



# 美的置业控股有限公司 MIDEA REAL ESTATE HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3990

## 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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# 1 About this Report

## Basis of Compilation

This report is compiled in accordance with Appendix 27 of “*Environmental, Social and Governance Reporting Guide*” in the *Main Board Listing Rules* by the Stock Exchange of Hong Kong Limited.

## Scope of Report

This report is the first Environmental, Social and Governance (ESG) report by Midea Real Estate Holding Limited. The time frame for this report is from 1 January, 2018 to 31 December, 2018. The report is focused on disclosing the management of ESG, in terms of the practice efficacy, carried out by Midea Real Estate Holding Limited and its subsidiaries (collectively known as “the Group”) in its principal businesses, including Smart Home features, property management service and provision of Smart Home solutions.

## Source of Data

All the cases and data cited in this report come from the internal statistical statements, administrative documents and public information of the Group. The Group claims that this report is without any false records or misleading statements, and is held responsible for the truthfulness, accuracy and integrity of the contents.

## Appellation Statement

For the convenience of expression and reading, the terms of “Midea Real Estate,” “the Group,” and “we/us” in this report refer to Midea Real Estate Holding Limited and its subsidiaries.

## Approval of Report

Confirmed by the management, this report was deliberated and approved by the board of directors to be released.

## Acquisition of Report and Feedback

The report includes both Chinese and English versions. If there is any discrepancy, please refer to the Chinese version. An electronic version of this report is available on HKEx news (<http://www.hkexnews.hk>) or the Group’s official website (<http://www.mideadc.com>). If you have any question about this report and its contents or want to give us your feedback, please send your email to us at [investor@midea.com](mailto:investor@midea.com).

## 2 About Midea Real Estate

### 2.1 Company Profile

Midea Real Estate Holding Limited is a pioneer in providing China's Smart Home living solutions and a leading residential and industrial property developer and operator in China. Benefitting from the longstanding manufacturing and technological strengths of the "Midea" brand, the Group is engaged primarily in large-scale complex property development projects across the country, with a particular focus on the development of Smart Home features. The Group not only provides quality living and systematic Smart Home solutions to customers, but also operates in other high-growth areas along the value chain of property development, such as property management, Smart Home solutions, investment and operation of commercial properties, prefabricated construction, industry and city integration, and modular bathrooms so as to form a unified pluralistic business system.

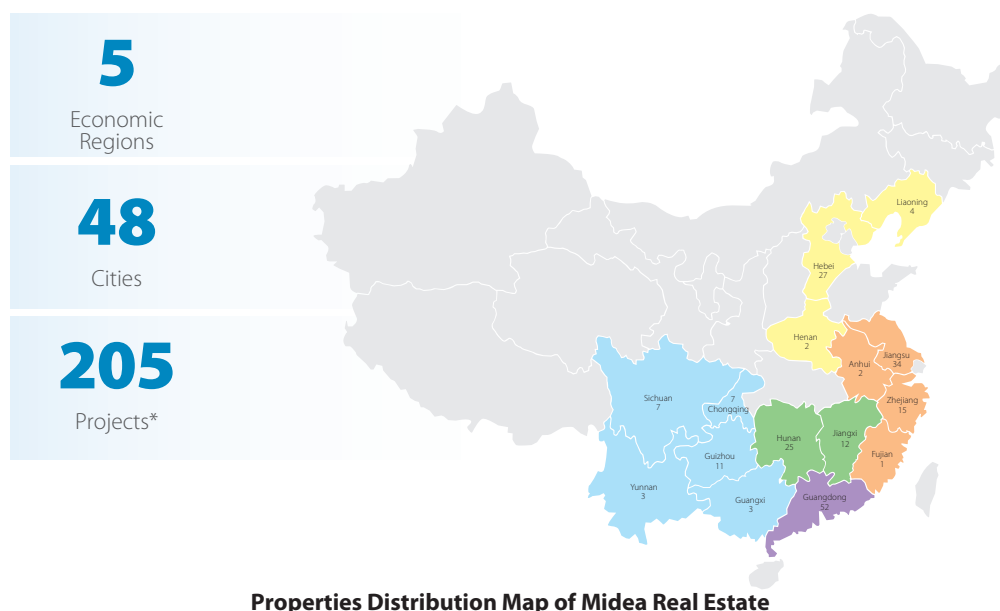
Guided by the national strategy of megalopolis development, we have deployed our property development projects across the Pearl River Delta Economic Region, Yangtze River Delta Economic Region, Midstream of Yangtze River Economic Region, North China Region and Southwest China Economic Region, accounting for 48 cities in 15 provinces across China. As at December 31, 2018, the total gross floor area of the Group's land reserves has reached approximately 45.07 million square meters.

#### Development History of Midea Real Estate

<b>2018–today</b>	<b>Breakthrough</b> <ul style="list-style-type: none"><li>• Listing on the Main Board of the Stock Exchange of Hong Kong Limited</li><li>• Adoption of a vertical integration strategy by growing and improving our principal business of property development and services while promoting building industrialization and intelligent industrialization to connect the upstream and downstream of the industry chain</li></ul>
<b>2010–2017</b>	<b>Advancement</b> <ul style="list-style-type: none"><li>• Expanding beyond the Pearl River Delta Economic Region into the Southwest China Economic Region, Midstream of Yangtze River Economic Region, Yangtze River Delta Economic Region and North China Region</li><li>• Launching the strategy of smart healthy communities</li><li>• Expanding our investment and operation of commercial properties and development of cultural tourism projects</li></ul>
<b>2005–2009</b>	<b>Reinforcement</b> <ul style="list-style-type: none"><li>• Fortifying our solid foundation with business focus</li><li>• Focus on the Pearl River Delta Economic Region for multi-project development</li></ul>
<b>2004</b>	<b>Start-up</b> <ul style="list-style-type: none"><li>• Establishment of Midea Real Estate</li></ul>



## 2 About Midea Real Estate (Continued)



\* Including 32 projects participated through joint ventures and associates.

### 2.2 Compliance Business Operations

Compliance business operations provide an enterprise with a solid foundation to ensure steady and rapid development. The Group exercises strict control over the planning and implementation of, amongst others, business compliance risk management, supplier management and intellectual property protection, and promotes sound and steady development through implementation of measures, routine supervision and inspection, self-capability training and effective communication.

#### 2.2.1 Anti-corruption Practice

The Group has strictly followed the *Criminal Law of the People's Republic of China*, *Law of the People's Republic of China on Anti-Unfair Competition*, and related laws and regulations against corruption and bribery to establish an internal management system of *Anti-corruption Practices* so as to standardize the standard of integrity, honesty and self-discipline of all its staff. We also conduct case studies of anti-corruption and anti-fraudulence as well as training on relevant laws and regulations for all our staff in order to completely eradicate corruptive and fraudulent practices. Meanwhile, the Group has launched *Measures for Tip-off and Complaint Management* to clearly define the handling procedure of internal complaints and set up unblocked complaint channels. In 2018, the Group did not get involved in any lawsuits, claims or disputes regarding corrupt practices that might have material adverse effects on the business operation.

**Ensuring the quality of supervision:** The *Supervision Work Procedures and Guidelines* has been formulated for the managing staff of internal operations, with the audit and supervision work standardized and institutionalized to exert rigorous control over the audit and supervision personnel's business audit and ensure the quality of auditing and supervision.

**Strengthening supervision and inspection:** Multiple channels, such as phone, email, QQ, WeChat and letter, have been set up for complaints and reports. As soon as a staff member has been found to have fraudulent behaviors or intention, the audit officers will follow the *Measures for Accountability Management* to initiate an appointment interview and evidence collection so as to prevent and warn against bribery and corruption.

### 2.2.2 Intellectual Property Protection

We conduct strict standardized management on intellectual property rights such as trademarks, patents and copyrights pursuant to the *Trademark Law of the People's Republic of China*, *Patent Law of the People's Republic of China*, *Copyright Law of the People's Republic of China* and *Law of the People's Republic of China on Anti-Unfair Competition*. We protect our brand image and the lawful interests of our intellectual property rights by means of registration and application, authorization, administrative and judicial protection of our trademarks, patents and copyrights. On the other hand, we fully respect other people's intellectual property rights, observe publicly recognized business ethics, and firmly reject improper competition and infringement on other people's lawful rights and interests, in accordance with the principles of voluntariness, equality, fairness, honesty and integrity.

### 2.2.3 Supply Chain Management

The Group adheres to a philosophy of mutual benefit and win-win cooperation. We insist on responsible procurement, push forward the suppliers to upgrade their capability to perform their responsibilities, and collaborate with working partners to maintain harmonious and interactive positive relationships to supplement each other's strengths and benefits.

#### Procurement Management

We have instituted a standardized and fair bidding system and a series of internal management systems, including our *Measures for Bidding Management*, *Midea Real Estate Measures for Supplier Management* and *Measures for Management of Centralized Procurement of Engineering Materials and Equipment and Engineering Services*, which regulate the operation procedures of bidding and invitation for bids so as to prevent commercial bribery behaviors and ensure transparent bidding and sunlight procurement.

#### Supplier Management

For the efficient implementation and management of the selection, engagement, cultivation and retention of suppliers, we have developed our *Midea Real Estate Measures for Supplier Management* and *Guidelines for Supplier Investigation*, taking a rigorous, objective, open and transparent attitude towards the management of the access, utilization, evaluation, reward and punishment, and elimination of suppliers. Meanwhile, we also blacklist those suppliers that violate the bidding rules and related regulations, fail to honor the contractual commitments, viciously offer false information, hide connected transactions, seek benefits by bribery or other unfair means, or fail to pass our evaluation. We terminate cooperation with such suppliers in accordance with our *Measures for Black-list Management*.

#### Case: Working Together with Partners to Build a Responsible Supply Chain

We give vigorous support to well-collaborated suppliers by increasing our business volume with them, providing preferential measures and deepening our connections, such as welcoming their early involvement in our initial stage of product design and seeking professional advice on product optimization from them. Meanwhile, we conduct annual satisfaction reviews on suppliers that have contracted with us, and relay the review reports to relevant departments or regional companies in the Group. We will address the highlighted problems in the report, give out recommendations for correction, and keep track of the relevant department on the change, improvement and resolution situations. After the issues are properly solved, we will inform the suppliers of the results in a timely manner in order to benefit both sides.

## 2 About Midea Real Estate (Continued)

### 2.3 Our 2018

#### 2.3.1 Key Performances

2018 China Real Estate Developers	Land reserves	Area applied to new technology projects
Best 50	45.07 million square meters	4.43 million square meters
1-star national eco-friendly building projects	Total certified area of 1-star national eco-friendly building	Number of qualified suppliers
18 projects	3,152,922 square meters	8,352
Total number of employees	Total hours of training for employees	Total number of the employees participating in public welfare/volunteer activities
12,275	682,195 hours	283

#### 2.3.2 Key Honors

Time of Award	Honors	Honored by
March 2018	Top 100 Chinese Real Estate Developers in 2018	China Real Estate TOP10 Research
March 2018	2018 Best 50 of China Real Estate Developers 2018 Top 10 China Real Estate Developers in Innovation Ability	China Real Estate Association Shanghai E-House Real Estate Research Institute China Real Estate Appraisal Center
May 2018	National Standard Creation Base for Smart Living	National Smart Home Standards Technical Committee of SAC/TC 426
August 2018	Leader in China's Smart Property Industry in 2018	www.guandian.cn
August 2018	2018 Top 50 China Real Estate Developers in Comprehensive Strength	EH Consulting
September 2018	2018 Property Developer of Value	National Business Daily
December 2018	Top 10 Chinese Real Estate Brands in 2018	China Business Journal
December 2018	Award for Innovation in Poverty Alleviation in 2018	China Business Journal



## 3 Sustainable Development Strategy

Adhering to the concept of sustainable development, the Group commits active efforts to deploy resources and integrates intelligent technology in its business operations and urban projects in order to help people lead a better life. Led by our CFO, our ESG work is carried out by the board of directors' participation in important decision making, with the sustainable development management work steadily executed by the managerial staff.

### 3.1 Sustainable Development Management

In 2018, we established the ESG work teams made up of members from key functional departments such as environmental protection and safety, HR, product quality, social welfare and corporate governance to manage and supervise Midea Real Estate's affairs of environmental, social and governance, and keep improving our working system.

