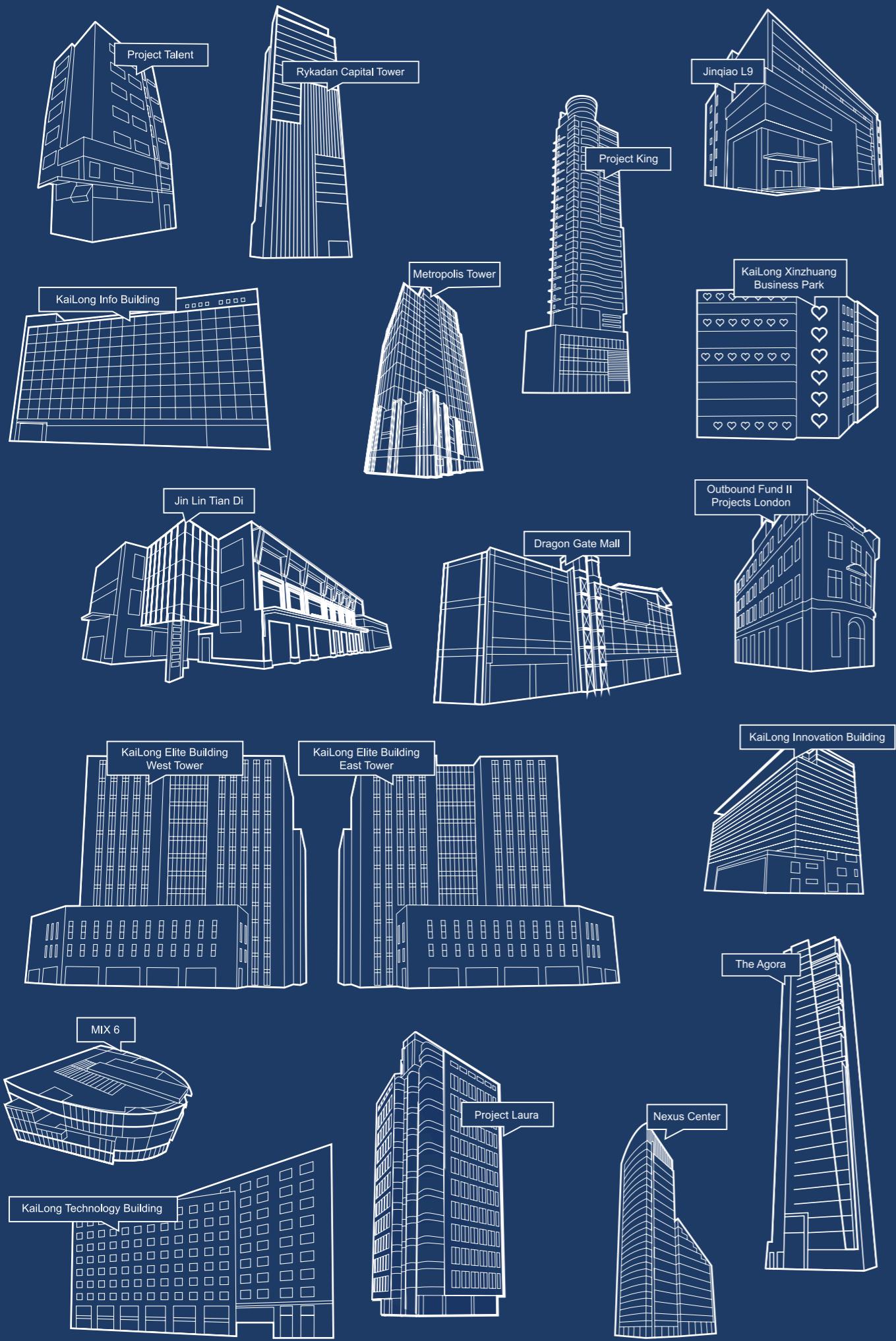




# KaiLong Group Environmental, Social & Governance Report



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**Overview**

This report is the first independent environmental, social and governance (ESG) report of KaiLong Group. In order to give stakeholders a more comprehensive understanding of the Group's operations, the Group is transparent and open in disclosing its management, practice and performance in sustainable development.

**Reporting Period**

This report covers the period from January 1<sup>st</sup>, 2017 to December 31<sup>st</sup>, 2017 with some retrospection of previous years. Unless otherwise stated, the financial data of this report are presented in RMB.

