing activities.



● Midea's brand pyramid

On the 2017 (23rd) R&F Global Top 100 Most Valuable Chinese Brands list, Midea ranked the 4th with a brand value of RMB 85.87 billion. According to the "Hurun Brand List 2017" released by Hurun Research Institute, Midea has ranked the first among household appliance brands for three consecutive years, either among private or nationwide household appliance companies. In the 8th "BrandZ™ Top 100 Most Valuable Chinese Brands 2018" unveiled by Millward Brown ACSR, an authoritative research body under WPP, the world's largest media group, Midea ranked the 26th, the highest position of a household appliance brand for three consecutive years. Midea is also recognized as the 3rd of China's most valuable 3C household appliance brands, next to Huawei and Lenovo.



In December 2017, at the first "Brain Awards" & China Water Purification Industry Development Summit co-sponsored by the China Institute of Electric Appliances and AVC, Midea's water purifiers won more recognition by winning the "Brain Influential Brand Award 2017" and the "Brain Consumers' Favorite Product Award 2017", as well as favorable comments from experts of the industry. Shortly afterwards, the "CCTV Top 10 Listed Companies in China 2017" was announced on the CCTV Financial Forum and Chinese Listed Companies Summit, and Midea was on the list for a second consecutive year. As one among the first brands on CCTV's National Brands Plan Top 10 list, Midea has been actively implementing the "Three Transformations", adhering to a global development strategy and promoting an open economy to work with excellent international companies to produce complementary and win-win effects.

In the 2017-2018 China Air Conditioning Industry Summit, Midea's air conditioners won four awards, including the "Industry-Leading Brand in Healthiness and Comfort Award". In the first "Brand Ranking • The Top 100 Most Innovative Chinese Brands" compiled by the School of Management of Fudan University and Shanghai Institute of Corporate Culture and Brands, Midea ranked the 12th with an increase of RMB 17.27 billion in its brand value.



In January 2018, Midea was honored, for three consecutive year, as a "First Choice Brand for Suppliers for China's Real Estate Sector" on the Top China Real Estate rankings, which is hailed as the "Oscar Awards of China's Real Estate". The awards won in the field of home decoration represent not only the recognition among users, but also among house owners.

At present, Midea has established cooperation with 42 of China's top 50 real estate companies and more than 300 top 500 real estate companies. It has established long-term strategic partnership with Vanke, Evergrande, Country Garden, Poly, Wanda, China Merchants, Greenland, Sunac, COP, CFLD and Longfor. With advanced product solutions, excellent product quality assurance and a well-established after-sales service system, Midea has won the favor of consumers and real estate developers, and thus become a first choice brand for the one-stop shopping of real estate companies.



● Strategic brand cooperation

- The multi-brand strategy further globalizes the brand blueprint of Midea and adds a solid force to a better future for mankind.
- Midea's brand portfolio has been expanded through acquisitions and cooperation. Together with its brand partners, Midea will embrace more possibilities and opportunities.



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.



The international strategy

Midea was on CCG's list of "China's Global Enterprises"

On November 8, 2017, the Center for China and Globalization (CCG) released a "Report on Globalization of Chinese Enterprises (2017)". Midea was included into both the "List of China's Top 50 Global Enterprises 2017" and the "Top 10 Chinese Companies in Cross-border Mergers and Acquisitions 2017" list for its profound practices in global operations.

Over the years, Midea has been following the trend of globalization and actively promoting global operations. It has established a comprehensive and multi-level global development system covering R&D, manufacturing, management and talent development.

- Building a global R&D structure

Midea keeps improving its global R&D system, and formulates technological strategies and plans that are in line with globalization and meet long-term development goals to manage technological resources across the globe. Midea has set up 20 R&D centers in the United States, Japan, Germany and many other countries across the world.

- Global manufacturing and marketing systems

Midea has built 34 production bases across the world, covering Europe, Africa, the Americas and Southeast Asia, among others. Its marketing network reaches Asia, Europe, Africa and the Americas, among others. With the increasing overseas revenues, Midea increasingly consolidates markets around the world.

- M&As and win-win cooperation

Midea has been actively promoting multi-dimensional cooperation with the world's leading brands. It has established joint ventures with robotics, HVAC and household appliance giants such as KUKA, Toshiba and Servotronics to obtain international core technologies and thus provide better international products and services.

- A global core technological talent system

Midea has around 135,000 employees worldwide, including 30,000 overseas employees. Midea aims to create a vibrant global talent ecosystem, which is based on R&D and supported by open cooperation and talent development.





Contact us

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

tousu@midea.com (domestic), compliance@midea.com (overseas)

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

For issues related to investor relations and the corporate social responsibility reports, please contact the Office of Midea's Board of Directors: ir@midea.com

For more corporate social responsibility reports, please visit:

http://www.midea.com/cn/about_midea/Corporate_responsibility/CSR3/

CSR (Corporate Social Responsibility) Report

Midea Group Co., Ltd.

Address: No.6, Midea Avenue, Beijiao Town, Shunde District, Foshan, Guangdong

Tel: 0757-26334559, 26338779

Email: ir@midea.com

Web: www.midea.com



Address: Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China

Postal Code: 528311

Telephone Number: 0757-22607708

Fax Number: 0757-26605456

E-mail: IR@midea.com

Company Website: <http://www.midea.com>