ESG Level	Staffed by	Specific Duties
<b>ESG Leading Team</b>	CFO as the leader, coordination with head persons of other relevant functional centers and designated regional head persons	<ol style="list-style-type: none"><li>1. To make decisions, set ESG goals and directions</li><li>2. To promote the enterprise's deepened concept and culture of sustainable development</li></ol>
<b>ESG Management Team</b>	Persons in charge of the business of relevant departments serving as members of ESG management team	<ol style="list-style-type: none"><li>1. To establish a sound ESG work network</li><li>2. To deploy and distribute the ESG work</li><li>3. To arrange docking personnel to perform the work</li><li>4. To supervise work execution and make a preliminary review of the work results</li><li>5. To report the work progress and implementation to the ESG Leading Team</li></ol>
<b>ESG Work Group</b>	The operation staff from relevant functional departments of the headquarters, regional companies, and other operating divisions	<ol style="list-style-type: none"><li>1. To clearly determine each of the respective ESG-related responsibilities and performance of these responsibilities</li><li>2. To assist in information collecting, sorting and submitting</li><li>3. To give timely feedback on work progress</li><li>4. To carry out the other matters required by the ESG work</li></ol>



## 3 Sustainable Development Strategy (Continued)

### 3.2 Communication with Stakeholders

The Group pays attention to communication with stakeholders and builds diverse communication systems to maintain a close connection with them, actively understanding and responding to their demands. We protect stakeholders' right to know and to participate, improve the transparency of information disclosure, and work hard to assess our performance in the ESG work more objectively and comprehensively so as to achieve a win-win situation with all parties.

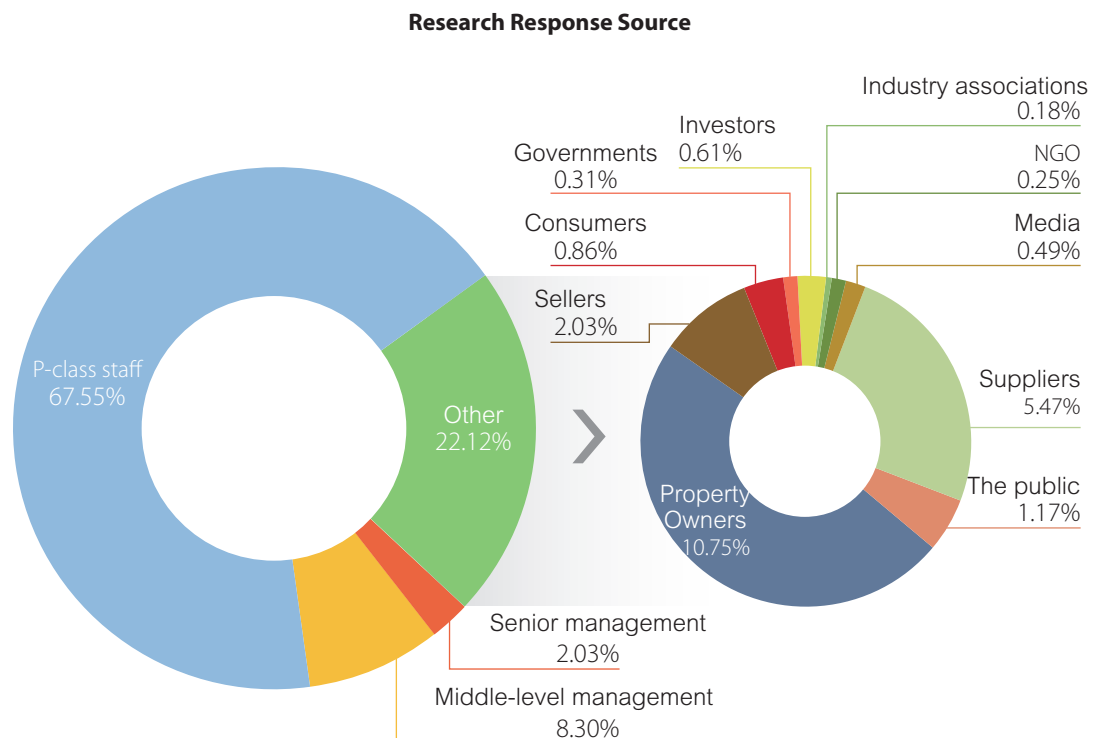
Stakeholders	Demands and Expectations	Communication and Response
<b>Investors</b> — <b>Current and potential investors of Midea Real Estate</b>	Protection of Shareholders' rights and interests Disclosure transparency Responsibility control	General meeting of shareholders Investor conference and roadshow Regular disclosure of business information Improvement on the level of corporate governance
<b>Governments and regulators</b> — <b>Local governments and regulators of locations where Midea Real Estate is incorporated, listed and operated</b>	Law-abiding compliance business operations National policies fully implemented Anti-corruption and anti-bribery	Strict compliance management Implementation of national policies Anti-corruption practice
<b>Property owners/Customers of malls and office buildings</b> — <b>Including the residents living in Midea Real Estate's residential projects as well as the users and customers who work and shop in the office buildings or shopping malls owned by Midea Real Estate</b>	Quality of products and services Responding to customer complaints User's security protection Privacy protection	Product quality control Effective channels of complaint response Guaranteed facility security Privacy of customer's information
<b>Employees</b> — <b>Employees employed directly by Midea Real Estate</b>	Safety and health Talent attraction and retention Development and training Benefits and care	Improvement of the working environment Improvement of the promotion mechanism Building a training development system Launching employee activities
<b>Environment</b> — <b>The surroundings of which Midea Real Estate located, operated and newly developed</b>	Energy conservation Emission reduction Effective utilization of materials	Expanding the eco-friendly building area Strengthening the management of energy, water resources and waste Increasing resource utilization
<b>Suppliers</b> — <b>The suppliers who provide Midea Real Estate with materials and services needed for daily operations</b>	Win-win cooperation for mutual benefit Contract fulfilled in good faith	Actively developing project cooperation Performing contracts in compliance with the law
<b>Industry associations/chambers of commerce</b> — <b>The industry associations/chambers of commerce that Midea Real Estate joins</b>	Observing the industrial norms Promoting the industry innovation	Participation in industry exchanges Leading the healthy development of the industry
<b>The society and the public</b> — <b>Local communities and the general public in the places where Midea Real Estate operates</b>	Local community development and care Supporting social welfare	Taking active part in local community activities Volunteering in services

### 3 Sustainable Development Strategy (Continued)

#### 3.3 Identification of Materiality

We strictly follow the procedure of significant issue analysis set out below to identify Midea Real Estate's key issues by researching for Midea Real Estate's internal information as well as the external stakeholders' focus of attention, making them emphatically disclosed in the report. We will also act on such results to continue to improve ESG management and ensure that our development strategy is not only consistent with the significant issues but also in balance with stakeholders' claims.

<b>Issue Identification</b>	1	Going through 16 interviews with stakeholders within the Group to identify important internal issues
	2	Going through 7 interviews with stakeholders outside the Group to identify important external issues
	3	Going through counterpart benchmarking to identify important issues within the industry
	4	Creation of an issue library
<b>Issue Prioritization</b>	1	Going through 1,627 questionnaires to investigate the importance that each issue bears on the enterprise and stakeholders respectively
	2	Conducting an analysis on the results of the questionnaire surveys to prioritize the issues
<b>Issue Review</b>	1	The management of the Group reviews the prioritized issues
	2	External experts review the prioritized issues
<b>Issue Report</b>	1	Depending on the determination on the results of the important issues, making them emphatically disclosed in the report



### 3 Sustainable Development Strategy (Continued)

**Midea Real Estate ESG Issues Materiality Matrix**



**List of major ESG issues**

Importance	Ranking	Issues
Highly important issues	1	Quality of products and services
	2	User's security protection
	3	Employee's safety and health
	4	Customer complaint response
	5	Brand image
	6	Anti-corruption and anti-bribery
	7	Talent attraction and retention
	8	Employee's development and training
	9	Responsible supply chain
	10	Labor rules
	11	Customer's privacy protection

### 3 Sustainable Development Strategy (Continued)

Importance	Ranking	Issues
Moderately important issues	12	Disclosure transparency
	13	Intellectual property protection
	14	Responsibility control
	15	Eco-friendly building
	16	Community development and care
	17	Social welfare fields under attention
	18	Energy conservation
	19	Waste management
	20	Water resources utilization
	21	Exhaust gas and wastewater discharge and management
	22	Material usage
	23	Biodiversity conservation
	24	Greenhouse gas emissions

#### ESG Training

In order to enhance the Group's capability to perform responsibilities, we carried out a series of ESG publicity, training and exchange activities. Through training, we reviewed our internal ESG status, learned from successful ESG management cases, and strengthened the construction of corporate governance systems to improve our ESG management level and push forward the sustainable development of our enterprise.





## 4 Craftsmanship: Intelligence Orientation

"Smart" solutions are important factors of future lifestyles. Benefitting from the longstanding manufacturing and technological strengths of the "Midea" brand with the primary focus on developing smart property, Midea Real Estate presents smart, healthy, eco-friendly and care-for-all-age communities to create smart, healthy and eco-friendly living spaces for customers, leading the way into a modern future lifestyle.

### 4.1 Sculpturing a Multiplex Industry

The Group maintains the composite development strategy of "Property + Industrial" by growing and improving its principal business of property development and services while promoting building industrialization and intelligent industrialization to integrate the upstream and downstream of the industry chain, extending our business to fields such as property management services, investment and operation of commercial properties, cultural tourism, and industry and city integration.

**Residential products:** We hold on to our "smart, healthy, eco-friendly and care-for-all-age" concept, our spirit of craftsmanship in seeking greater perfection in design, and construction and quality management to push forward the innovation of the high-quality construction system to build up the benchmark of human dwellings.

**Property management services:** We adhere to the concept of "Caring Everywhere". With a focus on property management, we provide a variety of services including security services, maintenance of public areas and property facilities, property development consulting services, property inspection services, etc. And we have set up a complete service and management system with the application of new technologies such as Internet of Things ("IoT") and Big Data.

**Smart living solution provider:** Our smart solution consists of three parts: smart community, smart services and Smart Home, which are interconnected to create a three-in-one (home, community and city) lifestyle revolving our property owners.

**Investment and operation of commercial properties:** We rely on our leading industrial planning, mature business experience, and sound service systems to create valuable commercial spaces. The five major product lines and four major business brands subordinated to the Group work as a commercial body with vigorous vitality to renew the urban capacity.

**Cultural tourism industry:** We expect to create something good for families and define a new Chinese urban leisure lifestyle in cultural tourism. After finding an appropriate plot of land, we will build a micro-resort destination based on the development idea of "natural scenery" to meet families' diverse needs.

**Industry and city integration:** Taking technology as our core, industrialization as our foundation, financial services as our support, and gathering high-end industry population as our goal, we work on the creation of the core products of eco-health towns, high-tech towns and new industry towns to build up industry and city integration complex with culture and technology.

#### Egret Lake Forest Resort

Following the mode of our 4+2 core products, i.e., "family, sports, leisure and cultural creativity" and "residence + tourism supporting basis", coupled with national standards of 5A tourist attractions, the Group has constructed the Egret Lake Forest Resort, which covers more than 20 vacation resorts, including the "Egret Lake Ecological Protection Area", "Annaxi Town", "Ocean of Flowers in Alice Wonderland", "Forest Exploration Kingdom", "Egret Lake Auto Camp", "Egret Lake Water World", "Egret Bay Wooden Hotel", "Sliver Sea Golf Club", and so on, to build up a world-class resort in South China. In 2017, the Egret Lake Forest Resort was commended as the Most Popular Town of the Year/Chinese Characteristic Town of the Year. In 2018, the Egret Lake Forest Resort was listed as a model base for social popularization in Foshan City.



### 4.2 Building High Quality

Midea Real Estate considers quality as the key to steady corporate development and never compromises with it. In strict compliance with the *Product Quality Law of the People's Republic of China*, *Law of the People's Republic of China on the Administration of Urban Real Estate* and other relevant laws and regulations, the Group sticks to a high standard of housing quality and integrates innovative ideas with technology in a bid to increase construction efficiency and living quality.

#### 4.2.1 High-quality Project

Through our three-level control model of "group, region and project", we run our quality control and management throughout the full-cycle of our products from design to construction, delivery and move-in stages.



#### 4.2.2 High-quality Construction

We have been promoting the "5+N" new-tech building system of full-concrete exterior walls, aluminum alloy formwork, larrying, thin plastering and refined alternating decoration in projects all over the country, making use of revolutionary ideas and innovative technology to realize the goals of shortening the construction period, eliminating hidden issues of quality, saving energy and protecting the environment.

##### Higher quality

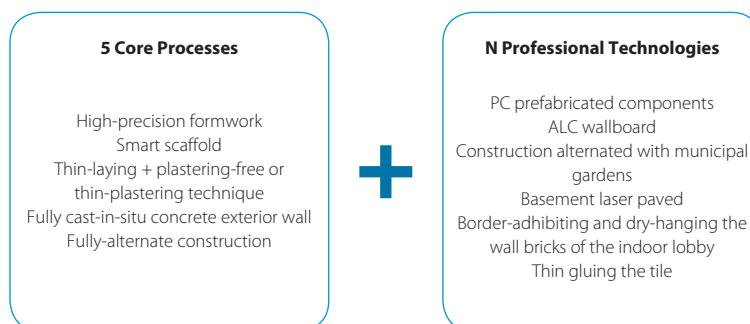
- The construction accuracy of the structure being upgraded from centimeter to millimeter;
- Plastering-free technique carried out to remove potential quality hazards of hollowing and cracking;
- Nodal structure of one-step molded waterproof construction to lower the hidden issues of leakage.