**Boundary and Scope**

Except as otherwise stated on the statistical coverage of individual data, this report covers KaiLong Group and its portfolio of properties held in China for the past three years [see Company Profile for details]. For the sake of presentation, "KaiLong" or "we" in this report refers to KaiLong Group.

**Data Source**

The information and data disclosed in this report are from the Group's statistical reports and official documents and have been reviewed by relevant departments. The Company strives to adopt a consistent statistical approach to information disclosure to ensure that key performance indicators are quantified and can be meaningfully compared.

**Reporting Reference**

This report was prepared with reference to the Global Reporting Initiative's Standards for Sustainability Reporting (GRI Standards), and selected the disclosed key aspects by identifying stakeholders and analyzing and determining material issues.

**Access to the Report and Language**

This report is available in Chinese and English. You can find the electronic version on the official website of KaiLong Group <http://www.kailongrei.com>.

**Feedback**

Should you have any suggestions or comments on this report or the Group's ESG management and practice, please contact us via the following methods:

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E-mail: PR@kailongrei.com

Address: Unit 3231, Shanghai Central Plaza, 381 Middle Huai Hai Road, Huangpu, Shanghai, China



An enterprise's development is closely related to its surrounding community and environment. This is especially true for KaiLong. Driven by global trend of sustainable development, shareholders including investors, governments, partners, employees, and communities have raised expectation on our commitment to corporate governance, economic contribution, environmental protection, and social harmony. Therefore, we have reviewed and encapsulated our management and practices in sustainable development in our first published ESG Report, hoping to not only embrace our responsibility and commitment in the shared sustainable development among enterprise, society, and the environment, but to also motivate ourselves to move further forward.

We believe that taking into account environment, society and governance during investment and operations will not only help KaiLong to grow into a more responsible, eco- and social-friendly fund asset manager, but will also add to our gains. Therefore, we always integrate our responsibilities into our core businesses and daily operations. Potential economic, environmental, social impact and risks are all carefully assessed throughout the pre-investment due diligence, post-investment operation management, and exit from investment. We also do our best to maximize positive impact. At the same time, we regard fulfilling corporate social responsibility and facilitating social welfare as an important part of the Company's mission.

KaiLong shares the same vision with stakeholders. We consistently explore real estate enhancement and management solutions that are more in line with future development trends and market demands, and tap into more valuable investment portfolios. At the same time, we enhance corporate governance and internal control, closely track relevant national laws, regulations and policies, and endeavor to provide investors with sound and reliable financial returns. We actively improve the quality of real estate management and property management services, striving to provide tenants with a caring, reassuring, and comfortable office environment and services. We pay sustained attention to the environmental friendliness in the procurement of materials and equipment, ensuring standardization and safety during project construction and transformation. We proactively participate in discussions on the healthy development of the industry to provide stable and sustainable support for our partners. We strongly value the contribution from every employee, and care about their development and future, aiming to provide them the opportunity to fulfill their dreams. Being constantly aware of the potential environmental impact of our operation, we adopt measures for energy conservation and emission reduction, as well as encourage efficiency and recycling in a bid to leave green mountains and lucid waters for the future generations. We take the initiative to carry out charitable activities by setting up KFoundation focusing on student aid, child care and sustainable poverty alleviation aiming to provide opportunities to the underprivileged in response to the country's call for targeted poverty alleviation.

We are just getting started on the journey of sustainable development. I hope that all stakeholders join hands with us, synergize our energy, and invest in the future with responsibility.

A handwritten signature in black ink, appearing to read "Hei Ming Cheng".

**Hei Ming Cheng**  
Founder and Chairman



## ABOUT KAILONG

# COMPANY PROFILE

**51**

Assets in Shanghai,  
Hong Kong, Beijing,  
London, Chengdu,  
Dalian, Hangzhou  
and Guangzhou

11 Recapitalized Assets

**3.4** BILLION USD INVESTED

**1.0** MILLION SQ.M INVESTED

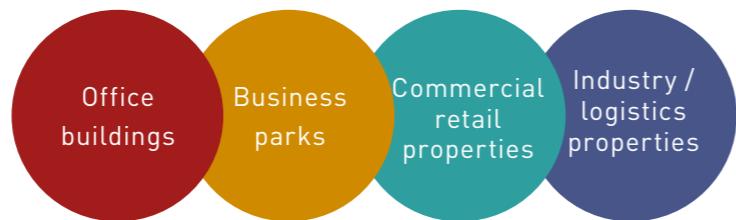
**2.0** BILLION USD AUM

KaiLong is a professional organization specializing in investment and asset management services. Founded in 2004, KaiLong is headquartered in Shanghai with offices distributed in Beijing, Chengdu and Hong Kong SAR. We seek, evaluate and acquire projects with sound development prospects and investment value for domestic and foreign institutional investors and individual investors, while providing comprehensive investment and asset management services.