##### Higher efficiency

- Eliminating the process of plastering and scaffold removal thus shortening the construction period;
- Decoration construction being carried out alternately to shorten the decoration period.

##### Energy conservation and environmental protection

- Hi-efficient usage and recycling of aluminum alloy formwork to reduce the use of traditional timber formwork and conserve resources;
- Adopting plastering-free or thin-plastering technique to effectively reduce the use of mortar and lower the impact of dust on the environment.



## 4 Craftsmanship: Intelligence Orientation (Continued)



Fully Cast-in-situ Concert Exterior Wall



Fully Aluminum Coating Construction

### Data

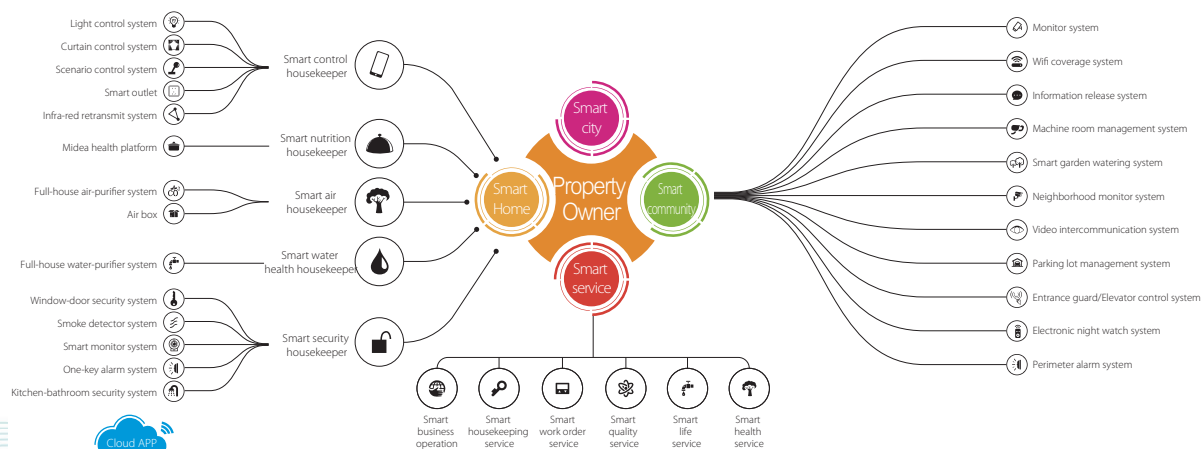
- The new-technology construction system has been successively carried out in 11 regional companies
- The new-technology projects have covered an application area of 4.43 million square meters
- The new-technology application accounts for 51.9%

## 4.3 Smart Healthy Life

We provide our customers with a one-stop smart solution composed of smart community, Smart Home and smart services on the basis of our strategic ideas of intelligent industrialization, integrated platform and implementation of industry operations. We are committed to converting a community into a platform that connects people with the smart life so as to provide our customers with a smarter and more convenient living environment and happy experience. In May 2018, the National Smart Home Standards Technical Committee of SAC/TC 426 listed Midea Real Estate as a co-compiler of *White Paper on Standards for Smart Communities* and *White Paper on Standards for Smart Home*. Meanwhile, the Group was awarded the title of "National Standard Creation Base for Smart Living." In 2018, the Group's projects, including Midea Royal Orchid Landscape, Foshan Midea Hancheng and Midea Lincheng Times Mansion, won the title of "Chinese Beautiful Community."

### 4.3.1 Smart Life

Our country is advocating standardized Smart Home and smart community and the construction of a new-type smart cities. We make use of our innovative technologies such as artificial intelligence and IoT to connect our customers with smart terminals, the IoT and smart platforms. This creates a new life-oriented model centered on our property owners with the home, community and city integrated as a unity so as to improve their quality of living and experience.



## 4 Craftsmanship: Intelligence Orientation (Continued)

### Smart Home

We rely on the construction of smart healthy communities and count on the full-category smart household appliance technology and cost advantages of Midea Group Co., Ltd. and its subsidiaries ("Midea Group") to combine our products with such Smart Home terminal equipment as the fingerprint identification door lock, voluntary-controlled household appliances, and ever-changing light intensity, by which to sculpture a Smart Home living through free access to various kinds of smart equipment, reducing the cumbersomeness in life.

### Smart community

After taking the lead in introducing smart and healthy products into the community in 2015, the Group has continuously improved and established smart solutions which integrate hardware, software and services based on continual information upgrade. Combining intelligence, convenience and security as its core elements, the Group's solutions have provided a brand new smart life experience for property owners. We are currently in association with various hardware strategic partners and Internet ecological enterprises to jointly create a new smart life.

### Smart solution

We used resources to establish a smart life research center. We are committed to researching customers' needs based on users' experience. Specifically, we employ technologies to set up a smart housekeeper service, smart health service, smart work order service, etc. Our ultimate focus is always on our customers for whom we build a tailored service system. This allows us to transform from a space provider to a life services operator.

### Cloud APP

The Cloud APP is a community-life APP with powerful functions. It has currently been available in functions for service and malfunction reporting, property management fee payment, one-touch door opening, visiting appointments, parking bill payment, Smart Home, housekeeper services, community announcements, event initiations, online shopping and other peripheral services to meet the community residents' various needs in "clothing, food, shelter, transportation, and use", making their life more convenient and smarter.

### Case: Midea Smart Kitchen to Define the "Kitchen Art" in the Age of Intelligence

We interconnect our smart refrigerator, chef and rice cooker. The built-in AI camera in the smart refrigerator will automatically identify the foodstuff and judge its freshness and storage time to interconnect with shopping orders online for purchase of fresh food. Meanwhile, Midea smart refrigerator can analyze the user's dietary habits to classify the user's preference for food and recommend pleasing recipes. The smart chef installed around the cooking area can be turned on/off and controlled by voice to play videos about food making. Our smart rice cooker can automatically adjust the rice-water ratio accurately, and carry out the wash and cook functions automatically, thus realizing a user-friendly interaction process in the kitchen.



## 4 Craftsmanship: Intelligence Orientation (Continued)

### Features: Full-scenario Smart Services to Usher in the New Age of Smart Life

We have combined multiple innovative technologies, such as AI, cloud computing and IoT, and applied them to the full-scenario functions from Smart Home to smart community and smart services to let our customers enjoy a high-quality life and smart experiences.

- 7:00 AM: The TmallGenie at home would wake owners up with its melodious music and automatically pull open the curtains.
- 7:20 AM: Through the "Magic Mirror" in the bathroom, health data such as personal BMI (Body Mass Index), blood sugar and blood pressure levels as well as cosmetic tips may be assessed, while other activities like chatting on WeChat, watching movies, and listening to music may also be initiated.
- 8:00 AM: The Cloud APP will check on home appliances, such as the gas burners and other equipment with safety concerns to assure the user of safety while working in the office.
- 7:00 PM: Through the Cloud APP, the home-coming mode can be initiated by one touch to trigger a series of automated operation, with lights turned on, the rice cooker switched on, etc.
- 8:00 PM: A delicious supper can be made through the smart kitchen, enabling the user to enjoy a relaxing dinnertime.
- 9:00 PM: The community has a shared fitness center and E-health Station to check the user's health conditions so that healthiness can be achieved easily without stepping out of the community.
- 11:00 PM: The Cloud APP will directly control and change the household scenario with one touch to power off the indoor lighting and water system to provide a relaxing and safe sleeping environment.



## 4 Craftsmanship: Intelligence Orientation (Continued)

### 4.3.2 Healthy Community

We have upgraded our smart healthy communities by introducing our Midea Health Cloud system which includes fitness management, healthy foods management, health data analysis, and health consultation system, in order to establish a wholesome health ecosystem in the community.

#### **Unmanned Fitness Center**

The unmanned fitness center in Suzhou makes use of face recognition technology to distribute a special ID and a smart wristband to the user, providing him/her with follow-up fitness experiences; and is equipped with treadmills with 32" HD screens to allow the user to exercise while watching videos. Meanwhile, the 3D capture technology is used to analyze in real time whether the runner's movements meet its standards or not. In addition, the smart gymnastics room and other facilities in the center can satisfy the user's individualized fitness needs by providing them with more diversified choices.

#### **Community Health Station**

Midea Real Estate's Cloud Community is equipped with a health station to raise the community's health awareness. By pressing both hands against the designated area for only 2 minutes on the station, property owners of our community can have all his physical indexes analyzed and get specified advice on healthcare.

### 4.4 Thoughtful Safety Protection

Midea Real Estate insists on starting from the customer's perspectives to upgrade our services in an all-rounded way. On the basis of ensuring the customer's safety, we continuously upgrade our service facilities, broaden the service channels, and build a happy community platform to create a thoughtful and safe community environment and living experience for more people to enjoy living and work in peace, making their aspired life come true.

#### 4.4.1 Privacy Protection

Midea Real Estate pays great respect to the protection of the user's personal information in strict compliance with the laws and regulations on advertising, labeling and privacy as stated in the *Advertisement Law of the People's Republic of China*, *Trademark Law of the People's Republic of China* and *Cyber Safety Act of the People's Republic of China*. The Group has formulated the *Privacy Policy*, clearly defining ways to manage and use the customer's information for house selling, property management services, and commercial management services as well as the management of the customer's information in the process of system application. At the same time, we conduct strict administration on those employees and suppliers who may have access to the customers' information, and require relevant staff to sign a confidentiality agreement, while implementing various levels of access based on our staff's positions and authority to ensure the confidentiality of the customer's information.

## 4 Craftsmanship: Intelligence Orientation (Continued)

### 4.4.2 Safety Protection

A community is a place where people live in concentration and where commercial networks gather, which leads to risks to the safety of both our property owners and customers. Midea Real Estate holds on to the principle of prevention first and incorporates smart technology to protect the safety of the community.

#### Case: Face Tracing

The face tracing system consists of three parts, a face recognition camera, an intelligent server and a face tracing platform. Midea Real Estate uses the smart platform to track personnel in communities. For targeted people whose face information has been collected and registered in the system, the system will match the snapshot of their faces or swiped card information every time they pass the entrance/door and upload the platform's records, making sure that the targeted person's routine movements within a designated period of time be recorded. As for unfamiliar people targeted, the system supports manual input of their snapshot face information and trace their movement by searches and screenshots.

#### Case: Mandatory Marking of Elders and Children

Midea Real Estate makes its monitor system at public areas accessible to its property owners through video equipment in the house and cell phone devices to keep track of the movement of the elders and children. Meanwhile, the property management personnel can also utilize the "Mandatory Marking Function" to check on a specific group of people, for example by using the data platform to analyze the elders' daily trips, register early warnings on those who have been away from home for a long time and send out specific messages to share concerns about them in the community.

### 4.4.3 Complaint Responding

Midea Real Estate provides customers with convenient and transparent communication channels, through its customer service hotline that starts with digits "400" and Meidihui Customer Services WeChat service account of which it collects customers' suggestions and opinions on improvements for housing quality, sales management, property management service and customer services. The handling process of the customer's complaints in the Group is regulated in compliance with its *Work Instructions on Customer Complaint Handling Manual* to make complaints effectively taken care of in a timely manner. We will conduct analysis and evaluate the complaint within 24 hours to determine the department involved in the complaint and contents of the feedback, and hand it to the relevant department to handle the follow-up. Within one week after the complaint is concluded, we will pay a visit to the complaining customer to confirm that the issue has been effectively and satisfactorily resolved.

#### Data

- A total of 2,234 customer complaints were handled
- The closure rate of the complaints is 100%
- No significant complaint that might affect Midea Real Estate's reputation was ever received throughout the year

## 4 Craftsmanship: Intelligence Orientation (Continued)

### Meidihui: Full-cycle Customer Service Tool

Meidihui is a tool of full-cycle customer service, in the form of a WeChat service account, provided for the established customers of Midea Real Estate. After the property is certified, the customer can go easily online to use such functions as seeking consultation, making complaints, requesting for repair, making a reservation for an event, enquiring about the construction progress, and making timely comments. We use it internally to keep track of all work orders and timely identify business vulnerabilities in the front line through the statements, taking a transparent attitude to be monitored by customers and all other parties.

- **Family Letter of construction progress:** Regular updates of the project progress to keep the customer in the know of the construction process of the house.
- **Open house/delivery appointment:** Making arrangement of a professional house inspector for the customer to provide a one-on-one escort service of inspection.
- **Online consulting/request for repair:** Enjoying the information-based consulting service whenever and wherever possible to follow the full process of the engineer's maintenance/repair progress.
- **Customer's event enrollment:** To inquire about the information of upcoming events at any time and sign up online.

### 4.4.4 Customer Satisfaction

Midea Real Estate regards customer satisfaction as the motivation for our services. We continuously monitor our performance in our customers' delivery, services and quality satisfaction reports. We are willing to proactively listen to the customers' need in order to protect their rights and interests. In 2018, we conducted a full-cycle satisfaction survey on our customers, involving the nodal point satisfaction, third-party annual satisfaction, delivery satisfaction in return visits, satisfaction with complaint handling, and satisfaction with maintenance and repair, enabling our customers to gain timely feedback on those key nodal points and key services so that we can make continuous improvements. In 2018, Midea Real Estate's customer satisfaction degree was 77%.

## 4.5 Harmonious and Good Communities

A house is the container of a good life, while a community is the carrier of a good life. Adhering to the idea of "Smart Life, Midea Life", Midea Real Estate carries the values of humanistic care and insists on the spirit of craftsmanship in commitment to creating a colorful, energetic, harmonious and friendly atmosphere of community life.

### "Beautiful Home Season" Event

Midea Real Estate has always adhered to the idea of "Sophisticated Quality, Considerate Services" to blend the spirit of craftsmanship into daily work and services in a bid to build a beautiful home and community collectively. In 2018, we hosted the event of "Beautiful Home Season" in multiple communities, providing professional high-quality house maintenance and repair services for an accumulated total of more than 5,000 households, nearly 10,000 property owners.





## 4 Craftsmanship: Intelligence Orientation (Continued)

### Festival Activities in Communities

We organize colorful community activities for specific groups such as elders, children or families on holidays or festivals. We also host and plan a series of activities for our property owners, such as spring outings, community fun runs, farm visits, special care on International Women's Day, Mother's Day, and Double Ninth Festival, etc. We believe that neighborhood affinity is established through such organized community events in a relaxing and pleasant way.

#### Case: Good Time Enjoyed with Elders on Double Ninth Festival

On the Double Ninth Festival of 2018, we held a themed event in the communities of 38 cities and 1 municipality. By organizing the event of touring gardens, visiting charity health clinic, and keeping elders company in their homes, we spent a happy and peaceful day with the elders in a warm atmosphere.



Double Ninth Festival Activity

### Junior Military Training Camp

We make use of the summer vacation to hold a junior military training camp for the juniors of the property owners, which includes regular military training and games, to expand their horizons. While enhancing the teenagers' physiques, the camp also cultivates their capability in thinking, communication and coordinated teamwork as well as the sense of competition. In 2018, Midea Real Estate hosted a 3-day FUN-enjoyed junior military training camp titled "Sturdy Growth: Growth toward Future" at one of our regional companies, attended by more than 150 junior property owners, aged 6–12, from Gaoming.



Junior Military Training Camp of "Sturdy Growth: Growth toward Future"

## 5 Ecology: Eco-friendly Housing

As a cultivator of smart and eco-friendly life, Midea Real Estate has instilled the idea of eco-friendly development into our strategies, on the basis of which we work on eco-friendly building, eco-friendly construction, eco-friendly operation and eco-friendly office, with devotion to building an eco-friendly household where people can live in harmony with nature, creating a beautiful life for more people.

We stress the work of environmental protection as well as energy conservation and emission reduction. To comply strictly with the laws and regulations such as *Law of the People's Republic of China on Environmental Protection*, we have actively practiced the idea of eco-friendly management and formulated internal systems and standards in order to ensure that full-cycle emissions, resource consumption, and ecological impact are all under control as required by related laws and regulations. .

In 2018, Midea Real Estate did not have any significant violations of any environmental laws and regulations; nor did it have any incident of adverse impact on biodiversity.

### 5.1 Building Industrialization

Midea Real Estate has focused on the “one-stop solutions provider of eco-friendly prefabricated building” as its development orientation to deploy the industry base and expand into modular bathroom manufacturing, working to provide customers with a complete prefabricated building solution.

#### Deployment of Prefabricated Building Industry Park

We executed pilot experiments and duplicate the models to deploy the prefabricated construction plants after the experiments succeeded. As of 2018, the Group has acquired the land for the prefabricated construction plants in Xuzhou, Zhenjiang and Nan'an. Among them, the prefabricated construction plants in Xuzhou and Zhenjiang are scheduled to produce prefabricated parts for high-rise residential buildings and public buildings. In July 2018, we signed up *Investment Cooperation Agreement* with the Nan'an Municipal Government to finalize prefabricated construction plants there.

##### Data

- The construction plant in Xuzhou covers a total area of 359 mu (Chinese acres)
- The construction plant in Zhenjiang covers a total area of 128 mu (Chinese acres)

#### Expanding Modular Bathroom Manufacturing

In 2018, Midea Real Estate founded a joint venture to produce modular bathrooms with CRW Bathrooms. Its subsidiary Foshan Modular Bathroom 4.0 Factory will commence mass production in the next half year of 2019. The factory is equipped with China's first self-developed ceramic modular bathroom production line with independent intellectual property rights.

#### Building an Intelligent Platform of the Clustering of Building Industry

One of our subsidiary Ningbo Liancheng Housing Industrialization Technology Co., Ltd (hereinafter referred to as Liancheng Housing Industrialization), presents a unique operation mode known as “REMAC” (R=research, E=estate, M=manufacture, A=accommodate chain, C=construction), committed to building a full-industry-chain prefabricated cluster platform centered on intelligent architecture. It has 6 major technology research institutes to conduct in-depth researches on building technology, material technology, equipment technology, manufacturing technology, engineering technology and information technology, having thus formed an R&D system to cover the full industry chain and promote the industrialization of architecture.

## 5 Ecology: Eco-friendly Housing (Continued)

### 5.2 Eco-friendly Building

Every building created by Midea Real Estate is a work of art. As a creator of healthy living, we adhere to meticulous construction requirements, and are equipped with a professional BIM (Building Information Modelling) team to operate the full-chain control and application platform as well as an intelligent big-data management system, devoted to creating a more modernized, efficient and sophisticated quality for the era of pleasant living. We actively practice the environmental management to cover the full-cycle of buildings, promote eco-friendly building, and continue the standardized eco-friendly design in building planning and design while actively making innovations, promoting overall eco-friendly technology, and elevating the feasibility and service life of buildings in order to maximize the harmonization of buildings with nature.

**We apply the following eco-friendly design ideas to the new construction project at the preliminary planning stage:**

- **Careful consideration of sunlight and illumination:** Environmental analysis software is used to ensure that the architectural design provides the best sunlight exposure for residential buildings and various activity spaces.
- **Good cooling/warming effects throughout the year:** A reasonable layout is made to create summertime wind waves to enhance ventilation and cooling effects while stopping wintertime winds to reduce the wind velocity in the communities to ensure comfortable airflow environment throughout the year.
- **Optimized Indoor lighting design:** In terms of the house type, the main rooms are designed with not only satisfactory lighting and pleasing scenery but also elevated indoor ventilation rate and air quality through the convection layout of the house type.

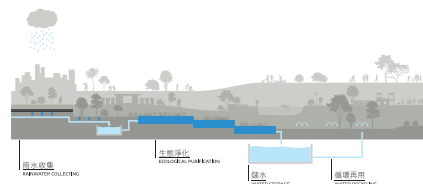
### Proactive Response to the Construction of “Sponge Cities”

Midea Real Estate builds communities based on the concept of “sponge cities”, which is a modern water management approach that organizes the water system in the community, making use of rainwater gathered and absorbed from roofs and the ground, purifying it through the synthetic action of plants and sandy soil, replenishing underground water or supplying water for plants and toilets. In addition to such facilities for flooding control and rainwater utilization, we also apply a rainwater garden design to our residential communities so as to make a positive impact on the community as a “small ecosystem” and the city as a “large ecosystem.”

#### Case: “Sponge City” Design is Applied to the Eco-friendly Community

Those projects undertaken by the regional company in Southwest China Economic Region, including Gift Satisfy the Landscape<sup>1</sup>, Midea-Jinke Commandery<sup>1</sup>, Midea-Rongan Grand Garden and Daishan Road No. 8, have been honored as verified silver-class provincial eco-friendly ecological residential communities, which include the following measures of “sponge city” designs:

- According to characteristics and conditions of the site, we make use of low impact development (LID) facilities for ground water control. We collect and drain rainwater from roofs and the ground into LID facilities for filtration and purification so that the water can flow into a recycle pool and be used to water plants;
- Adopting a non-traditional water source, we collect rainwater from the roofs and the ground, treat it and use it to water landscape, plants and clean roads;
- We use eco-friendly irrigation with water sprinkles and install soil moisture sensors to control the irrigation automatically.



<sup>1</sup> Gift Satisfy the Landscape and Midea-Jinke Commandery are held by joint ventures and associates.

## 5 Ecology: Eco-friendly Housing (Continued)

### Features: Informationized Building Management

*What's BIM technology?*

*The BIM (Building Information Modeling) technology is a process of creating and making use of the data modeling to design, construct, operate and manage projects.*

### Application of BIM Technology in Full Lifecycles of Buildings

BIM technology is an inevitable trend in the development of informationized building. It utilizes more advanced design concepts and management patterns to push forward the innovation of new industrial model and management in the field of construction.

- **Pre-project analysis stage:** Eco-friendly building analysis is adopted to obtain scientific and intuitive analytical data to provide more sufficient decision-making information for a project.
- **Construction drawing designing stage:** The design efficiency and drawing quality are elevated by using the designs of BIM technology, including visualization, coordination, simulation, optimization, and drawing output.
- **Construction stage:** Construction simulation is used to control construction schedule and reduce unpredictable risks during the construction.

In order to fully synchronize the Group's industrial chain development, expand the prefabrication industry and carry out the construction of intelligent community, Midea Real Estate's subsidiary Tianyuan Design Institute will continue to expand the application of the BIM technology in practice and speedily extend the BIM design modeling to the construction, operation and maintenance chain to realize the BIM application in the full-cycle of buildings. In 2018, Junkangxuan Project won the first prize in the fourth Science Innovation Cup in BIM Design Application Award.



Architectural Rendering of the Junkangxuan Project

### Data

- By 2018, Midea Real Estate had 18 projects certified with the 1-star national eco-friendly building projects
- Total certified area of 1-star national eco-friendly building amounts to 3,152,922 square meters



## 5 Ecology: Eco-friendly Housing (Continued)

**The 1-star National Eco-Friendly Building Projects<sup>2</sup>**

Location	Name of Certified Projects	Project Type	National Eco-friendly Building Certification Level	Certified Area (m <sup>2</sup> )	Certified Year
Pearl River Delta Economic Region	Hanjinyuan	Residential	1-star	42,052	2018
	Happy Times	Residential	1-star	152,202	2016
	Vernal Garden (Happiness Street)	Residential	1-star	52,165	2017
	Parasol Whisper	Residential	1-star	305,242	2017
	Orchard Villa	Residential	1-star	76,922	2017
	Eastern Midea City	Residential	1-star	540,704	2017
	Gaocheng Yunxi Mansion	Residential	1-star	88,372	2017
	Roland Valley Fuyuan	Residential	1-star	141,175	2018
	Roland Valley Jinyuan	Residential	1-star	117,613	2018
North China Region	Midea Riverside Mansion	Residential	1-star	86,031	2018
	Millennium City Yayuan	Residential	1-star	165,195	2018
	Millennium City Fuyuan	Residential	1-star	143,299	2018
	Western Midea City	Residential	1-star	391,447	2018
	Midea LaDefense	Residential	1-star	79,033	2018
	Xingtai Midea VIP Mansion	Residential	1-star	171,934	2018
	Midea VIP Mansion South Court	Residential	1-star	149,698	2018
	Midea Grand Garden	Residential	1-star	197,573	2018
	Roland Spring	Residential	1-star	252,265	2018










<sup>2</sup> The disclosure of the form includes the properties held by the joint venture/ associates, including Roland Valley, Millennium City and LaDefense projects.



### 5.3 Eco-friendly Construction

A prefabricated building is featured by our “four conservations and one protection” motto (i.e., energy conservation, land conservation, water conservation, material conservation and environmental protection). During the construction process, we push forth our motto of “four conservations and one environmental protection” to reduce energy consumption and pollutant emissions. Compared with the traditional construction method, prefabricated buildings make use of factory fabrication and on-site dry process, which saves land space by 20%, water by 80%, energy by 70%, materials by 20%, and save 5 tons of construction waste per 100 square meters.