## Business Overview

KaiLong stands out in the industry as a provider of comprehensive investment and asset management services. Its business scope covers fund raising and fund management, investment, M&A (mergers and acquisitions), asset management and exit from investment.

### Asset class



### Major real estate investment projects

- Assets with stable cash flow
- Completed assets for lease-up
- Assets under construction
- Assets with potential of capital appreciation through repositioning and branding
- Regeneration projects
- City reconstruction
- Structured financing

## Business Performance

As one of the few pioneers who have successfully raised RMB-denominated private equity real estate funds, we have successfully raised five RMB-denominated funds since 2010, totaling approximately RMB 2.8 billion. Among them, the fifth fund, launched in 2016, is the first RMB-denominated core fund in China, targeting income generating assets with an initial AUM (asset under management) of RMB 3.4 billion and target AUM of over RMB 15 billion.

We launched our first US dollar fund with a final close of US\$238 million in May 2015. In addition, KaiLong completed the fundraising of HK\$1.2 billion for two Hong Kong dollar funds in 2017.

To date, we have invested in 51 projects with a total investment of more than USD 3.4 billion, of which 29 have already exited with excellent returns.



Number of projects

**13**

2015

**13**

2016

**12**

2017



Total construction area of projects under management  
(10,000 square meters)

**30.68**

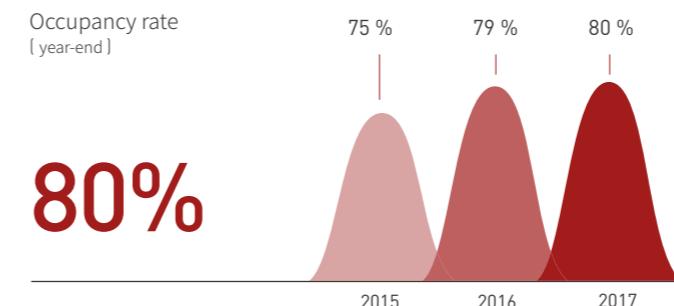
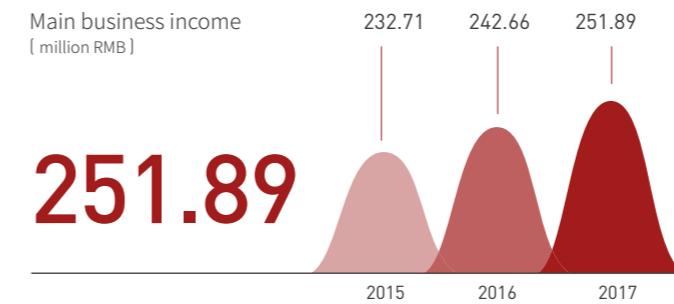
2015

**30.68**

2016

**29.67**

2017



Total AUM (million RMB)

**5,460**

2015

**5,578**

2016

**5,396**

2017

Note:

1. The Data in the charts includes projects located in mainland China and Hong Kong SAR, and excludes overseas projects.

2. Assets under management are based on the latest valuations, while newly invested projects are based on total investment cost.

3. Average Occupancy rate refers to income producing properties, excluding those under development.

## Projects in Operation

As of December 31<sup>st</sup>, 2017, KaiLong held a total of 18 projects under management with 12 in mainland China and 6 in Hong Kong SAR, covering business parks and office buildings.



# CORPORATE GOVERNANCE

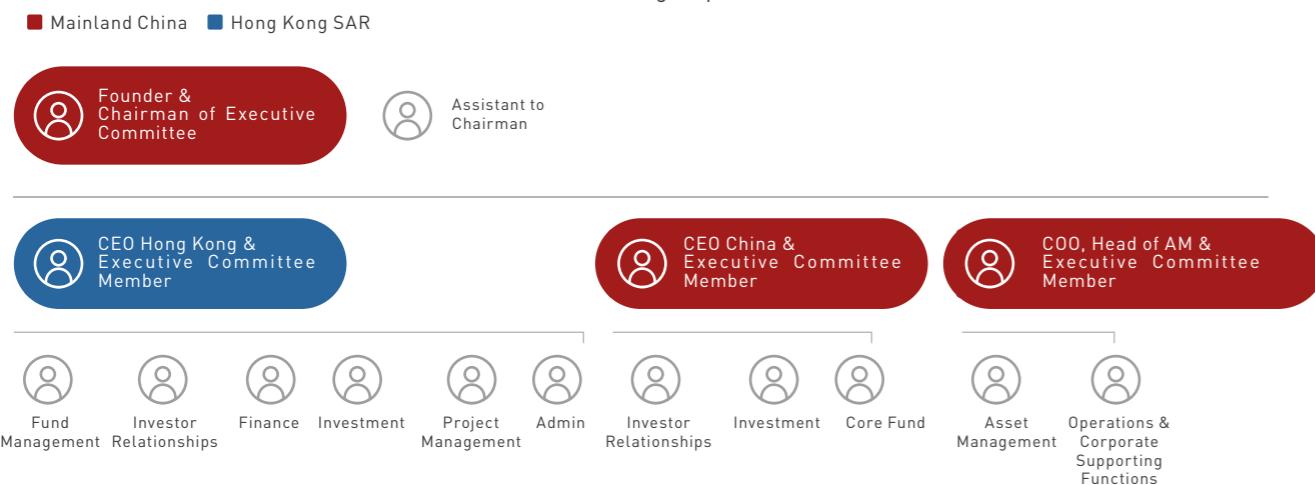
## Organizational Structure

The foundation of an enterprise's smooth operation is an effective organizational structure. We have established a sound and efficient organizational structure to ensure the professionalization and efficiency of operation and management.

## Business Ethics and Anti-Corruption

We consistently put business ethics and anti-corruption at the top of corporate governance. In order to ensure that specific behaviors of KaiLong employees comply with ethical and legal obligations, we have established such systems as Code of Business Conduct (hereinafter referred to as the "Code") as guidelines to ensure asset transparency, management streamlining, and rationalization of expenditures.

KaiLong requires employees to sign and abide by the Code. According to the anti-corruption laws of China and the countries where our clients and investors are located, KaiLong adopts a zero tolerance stance on corruption, and strictly prohibits its employees from any form of bribery with any government officials, employees of state-owned or private enterprises directly or indirectly, and requires employees to avoid and declare any potential conflicts of interest applicable. In order to ensure that employees fully understand and are familiar with the Code, KaiLong enforces training on anti-corruption, compliance and confidentiality for all employees on a regular basis, and effects this for new employees when they join immediately. The Code is also circulated to our suppliers and partners to ensure of their knowledge and undertaking to comply with the applicable laws and KaiLong's Code. According to KaiLong, since the inception of the firm, there has been no incidents of corruption and unfair competition found within the group.



## Risk Management

Due to the intrinsic risks in investment, fund operations must be based on a sound risk mitigation and internal control system. For this reason, KaiLong has established the following risk control mechanisms:

### Internal control system

- |  |   |   |
|--|---|---|
| A.   | B.  | C.  |
| Authorized control: Operational procedures are set up for all business and management activities; the Company has corresponding evaluation and feedback mechanisms for authorized departments and personnel. | The financial management system and the accounting system are independent of each other, each under a dedicated and responsible person. | Escrow agreements are signed with commercial banks. The funds' escrow accounts and fund management are handled by dedicated fund management team. |
| D.   | E.  | F.  |
| Any form of financial flow of the company is strictly in accordance with the internal financial flow management procedures and systems of the company.   | Project management is institutionalized.  | Project tracking is normalized.   |
| G.   | H.  | I.  |
| An investor suitability management and audit system is established.  | An investment transaction system is established to prevent conflicts of interest.   | A risk reserve system is established.   |

### Market risk management

Due to operational risks from changes in the market, business cycles, market competition and other factors, our management team considers the following external uncontrollable risks when evaluating investment projects:

- |   |  |  |   |
|---|--|--|---|
| A.  | B.   | C.   | D.  |
| Supply risk   | Refinancing risk   | Cross-border capital flow risk   | Real estate policy change risk  |
| <b>Response:</b><br>Project positioning must be defined before investment. By virtue of its unique long-term and meticulous investment analysis and opportunity judgment, KaiLong tries to obtain equity in project companies with assets close to core business districts of the city to secure its competitive advantage. | <b>Response:</b><br>KaiLong locks interest rates as far as possible and effectively manages financing costs. | <b>Response:</b><br>KaiLong plans to accomplish capital contribution of overseas limited partners as soon as possible to prevent the tightening of foreign exchange policies during the interim, and keeps abreast of related foreign exchange policies. | <b>Response:</b><br>To ensure the investment projects are free from the impact of policy risk, KaiLong pays attention to and studies the changes of relevant national policies in real time. We also communicate with relevant departments in time to make judgements in advance. |