#### Environmental Protection (Environmental Protection)

	Water and soil resources protection	Protecting the underground water in the surroundings of the site and minimize the groundwater extraction during foundation pit construction; Taking multiple measures to effectively prevent the usage of hazardous articles in construction, keep the ground from being polluted by stored chemicals, and free the land from being polluted by the discharge of wastes;
	Environment of occupational health	Separating the construction work area from the living and office areas, with the living area set at the upwind place, far away from poisonous and harmful substances; Personnel working in toxic, harmful, smell-irritable, and strong-light environments should wear goggles and masks, and other protection devices;
	Dust control	Gathering exposed earthwork in concentrated piles and covering it up; Setting up a flush tank and moisture absorption mattress at the entrance and exit of the construction site to keep vehicles clean;
	Exhaust emission control	The exhaust emissions from vehicles and machines used on the site shall comply with the national requirements, and the general contractor should exercise control over all the mechanical equipment and vehicles used or rented by sub-contractors of the project; No usage of coal for fuel in the urban construction site and no use of on-site scrap wood to set fire;
	Solid waste disposal	Conducting classified collection and concentrated piling on those harmless construction wastes and trying the best to backfill the earthwork; Setting up specified recycling devices for such hazardous wastes as used batteries and paint cans;
	Sewage discharge control	Setting up drainage ditches on either side of the site road and around the material storage yard, and cleaning the ditches on regular basis to keep them unobstructed; Setting up a sedimentation tank on the construction site for disposal of industrial sewage and laboratory water, with treated water discharged into the municipal sewage conduits;
	Light pollution control	There must be strict regulations on the illumination direction and angle of large-scale lighting devices installed on the construction site so as to avoid strong light leak; When electric welding is performed at night, shading measures should be taken or a shading shed should be set up;
	Noise control	In addition to the sound insulation facilities, noise monitoring points should be set up on the site to perform dynamic monitoring of noise. In case of the noise is exceeding the standard, the construction personnel will immediately identify the cause and take immediate measures; Advanced machinery and low noise equipment has the priority to be used for construction;

## 5 Ecology: Eco-friendly Housing (Continued)



### Material Conservation and Material Resource Utilization (“Material Conservation”)

Each project should take effective measures to maximize material conservation in accordance with its characteristics.

 Material selection	Selecting environment-friendly materials whose contents of poisonous and harmful substances meet the relevant national requirements;
 Material conservation	Taking corresponding measures to increase the utilization rate of such materials as steel, concrete, wood and other construction materials;
 Reuse and recycle of resources	Leftovers of board and block materials as well as scattered concrete and mortar can be reused as the cap of the ditch or as the skirting board of external scaffolds;

### Water Conservation and Water Resource Utilization (“Water Conservation”)



It's generally required that on a construction site, water for production and water for life should be measured separately. All the water facilities for living are supposed to be water-conservation appliances, and a specified amount of water usage for each person each month is to be established to ensure each person's responsibility for water conservation.

 Water conservation	Watering the roads and landscape plants with either the rainwater collected or the reclaimed water;
 Reuse of water resources	Making reasonable use of foundation pit dewatering, with the precipitation collection well installed in the foundation pit dewatering construction to collect water for road watering and concrete curing;

## 5 Ecology: Eco-friendly Housing (Continued)



### Energy Conservation and Energy Utilization ("Energy Conservation")

The energy consumed on the construction site mainly includes electric energy, gasoline and diesel. The energy efficiency management in production, living, office and main energy-intensive machinery should be reinforced. Energy-conservation equipment should be chosen first, and energy consumption should be metered on the major energy-intensive equipment.

 <p>Temporary electric power equipment</p>	<p>If conditions permit, the first consideration is given to the transformer load; meanwhile power-conservation devices are to be used to reduce power consumption;</p>
 <p>Temporary facilities</p>	<p>The temporary facility for construction should consider the natural conditions of the sunlight and wind direction in order to make reasonable use of natural lighting, ventilation, and outside-window shading;</p>

### Land Conservation and Land Resource Protection ("Land Conservation")

The land within the red line should be protectively used, and the land used for temporary facilities should be reasonably determined based on the construction size, construction period and site conditions.

 <p>Land conservation</p>	<p>Making a reasonable site layout, making full use of and protecting the existing buildings, and trying to reduce the construction land;</p>
 <p>Land protection</p>	<p>Optimizing the construction of deep foundation pit project to reduce the amount of earth excavation and backfilling and protect the land;</p>

## 5 Ecology: Eco-friendly Housing (Continued)

### Case: Active Practice of Eco-friendly Construction in Midea Lakeside Court Project, Danzao Town, Nanhai District

#### Cyclic Utilization of Construction Wastewater



To solve problems faced by traditional projects such as wastage of water from vehicle washing and the heavy consumption of water resources, a specific device to reuse the vehicle washing wastewater was adopted in the Midea Lakeside Court Project Phase III in Danzao Town, Nanhai District. The device consists of a vehicle washing trough, a sedimentation tank, filter tank, available water tank, pipelines and valves. After the vehicle is washed, the wastewater enters into the sedimentation tank from the water inlet, flows through the filter tank, and is stored in the available water tank. When a vehicle passes by, the pump line will transport the water to the automatic washing trough to wash the vehicle so as to re-use the wastewater and achieve a cyclical usage of water resources.



Automatic Vehicle Washing System



3-level Sedimentation Tank

#### Energy-conservation Reform of Construction Lighting



For general projects, ordinary luminaries are used for indoor lighting which have disadvantages of inadequate brightness, inconvenient usage and high damage rate. To tackle these issues, the Midea Lakeside Court Project Phase III in Danzao Town adopted the use of the LED rope lights for the lighting in the construction site, including basements, staircases, and scaffoldings outside the constructed building during nighttime construction. LED luminaries have the advantages, such as small size, high brightness, energy conservation, high efficiency and stability, long service life (80,000~100,000h), and environmental protection. This project chose LED luminaries not only for energy-conservation and environmental protection but also for its convenience in use and have high turnover rate.



LED Rope Lights Around the Scaffold



LED Rope Lights on Either Side of the Basement Passage

### 5.4 Eco-friendly Operation

Midea Real Estate requires all business lines and functional departments to practice and continuously improve eco-friendly operations in accordance with the Group's demand of energy conservation, emission reduction and eco-friendly operations, and to be fully coordinated to ensure the performance of the Group's ecological, eco-friendly housing.

#### 5.4.1 Eco-friendly Property Management

The property management company under Midea Real Estate follows the requirements of energy conservation and consumption reduction in projects to carry out renovations of lighting fixtures, living water supply and the routine energy management. In addition, we also invite third-party experts to evaluate the energy efficiency of our projects, give advice on our management of energy conservation and emission reduction policies, and explore opportunities for further improvements while committing great efforts to advancing the implementation of renovation plan. We also encourage all project and management personnel to utilize their expertise, to continuously strengthen energy management, and to extend the idea of low carbon usage in the links of planning and design, development and construction to the routine operations of the project so as to lower its negative impact on the environment.

##### Energy Consumption Management in Residential Projects

We attach great importance to daily energy management in the project so that we have established an online energy management platform in the projects through which to make statistical analysis of the structure of energy consumption and existing loopholes, to conduct full management over the energy consumption, and to guide the energy conservation and consumption reduction, control and reduce the costs of energy consumption. Taking the Midea Royal Orchid Landscape Project as an example, the construction and property management personnel entered different energy consumption data, such as the property electricity and water consumption, as well as the information of equipment running into the energy management system so that the head office of the property management company can take a real-time grasp of different dimensions and different categories of statements and chart analysis data.



Online Energy Management Platform  
for Midea Royal Orchid Landscape Project

##### Energy Consumption Management of Commercial Projects

Midea Real Estate's commercial management company (hereinafter referred to as "Midea Commercial Management") uses an online management platform to monitor the energy consumption of projects in operation, holds meetings on energy conservation and consumption reduction regularly, and implements an incentive scheme for energy conservation and consumption reduction.

##### Midea Commercial Management Energy Consumption Analysis Mechanism

- Working out the current year's energy consumption management indicators and the energy consumption management plan in combination with the history of the energy consumption data at the beginning of each year;
- Conducting process control and evaluation on monthly basis through the water and electric energy consumption analysis report from each project;
- Performing a quarterly quality inspection on each project with irregular spot inspection on the site;
- Reviewing the water and electricity system structure of each project to identify and solve the trouble spots;
- Analyzing and reviewing the historical data to identify and solve the problems, and make a specified energy conservation optimization program.



## 5 Ecology: Eco-friendly Housing (Continued)

### **Case: Annual Energy Conservation and Consumption Reduction Brainstorming Conference**

On January 29th, 2018, the Property Management Division of Midea Xinduhui Project held a brainstorming conference on energy conservation and consumption reduction, in which the relevant personnel analyzed and discussed the energy consumption data and customer flow data, and made a case analysis of the public electricity consumption and water consumption in toilets. Eventually, the conference output an energy conservation and consumption reduction plan with 28 details.



### **Case: Renovation of the Solar Water Heaters in Xuzhou Lavande Hotel**

The hot water supplied to the Lavande Hotel at Xuzhou Midea Mall was heated by natural gas. Due to the influence of the Northern climate, the hotel's general energy consumption was always high, with natural-gas water heating system accounting for about 30% of the total electric cost. In order to reduce energy costs, the hotel implemented a solar water heating system renovation project and turned the original natural-gas water heating system into an auxiliary system. As a result, despite an increase in the project cost a total investment of RMB177,000, about 50,000 kWh of the electricity was saved annually. Even with the total number of the rooms increasing by 40.9%, the electricity consumption from August to December of 2018 decreased by 13.6%.

## 5 Ecology: Eco-friendly Housing (Continued)

### 5.4.2 Eco-friendly Community

By actively responding to the government's call for garbage sorting in communities, we implemented a smart garbage sorting in the community to strengthen waste management by effective recycling. In 2018, we launched a pilot project of smart garbage sorting in the Royal Orchid Landscape Community, putting a smart garbage sorting and recycling collector at the gate of the community. Based on IoT technology, the smart garbage sorting and recycling collector is composed of a mainframe box and several auxiliary tanks to collect various kinds of garbage, including beverage bottles, plastic materials, metal, glass, paper, textile and hazardous waste. The recycled garbage would feed monetary compensation back to the resident through cash withdrawal. In addition to building an eco-friendly community and offering convenience to the community property owners, this project also marketed the concept of garbage sorting and raised the public's environmental protection awareness.

#### Case: "Midea Dream — National Action for Garbage Sorting"

As an urban "promoter" of eco-friendly, healthy living, we have launched the campaign of "Midea Dream — National Action for Garbage Sorting," working with the local Urban Management Bureau to publicize the knowledge of garbage sorting as a social welfare and advertize the eco-friendly lifestyle of environmental protection. In 2018, our eco-friendly footprints spread over more than 10 communities, with our publicity reaching more than 40,000 residents.



### 5.4.3 Eco-friendly Office

Apart from emphasizing the environmental performance of a project, we are also concerned about the impact on the environment caused by our energy consumption and resource usage in the office process, so we encourage the staff to actively practice the idea of "eco-friendly office" and jointly create an eco-friendly working environment.

#### In order to ensure the staff's low-carbon office actions, we have taken a series of institutional measures:

- Ramifying and clarifying policies of business trips; reducing unnecessary trips by using video conference systems;
- Insisting on two-sided printing and copying to reduce paper waste and implementing a "paperless office";
- Advocating eco-friendly travel; encouraging employees to use public transportation for travels and make use of social platforms such as DiDi Taxi and CaoCao Taxi and make reasonable arrangement of official business vehicles to reduce exhaust emissions;
- Implementing smart renovation of the office area; installing smart sensing equipment in public spaces such as the corridors and conference rooms to effectively eradicate "everlasting lights" so as to reduce resource consumption;
- Actively launching the campaign of Energy-conservation Promotion Week and the event of Low Carbon Day to advocate the idea of environmental protection.

## 6 Employees: Win-win Growth

We regard employees as a driving force for corporate development, as such, we are committed to providing our employees with a stage to promote self-worth. We devote ourselves to building a multiple team, training multi-dimensional talents, setting up multi-layer channels of career development, and workplace care in order to achieve win-win growth with employees.

### 6.1 Multiple Team

Protection of the employees' rights and interests is the bedrock of Midea Real Estate's brand. We insist on safeguarding employees' lawful rights and interests and have ever since strictly complied with all relevant national laws and regulations, such as the *Labor Law of the People's Republic of China* and *Labor Contract Law of the People's Republic of China*, to avoid discrimination against gender, nationality, religion and age in terms of recruitment, salary payment, training and promotion. Midea Real Estate strictly prohibits the use of child laborers and forced labor. In signed labor contracts, we unequivocally prohibit forced labor by any means, such as violation, threatening or illegal restriction of personal liberty. As of 2018, Midea Real Estate has not had any cases of child laborers, discrimination against laborers or forced labor. Instead, all the labor dispatch goes in strict accordance with the national "three principles of temporality, subsidiarity, and replaceability" and the required labor-use scale not exceeding 10%.



Total number of employees

**12,275**



Female employees account for about

**38%**

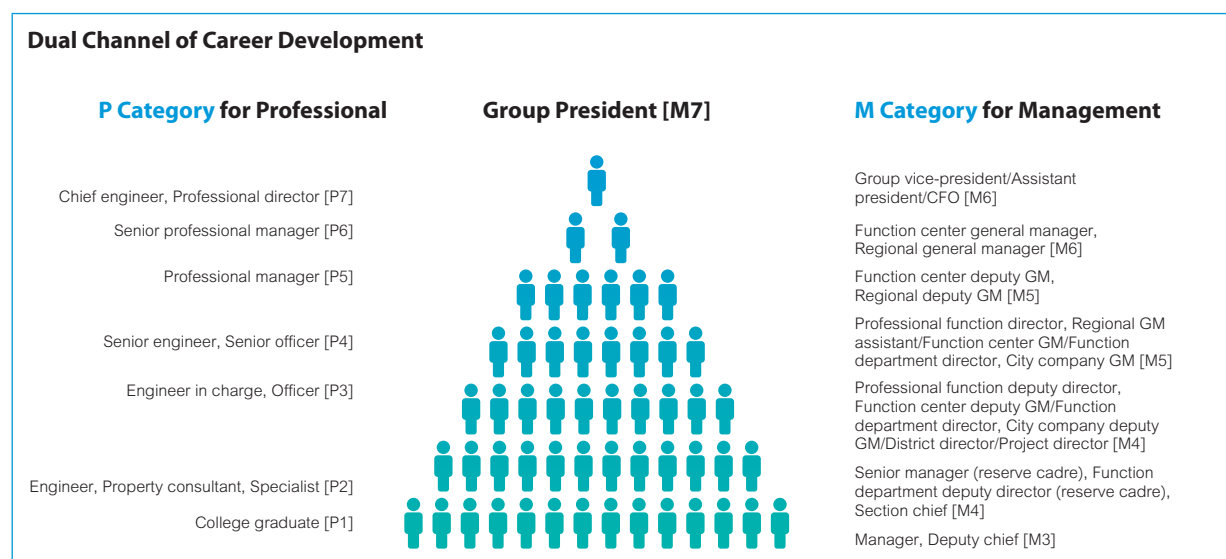


Employees aged 16–29 account for about

**51%**

## 6.2 Career Development

Midea Real Estate advocates strong peer culture, encourages employees to grow with the company, and emphasises long-term career planning. In order to meet the development needs of employees with different traits, we provide them with dual career development pathways (i.e., a management pathway and a professional pathway). Employees enjoy equal career development opportunities in the channel. Following their improved skills and performances, employees can switch flexibly between the management pathway and professional pathway. Meanwhile, we also provide opportunities for high-performing and high-potential employees with the opportunity to change roles so they have the chance to work at different positions or core posts, letting them assume greater responsibilities and having their work experience enriched to be trained to be a reserve talent force for our future development.



## 6 Employees: Win-win Growth (Continued)

### Evaluation system



- Multiple evaluation methods to conduct annual performance management, quarterly performance management and specialty assessment management based on the scope of the personnel.
- The annual performance management is based on the annual performance responsibility system, the personnel's annual performance merits strongly correlates with fulfilled responsibilities.
- The quarterly performance management is based on the key quarterly work plans plus the evaluation result of the KPI, the personnel's quarterly performance realization strongly correlates with quarterly evaluation results.
- The specialty assessment management means that each department can make a differentiated specialty assessment plan according to its actual operation; a specialty assessment and motivation program can be formulated within the scope of the total of the annual salary and welfare budget and the specialty incentives from the general manager.

### Promotion mechanism



- In principle, the step-by-step promotion is required, and an interval of no less than one year is required between promotions; the promotee shall meet the qualification requirements of the target post.
- Those with outstanding capability or work performances and those whose personal project or personally-led project has made great contributions to the Group can be promoted by breaking the rule.

### Elimination mechanism



- When an employee is unfit for the existing job taken or violates the relevant rules and regulations of the Group, he or she shall be demoted and rearranged in work according to the actual situations. After the demotion, the standards of the employee's salary and benefits will be recalibrated in accordance with the new post arranged, and he or she cannot request for promotion within 1 year.



### 6.3 Talent Development

Midea Real Estate regards employee training as an important way to help employees develop and cultivate high-quality talents. We offer various training programs for employees at different positions and different levels to meet their demands for career growth and development.

We pay special attention to new employees' orientation training. By implementing our program of "New Focus Training Camp," we provide new employees with a series of training courses, including our history and culture, operation and management, construction-related customer service, product analysis, fine decoration strategy, brand interpretation, career red line, and industry knowledge. We also conduct pre-job training in due time to introduce new employees to the job responsibilities, work processes, and information management. Meanwhile, we also formulate and implement a training plan for new employees, providing them with sufficient support and guidance through setting up in-job guidance for them to adapt to the new work environments and new posts.



The total number of trainees

**291,289**



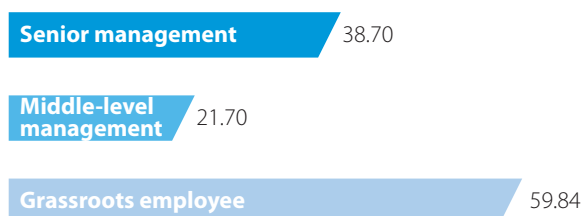
The total training hours reach up to

**682,195**hours

**Average training hours completed per employee by gender (hours)**



**Average training hours completed per employee by employee category (hours)**



## 6 Employees: Win-win Growth (Continued)

### Case: Elite Training Camp

In order to ensure the efficiency and orderliness for graduates' induction training, Midea Real Estate has customized "Elite Training Camp" to train talent for the Group. The training camp program consists of six stages: "Elite Landing," "Group Exploration," "Industry Confront," "Elite Express," "Journey of Transformation" and "Midea Future." The courses cover the four dimensions of business system, industry knowledge, professionalism, and office skills to help trainees solidly and perfectly fulfill their transformation from graduates into professionals.

In July 2018, nearly 300 graduates from different universities across the country gathered at the headquarters of Midea Real Estate to receive a 22-day induction training, which helped graduates to quickly understand the industry and the Group and enhance their professionalism so as to successfully accomplish their role transformation and fit into the corporate environment in the best and fastest way. After the training, the trainees went to their respective posts to receive more customized on-the-job training and mentoring in order to achieve better growth and development.



The Elite Training Camp

### Case: Charisma Training Camp

In June 2018, Midea Real Estate launched the "Charisma Training Camp" program, in which the general managers of projects, cities and reserve GMs of cities participated in general trainings to talents for the Group's charisma team. In line with industry trends, the training camp combined theory and practice, and focused on four modules, namely, the module of investment, M&A and cooperation, the module of fast development and operation, the module of precision marketing and innovation, and the module of internal control system and risk prevention, to establish highly practical training courses for the trainees, and also invited experts in the industry as well as the internal think tank to give lessons.



Charisma Training Camp

### 6.4 Care in Workplace

We regard employees as the most valuable assets of Midea Real Estate. We are concerned about every employee's physical and mental health and have committed our efforts to providing them with a safe and comfortable working condition. We have established a comprehensive occupational safety mechanism, with security measures for employees' occupational health clearly defined in the labor contract. As of 2018, no significant work-related injuries and deaths has occurred in Midea Real Estate.

#### Occupational Health and Safety

- Insisting on establishing a sound labor safety and health system, which adheres to the national regulations and standards for labor safety and health, we offer education to employees on labor safety and health to prevent accidents from happening in the workplace and reduce occupational injuries.
- Providing labor safety and health conditions in compliance with national regulations as well as the required items of labor protection; performing regular health examinations on employees working in a hazardous occupational environment.
- Requiring employees to follow our guidelines and safety operation regulations in the process of working; giving us criticism, complaints, or accusation with regards to those actions threatening safety of life or physical health.
- Strictly following the *Rules on Labor Protection for Women Employees* and *Rules on Jobs Unsuitable for Women Employees* to provide special labor protection for women employees.

Meanwhile, we are providing diversified care projects for employees to enhance their sense of identity and belonging towards the Group by holding health and fitness campaigns, festive celebrations, and special events, helping them achieve a work-life balance.

#### Diversified Care Events for Employees

- Establishment of the employee's sports and health association;
- Holding festive celebrations and birthday parties;
- Featured events in collaboration with other organizations to improve employees' demand of skills and life quality. For example, we hold Coffee Salon in cooperation with Starbucks and put up Flower Salon with eco-friendly plant agencies.



Employee's Yoga Training



Employee's Birthday Party

## 6 Employees: Win-win Growth (Continued)

### 6.5 Democratic Communication

Midea Real Estate continuously improves its communication mechanism and builds a platform where employees can communicate with the management. The Group shows full respect for employees' opinions. We are committed to establishing multiple channels of communication between the employees and the management to ensure the employee's proposals and advocacy as well as their legal rights and interests. We address their opinions and continue to follow up with the solution and result of the issues so as to promote the strategic goals, elevate the business ideas, and carry out the Group's policies.

#### Case: Face-to-face Meeting with General Manager

In order to better listen to the voice of our employees and concerns about their growth and achieve better team work and efficient collaboration, we have launched good-for-business activities and held regular "Face-to-face Meetings with General Manager" for sharing to normalize communication between general managers and employees.



Face-to-face Meeting with General Manager

## 7 Society: Heart-felt Feedback

Midea Real Estate owes its steady development over the past years to the support from the public. In return, we take it as an important responsibility to serve and feed back to the society. We focus our efforts on public charity and social services, with the aim to improving people's living standards in poverty-stricken regions via practical actions, carrying out various public welfare activities collectively in various provinces and cities of China as our heart-felt feedback to the society.

### 7.1 Philanthropy

In June 2018, the Shaoguan Philanthropic Foundation for Rural Revitalization (hereinafter referred to as the "Foundation") was founded and officially registered at the approval of the Shaoguan Municipal Bureau of Civil Affairs. The Foundation's original registered capital was RMB2 million, offered by Midea Real Estate. The Foundation is committed to carrying out related public services in Shaoguan City to promote rural revitalization and new rural reconstruction, helping with the overall upgrade of the philanthropic culture and system in Shaoguan City, by integrating the resources across different fields.

As China's first philanthropic foundation focused on the subject of "rural revitalization", the Foundation has put forward a creative concept of assistance featured by "rural construction + industry development + community construction + charity development" to show systematic support to the development of rural revitalization.

#### 7.1.1 Rural Construction

The Foundation addressed Shaoguan City's two major demands of infrastructure renovation and public service upgrades with specified focus on the design of new rural construction projects and the construction of public service facilities. Based on a comprehensive understanding of current local rural conditions, we offer support to the rural development whilst retaining the countryside's "unique beauty".



## New Rural Reconstruction Projects

New rural reconstruction projects are mainly focused on infrastructure refurbishment and environmental management in Nanxiong and Renhua. Projects include: building or reconstruction of community centers, new residential building construction, landscape upgrading, municipal rural road construction, ancient building renovation, building facade renovation, and restoration of soil and drinking water ecosystems.

In 2018, the Foundation has completed basic planning scheme of 5 provincially listed poverty-stricken villages and 3 model villages as well as the upgrade scheme of 5 provincially listed poverty-stricken villages.

The first batch of the project highlights include: 8 village squares, 3 village culture centers, 3 natural villages' landscape paths (trestle roads), 2 villages' landscaping, 4 ponds (water quality and landscape upgrades), 3 rural community centers, 1 rural primary school (dangerous building reconstruction), 1 memorial archway, 1 natural village (restored ecosystems of soil and water), and 1 village's pilot project of new residential construction.



Planning Scheme of Gaolian Village  
(Gaoba Village group), Renhua Town




## Japanese Designer Shuhei Aoyama Working on Rural Revitalization



### Fence Reconstruction Programme in Jiangtou Village, Renhua Town


### Construction of Public Service Facilities

The Foundation has actively responded to Shaoguan City's needs of public services in terms of education, medical care, senior care, and social welfare so as to upgrade the relevant service infrastructure and the construction of supporting facilities. The projects were carried out in the mode of "being funded by the Foundation and under the supervision of the government". After the completion, the projects will be jointly inspected by the Foundation and the government, and then entrusted to the management of the villagers as pro bono donations.

Project Name	Project Contents and Significance
<b>Zhenjiang Drinking Water Project</b> 	<ul style="list-style-type: none"> <li>Including deep well construction, water source reconstruction, pipe network construction, reservoir construction and farmers' water meter installation;</li> <li>The deep well is used with the water going to the reservoir for sterilization and purification and delivered to every household; the completion will benefit 5,121 villagers in 2 provincially listed poverty-stricken villages.</li> </ul>



The Construction Site of Zhenjiang Drinking Water Project

<b>Reconstruction and Expansion of Renhua Middle School</b> 	<ul style="list-style-type: none"> <li>Dormitory building construction: 350 more beds can be provided for the school to effectively resolve the problems of shortage of beds and congestion;</li> <li>General building construction: The building will provide the school with a lecture hall that can accommodate 800 people to meet the need for all the teachers and students of one grade to attend a meeting or interchange study; the library provides a better learning environment for the teachers and students.</li> </ul>
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Conceptual Drawings of the Dormitory Building and the General Building in Renhua Middle School

## 7 Society: Heart-felt Feedback (Continued)

### 7.1.2 Industry Development

We believe that industry development is the better way to rural revitalization. In order to solve the issue of tough sales of the agricultural products produced in the mountainous area of Northern Guangdong, Midea Real Estate and the Foundation did some investigation and research on the farm product, cultivation techniques, cooperative management, packaging and marketing in those areas of Shaoguan City. By upgrading the product packaging and vividly publicizing the story of rural revitalization, we have thus pushed the farm product native to Shaoguan to the urban markets.

The sales of the products in this Farm Product Fair exceeded RMB300,000 and all the revenues were donated to the targeted local poverty alleviation.



Little Volunteers are Selling Farm Product



### 7.1.3 Community Construction

The Foundation invited social organizations and professional teams to carry out regional economic researches on the human environment, natural resources and industrial foundation of Shaoguan with the project villages as the core. It also organized training activities under the theme of participatory planning and community co-construction in an effort to promote the villagers to take a part and arouse their endogenous power to push ahead with rural revitalization.



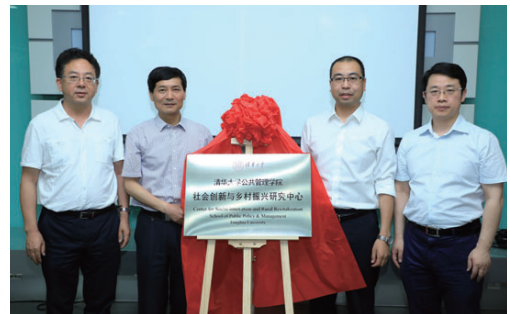
Villagers Participate in Rural Revitalization Activities

### 7.1.4 Charity Development

The Foundation convened the external interdisciplinary think tank resources of Tsinghua University, Taiwan University, South China University of Technology, Huaqiao University, Guangzhou Academy of Fine Arts and South China Agricultural University in coordination to proceed from the top-level design to various levels of practice and construct a support system for rural revitalization.

#### **Case: Joint-establishment of the Social Innovation and Rural Revitalization Research Center of Tsinghua University**

In June 2018, the Foundation was joined by the School of Public Administration, Tsinghua University, to establish the Social Innovation and Rural Revitalization Research Center of Tsinghua University (the "Center"), which serves as the think tank for rural revitalization in Shaoguan. The Center will employ expert resources to carry out the study of the three rural issues and social innovations in terms of the macroscopic, middle and microscopic dimensions. It will also organize seminars and forums to promote the national strategy of rural revitalization. Targeted poverty alleviation and rural revitalization in Shaoguan will become the key research case to be studied and recommended by the Center.





### 7.2 Heart-warming Social Services

We maintain cooperation with a number of non-profit organizations, combined with the strengths of our own professional services to commit our devotion to the practice of social welfare. We plan and host a series of themed volunteer activities, encourage our employees to take active part in helping with the disadvantaged group and deliver care to the society with heart-warming love. In 2018, we have donated HKD1 million to the Community Chest of Hong Kong as a financial aid to its affiliates in offering social welfare services.

#### Case: Raising the Horizon of Love • Birthday Party for Children with Thalassemia on Christmas

In December 2018, Midea Real Estate joined hands with Guangzhou Young Men's Christian Association ("YMCA") to deliver care to children with thalassemia and held a birthday party at the Community Service Center of Shiweitang on Christmas for them. Aware that the facilities in the children's interactive space were dated, Midea Real Estate bought mats and toys for children and installed new air-conditioners in the hope that the upgrades of hardware facilities can provide a more comfortable and warm activity space for those children with thalassemia.

***Thalassemia refers to a group of hereditary hemolytic anemic diseases that are mostly discovered in Guangdong, Guangxi and the surrounding areas. According to statistics, the thalassaemic gene carriage ratio in Guangdong Province is 16.8%, that is, 1 of every 6 people of Guangdong being a thalassaemic gene carrier (2017).***



Birthday Party for Children with Thalassemia on Christmas

#### Case: "Intelligence of Summer" National Children's Fun Public Welfare Event

In July and August of 2018, Midea Real Estate's smart class adopted a theme of "Intelligence of Summer" and broke away from the traditional classroom to hold events such as "Science Laboratory," "Great Race on Lego," "Children's Flea Market" and "Donation Solicitation for Needy Children," which covered many aspects, such as science, art, intelligence development and public welfare, to offer a rich and colorful summer experience to the children.



National Children's Fun Public Welfare Event

### Case: Launching the Dreamy Smart Home Program

In September 2018, Midea Real Estate teamed up with Excellence Education to launch the “Dreamy Smart Home Program” and held an event titled “Dream-building by Technology” to provide children and teenagers with an opportunity to have a zero-distance contact with intelligent technology. By visiting our smart life experience hall and smart sample room and attending lectures given by invited technology experts, children and teenagers were trained to enhance their career planning mindset, leadership qualities and creativity.



Dreamy Smart Home Activity



## 7 Society: Heart-felt Feedback (Continued)

Midea Real Estate also carries out a variety of public welfare activities, including environmental protection, education support, health promotion, public welfare donation solicitation, community care and knowledge popularization, making active devotion to the society.

### Promoting Eco-friendly Life



In March 2018, Zhejiang regional company carried out a large-scale event with the theme of eco-friendly health in Ningbo and Jinhua. The city residents were invited to leave eco-friendly footprints and attire trees in new eco-friendly clothing to promote an eco-friendly, healthy lifestyle.



Ecology Public Welfare Event  
Held by Zhejiang Regional Company

### Promoting Education Development



In September 2018, Southwest regional company came to Gongsuo Primary School in Tianba Town to join hands with the Yunnan Youth Development Foundation and Huize County Education Bureau to offer alms, including books, education supplies and school uniforms.



Student-assistance Activity  
Held by Southwest Regional Company

### Popularizing Fitness



In May 2018, Anhui regional company held the first Midea-KWG Park World Cup Urban Fun Run titled "Healthy Racing for the Pulse of Lujiang."



Urban Fun Run  
Held by Anhui Regional Company

## 7 Society: Heart-felt Feedback (Continued)

### Organizing Public Welfare Donation Solicitation



In December 2018, Hunan branch of property management company solicited donations for the mountain residents in Nujiang, Yunnan. Clothing, books, toys and other idle articles were collected from Midea community residents and Group employees as donations.



Public Welfare Donation Activity

### Showing Care about the Disadvantaged



In December 2018, Liaoning regional company held a public welfare activity titled "Stars in the Sky can speak" in Yucheng Children's School, Shenyang, on behalf of children with autism and Down's syndrome.



Liaoning Regional Company Showing Care about Children with Autism and Down's Syndrome

## 8 Future Prospect

Looking forward to 2019, we will continue to work hard and seize opportunities, meeting challenges with grace, deepening our sustainable development work with all our heart and joining hands with stakeholders to create together an economy, society and environment integrated in unity. We will actively carry out the slogan of “Smart Life, Midea Life”, working hard to expand our brand of “eco-friendly housing”, providing our customers with higher-quality products and services, and becoming a pioneer in creating a smart life in the industry.

### **Craftsmanship: Intelligence Orientation**

We shall carry on our composite development strategy of “Property + Industrial” to expand our diversified business model, continue our R&D and apply innovative technologies. We will create “one-stop smart life solutions” to improve our customers’ living quality and experience. We will further strengthen our product quality control, make constant efforts to improve service quality, and commit to creating a caring and safe community and living experience.

### **Ecology: Eco-friendly Housing**

We will continue to explore the smart life of eco-friendly housing, the idea of eco-friendly development, promote overall eco-friendly technology, and carry out the full-cycle management of our buildings. We are planning to extend our BIM technology to the industry chain of construction, operation and maintenance in order to materialize the BIM application in the full-cycle of the building.

### **Employees: Win-win Growth**

We will continue to improve our human resources management system, to provide employees with equal opportunities and rights and interests, and to create for them a comfortable working atmosphere, tapping continually into employees’ potential and providing them with a diversified development platform to achieve the win-win growth with them and provide intellectual support for the strategic development of Midea Real Estate.

### **Society: Heart-felt Feedback**

We will continue to fulfill the Group’s social responsibilities, put our focus on public welfare and charity and social services, pay specific attention to rural revitalization, and devote better plans and better efforts to the social development through the Foundation.

# Appendix 1 ESG Index

## Scope of Environmental, Social and Governance (ESG), General Disclosure and Key Performance Indicators (KPIs)

## Corresponding Chapter and Explanation

### Environment

	General Disclosure	Chapter 5. Ecology: Eco-friendly Housing
A1.1	The types of emissions and respective emissions data	Not applicable. The emission of pollutant gases and sewage discharge are not important categories for the operation of the Group
A1.2	Greenhouse gas emissions in total and intensity	Appendix 3: KPIs
		Appendix 3: KPIs
A1.3	Total hazardous waste produced and intensity	There's no unified calculation of the total amount and density of the hazardous waste for the time being, but the statistical calculation of the hazardous waste will be gradually improved in the future
		Appendix 3: KPIs
A1.4	Total non-hazardous waste produced and intensity	There's no unified calculation of the total amount and density of the non-hazardous waste, but the statistical calculation of the non-hazardous waste will be gradually improved in the future
A1.5	Description of measures to mitigate emissions and results achieved	Chapter 5. Ecology: Eco-friendly Housing
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Chapter 5. Ecology: Eco-friendly Housing
	General Disclosure	Chapter 5. Ecology: Eco-friendly Housing
A2.1	Energy consumption by type in total and intensity	Appendix 3: KPIs
A2.2	Water consumption in total and intensity	Appendix 3: KPIs
A2.3	Description of energy use efficiency initiatives and results achieved	Chapter 5. Ecology: Eco-friendly Housing
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Chapter 5. Ecology: Eco-friendly Housing
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not applicable. The usage of packaging materials is not an important category for the operation of the Group.

### A1: Emissions

### A2: Resource Utilization

## Appendix 1 ESG Index (Continued)

### Scope of Environmental, Social and Governance (ESG), General Disclosure and Key Performance Indicators (KPIs)

### Corresponding Chapter and Explanation

	General Disclosure	Chapter 5. Ecology: Eco-friendly Housing
<b>A3: Environment &amp; Natural Resources</b>	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Chapter 5. Ecology: Eco-friendly Housing
<b>Society</b>		
	General Disclosure	Chapter 6. Employees: Win-win Growth
<b>B1: Employment</b>	B1.1 Total workforce by gender, employment type, age group and geographical region	Chapter 6. Employees: Win-win Growth Appendix 3: KPIs
	B1.2 Employee turnover rate by gender, age group and geographical region	/
	General Disclosure	Chapter 6. Employees: Win-win Growth
<b>B2: Health and Safety</b>	B2.1 Number and rate of work-related fatalities	Chapter 6. Employees: Win-win Growth Appendix 3: KPIs
	B2.2 Lost days due to work injury	/
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored	Chapter 6. Employees: Win-win Growth
	General Disclosure	Chapter 6. Employees: Win-win Growth
<b>B3: Development and Training</b>	B3.1 The percentage of employees trained by gender and employee category	Appendix 3: KPIs
	B3.2 The average training hours completed per employee by gender and employee category	Chapter 6. Employees: Win-win Growth Appendix 3: KPIs
	General Disclosure	Chapter 6. Employees: Win-win Growth
<b>B4: Labor Rules</b>	B4.1 Description of measures to review employment practices to avoid child and forced labour	Chapter 6. Employees: Win-win Growth
	B4.2 Description of steps taken to eliminate such practices when discovered	Chapter 6. Employees: Win-win Growth

## Appendix 1 ESG Index (Continued)

Scope of Environmental, Social and Governance (ESG), General Disclosure and Key Performance Indicators (KPIs)		Corresponding Chapter and Explanation
<b>B5: Supply Chain Management</b>	General Disclosure	Chapter 2. About Midea Real Estate
	B5.1 Number of suppliers by geographical region	Appendix 3: KPIs
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Chapter 2. About Midea Real Estate
<b>B6: Product Responsibility</b>	General Disclosure	Chapter 4. Craftsmanship: Intelligence Orientation
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	/
	B6.2 Number of products and service related complaints received and how they are dealt with	Chapter 4. Craftsmanship: Intelligence Orientation Appendix 3: KPIs
	B6.3 Description of practices relating to observing and protecting intellectual property rights	Chapter 2. About Midea Real Estate
	B6.4 Description of quality assurance process and recall procedures	Chapter 4. Craftsmanship: Intelligence Orientation
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored	Chapter 4. Craftsmanship: Intelligence Orientation
<b>B7: Anti-corruption</b>	General Disclosure	Chapter 2. About Midea Real Estate
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Chapter 2. About Midea Real Estate Appendix 3: KPIs
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Chapter 2. About Midea Real Estate
<b>B8: Community Investment</b>	General Disclosure	Chapter 7. Society: Heart-felt Feedback
	B8.1 Focus areas of contribution	Chapter 7. Society: Heart-felt Feedback
	B8.2 Resources contributed to the focus area	Chapter 7. Society: Heart-felt Feedback Appendix 3: KPIs



## Appendix 2 List of Policies, Laws and Regulations

ESG Index		Applicable Laws and Regulations	Internal Policies of 2018
A1 A2 A3	Emissions Resource Utilization Environment & Natural Resources	<i>Law of the People's Republic of China on Environmental Protection</i>	
		<i>Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution</i>	<i>Requirements for 5M Intelligent, Healthy Garden Disposition</i>
		<i>Law of the People's Republic of China on the Prevention and Control of Water Pollution</i>	<i>Notice on Fully promoting the Engineering Management Platform</i>
		<i>Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution</i>	<i>Guidelines for On-site Safe and Civilized Implementation and Management</i>
		<i>Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution</i>	
B1	Employment	<i>Labor Law of the People's Republic of China</i>	
		<i>Labor Contract Law of the People's Republic of China</i>	
		<i>Employment Promotion Law of the People's Republic of China</i>	<i>Measures for Personnel Management</i>
		<i>Social Insurance Law of the People's Republic of China</i>	
B2	Health and Safety	<i>Labor Law of the People's Republic of China</i>	
		<i>Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</i>	<i>Measures for Safety System Establishment and Implementation (Interim)</i>
		<i>Production Safety Law of the People's Republic of China</i>	<i>Measures for Safety Production Responsibility System Management (Interim)</i>
		<i>Fire Prevention Law of the People's Republic of China</i>	<i>Measures for Production Risk Classification Control</i>
		<i>Law of the People's Republic of China on Response to Emergencies</i>	<i>Measures for Hidden Danger Identification and Control</i>
		<i>Regulations on the Control over Safety of Dangerous Chemicals</i>	<i>Measures for Fire Safety Management</i>
		<i>Report on Production Safety Accident and Regulations of Investigation and Treatment</i>	<i>Measures for Work Safety Accident and Occupational Injury Management (Interim)</i>
		<i>Interim Provisions on the Investigation and Control of Safety Accidents</i>	<i>Measures for Finite Work Space Management (Interim)</i>
		<i>Regulation on Work-Related Injury Insurance of the People's Republic of China</i>	<i>Measures for Special Operation Personnel Management (Interim)</i>
		<i>Provisions on the Supervision and Administration of Occupational Health at Work Sites</i>	
		<i>Occupation Disease Classification and Catalogue</i>	

## Appendix 2 List of Policies, Laws and Regulations (Continued)

ESG Index	Applicable Laws and Regulations	Internal Policies of 2018
B3 Development and Training	–	<i>Measures for Training Management</i>
B4 Labor Rules	<i>Labor Law of the People's Republic of China Provisions on Prohibition of Child Labor Law of the People's Republic of China on the Protection of the Minors</i>	<i>Anti-corruption Practices</i>
B5 Supply Chain Management	<i>Construction Law of the People's Republic of China Law of the People's Republic of China on Tenders and Bids Regulation on the Implementation of the Bidding Law of the People's Republic of China Government Purchase Law of the People's Republic of China Regulation on Engineering Projects for which Tenders must be Invited</i>	<i>Measures for Bidding Management Midea Real Estate Measures for Supplier Management Measures for Management of Centralized Procurement of Engineering Materials and Equipment and Engineering Services Measures for Material Supplier Management Measures for Management of Centralized Procurement of Marketing Materials Measures for Management of Marketing Tendering Procurement Management Rules on Design Tendering Procurement Guidelines for Supplier Investigation Guidelines for Development of Suppliers in New Areas Midea Real Estate Integrity Agreement (for Suppliers) Guidelines for Archives Administration Measures for Black-list Management</i>

## Appendix 2 List of Policies, Laws and Regulations (Continued)

ESG Index	Applicable Laws and Regulations	Internal Policies of 2018
B6 Product Responsibility		<p>Midea Real Estate Management System of Quality Control on Design</p> <p>Guidelines for Delivery and Assessment</p> <p>Measures for Civil Engineering Assessment and Management (2018)</p> <p>Sample Making and Material Admission System</p> <p>Measures for Sales Risk Inspection and Quality Assessment and Management in the Display Area</p> <p>Guidelines for Post-assessment of Engineering Quality</p> <p>Guidelines for Function Assessment</p> <p>Guidelines for Construction Drawing Review</p> <p>Guidelines for Fine Decoration Engineering Management</p> <p>Process Standard Practices</p> <p>Guidelines for Acceptance Inspection of Construction Procedures</p> <p>Guidelines for New Technology Measurement</p> <p>Guidelines for Engineering Quality Enhancement</p> <p>Manual for Prevention of Control of Common Construction Engineering Quality Problems</p> <p>White Paper on Standards for Smart Communities</p> <p>White Paper on Standards for Smart Home</p> <p>Privacy Policy</p> <p>Work Instructions on Customer Complaint Handling Manual</p>
	<p>Product Quality Law of the People's Republic of China</p> <p>Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers</p> <p>Advertisement Law of the People's Republic of China</p> <p>Trademark Law of the People's Republic of China</p> <p>Law of the People's Republic of China on the Administration of Urban Real Estate</p> <p>Notice of the State Council on Promoting the Sustained and Sound Development of the Real Estate Market</p>	
B7 Anti-corruption	<p>Criminal Law of the People's Republic of China</p> <p>Law of the People's Republic of China on Anti-money Laundering</p> <p>Law of the People's Republic of China on Anti-Unfair Competition</p> <p>Interim Provisions on Banning Commercial Bribery</p> <p>Anti-Monopoly Law of the People's Republic of China</p> <p>Law of the People's Republic of China on Tenders and Bids</p> <p>Supervision Law of the People's Republic of China</p>	<p>Anti-corruption Practices</p> <p>Midea Real Estate Integrity Agreement (for Suppliers)</p> <p>Measures for Tip-off and Complaint Management</p> <p>Measures for Accountability Management</p> <p>Supervision Work Process and Guidelines</p> <p>Measures for Supervision Management</p>
B8 Community Investment	Charity Law of the People's Republic of China	–

## Appendix 3 KPIs

According to the investigative analysis of the business scope and actual situations, Midea Real Estate makes an internal analysis of the KPI data from the perspective of administrative office and project operation (projects operated by Midea Real Estate for more than one year) based respectively upon their substantive impact on the environment, and publicly discloses those significant and reliable data.

2018 was the year when Midea Real Estate started collecting KPIs. In the future, we will further improve the preservation of related indicator data and the collection mechanism so as to expand the scope of the data statistics.

ESG Index		Unit	Data of 2018
A1.	Emissions		
A1.2	Emission volume and density of greenhouse gases <sup>(1)(2)</sup>		
	Category 1: volume of carbon dioxide emission <sup>(2.a)</sup>	Tons	1,096.71
	Category 2: volume of carbon dioxide emission <sup>(2.b)</sup>	Tons	33,455.32
	Total amount of the carbon dioxide emission	Tons	34,552.03
	Emission intensity	Tons/million of business revenue	1.15
A1.3	Hazardous waste produced <sup>(3)</sup>		
	Mercury-containing fluorescent light or energy-saving light tube	Pieces	27
	Discarded toner cartridges and ink cartridges	Pieces	10
	Discarded electrical and electronic equipment	Pieces	6
A1.4	Non-hazardous waste produced <sup>(3)</sup>		
	Office waste paper	Packets	673
A1.5	Total amount of hazardous waste recycled <sup>(3)</sup>		
	Number of computers recycled	Pieces	12
A2.	Resource Utilization		
A2.1	Total energy consumption amount and intensity <sup>(1)</sup>		
	Natural gas	m <sup>3</sup>	507,222.38
	Electricity consumption	kWh	65,537,197.02
	Total energy consumption	mWh	70,548.75
	Energy consumption intensity	mWh/million of business revenue	2.34
A2.2	Water resource consumption amount and intensity <sup>(1)</sup>		
	Water consumption	m <sup>3</sup>	2,777,335.96
	Water consumption intensity	m <sup>3</sup> /million of business revenue	92.21

## Appendix 3 KPIs (Continued)

ESG Index		Unit	Data of 2018
B1.	Employment		
B1.1	Number of employees: by gender, employment type, age group and geographical region		
	Total number of employees	Person	12,275
Gender	Number of male employees	Person	7,576
	Number of female employees	Person	4,699
Employee Type	Number of senior management	Person	23
	Number of middle-level management	Person	1,359
	Number of grassroots employees	Person	10,893
Age	Aged 16–29	Person	6,194
	Aged 30–49	Person	5,904
	Aged 50 and above	Person	177
Region	mainland China	Person	12,270
	Hong Kong, Macau and Taiwan	Person	5
B2.	Health and Safety		
B2.1	Number of deaths caused on the job		
	Number of deaths caused on the job	Person	0
B3.	Development and Training		
B3.1	The percentage of employees trained by gender and employee category		
	Total number of trained employees		291,289
Gender	Male employee training ratio	Percentage	100%
	Female employee training ratio	Percentage	100%
Employment Type	Senior managers training ratio	Percentage	100%
	Middle-level managers training ratio	Percentage	100%
	Grassroots employees training ratio	Percentage	100%
B3.2	Hours of employee training: Training hours by gender, employee category		
	Average training hours of employee	Hours	55.58
Gender	Average training hours of male employees	Hours	55.56
	Average training hours of female employees	Hours	55.60
Employment Type	Average training hours of senior management	Hours	38.70
	Average training hours of middle-level management	Hours	21.70
	Average training hours of grassroots employees	Hours	59.84

## Appendix 3 KPIs (Continued)

ESG Index		Unit	Data of 2018
B5.	Supplier Management		
B5.1	Number of suppliers by geographical region		
Region	South China	Suppliers	2,455
	East China	Suppliers	3,007
	North China	Suppliers	742
	Central China	Suppliers	706
	Northeast China	Suppliers	416
	Southwest China	Suppliers	1,003
	Northwest China	Suppliers	8
	Hong Kong, Macau, Taiwan and Overseas	Suppliers	15
B6.	Product Responsibility		
B6.2	Number of complaints received about products and services		
	Property management	Times	535
	Sales management	Times	471
B7.	Anti-corruption		
B7.1	Number of corruption cases prosecuted		
	Number of corruption cases prosecuted and closed	Case	0
B8.	Community Investment		
B8.2	Resources used in specified scope		
	Total public welfare investment		
	Targeted poverty alleviation	10 thousand RMB	211.66
	Education	10 thousand RMB	44.74
	Community	10 thousand RMB	59.90
	Environmental protection	10 thousand RMB	1.00
	Other volunteer activities	10 thousand RMB	10.27
	Donation	10 thousand HKD	100
	Number of employees participating in public welfare/volunteer activities		283

Notes:

- (1) The scope of the disclosed emission volume and intensity of greenhouse gases in the environmental indicators and disclosed data of the amount and intensity of resource and energy consumption are the headquarters of Midea Real Estate, 12 regional companies, 2 subsidiaries, headquarters of property management company and 3 commercial operation projects. In the future, we will further expand the scope of the disclosed data and ramify the disclosed contents;
- (2) The data of the greenhouse gas emission was obtained by calculating the Midea Real Estate energy consumption. The carbon emission factors of different power grids in China were based on the reference of the 2012 Baseline Emission Factors for Regional Power Grids in China, released by the National Development and Reform Committee (NDRC);
  - (2.a) Category 1: volume of carbon dioxide emission(direct carbon emissions)included natural gas;
  - (2.b) Category 2: volume of carbon dioxide emission(indirect carbon emissions)included purchased electricity.
- (3) The scope of the disclosed data of hazardous and non-hazardous wastes in the environmental indicators include headquarters of property management company and 3 commercial operation projects. In the future, we will further expand the scope of the disclosed data and ramify the disclosed contents.





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