**Project risk management**

| A.<br>Business risk   | B.<br>Delivery risk  | C.<br>Financial and legal risks  | D.<br>Technical and environmental risks  |
|---|--|--|--|
| <b>Response:</b><br>Commercial due diligence is done in detail, together with accurate judgments on target companies based on KaiLong's long-term experience of real estate investment and development.               | <b>Response:</b><br>KaiLong negotiates with the seller on the purchase & sale contract to formulate corresponding clauses to deal with delivery risks.   | <b>Response:</b><br>Legal and financial due diligence is conducted on the assets and equity ownership of the project company before the transaction to ensure that there is no legal or financial risk.              | <b>Response:</b><br>Comprehensive technical and environmental due diligence is carried out for each project to ensure that the project meets all regulatory requirements and building standards, and financial estimates are adjusted. |
| E.<br>Exit risk   | F.<br>Lease risk   | G.<br>Policy risk  | H.<br>Market volatility and macroeconomic risks  |
| <b>Response:</b><br>A detailed equity transfer agreement is drafted to stipulate the buyer's payment method, time limit, and default compensation clause to protect KaiLong's rights and interests from infringement. | <b>Response:</b><br>A detailed lease contract is drafted to stipulate both parties' obligations and responsibilities, lease term, default compensation clause, etc. to protect the rights and interests of both parties. | <b>Response:</b><br>KaiLong makes pre-judgment and preparation in advance, by understanding and analyzing policy trends, and development trends, and then communicates with relevant departments in a timely manner. | <b>Response:</b><br>KaiLong pays attention to market fluctuations, tracks macroeconomic trends, and adjusts business accordingly.  |





# ESG GOVERNANCE

## ESG CONCEPT

KaiLong adheres to the principle of integrity and firmly believes that creating value for the environment, employees and society is the core of the Company's sustainable development. Seeking to be focused and far-reaching, we provide professional and innovative financial services and investment solutions to achieve lucrative returns for investors. We are committed to achieving development goals together with our partners and fulfilling corporate social responsibility and sustainable development in every business link.

We continuously strengthen internal and external governance in a bid to combine ESG concept with business strategies to create value for our clients, while contributing to the society by actively promoting our charitable events.



## STAKEHOLDER ENGAGEMENT



As a group directly related to KaiLong's sustainable development, stakeholders play a very important role in the Company's decision-making process. We are committed to establishing multi-faceted communication and contacts with all stakeholders. In order to actively respond to the stakeholders' opinions and demands and to realize the comprehensive and sustainable development of the Company, we have in-depth understanding of the needs of all parties, we collect their opinions, and share and discuss with them issues closely related to the development of KaiLong.

We identified the six key stakeholders that have an impact on KaiLong and are closely related to our business. (refer to the left diagram)

Through communication with stakeholders we understand their concerns and regularly review the effectiveness of our actions. We also improve communication channels to gain a more comprehensive and in-depth understanding of stakeholder input. The following table lists the issues of interest to different stakeholder groups during the reporting period.

| Stakeholders           | Issues stakeholders concerned   | Ways of communication and response                                   | Frequency/number of times          |
|------------------------|---|--|------------------------------------|
| Shareholders/Investors | Economic benefit<br>Compliance operation<br>Quality and safety                    | Group newsletter<br>Daily communication                              | Regular<br>Regular                 |
| Government authorities | Legal compliance<br>Environmental protection<br>Contribution to local economy     | Report release<br>Field trips and reports                            | Regular<br>Regular/<br>irregular   |
| Partners               | Honesty and integrity<br>Business ethics<br>Supplier management                   | Assessment and Evaluation<br>Supplier conference<br>Industry Seminar | Regular<br>Regular<br>Irregular    |
| Tenants                | Quality and safety<br>Privacy protection<br>Smooth communication channels         | Hotline<br>Daily communication                                       | Regular<br>Regular                 |
| Communities/NGOs       | Charity and social service<br>Environmental protection<br>Impacts on surroundings | Community activity<br>Announcement / press release                   | Irregular<br>Regular/<br>irregular |
| Employees              | Benefits and Compensation<br>Career Development<br>Diversity & equality           | Assessment and evaluation guidance<br>Employee activity              | Regular/<br>irregular<br>Irregular |

# MATERIALITY ANALYSIS

## Methods and Process of Materiality Analysis

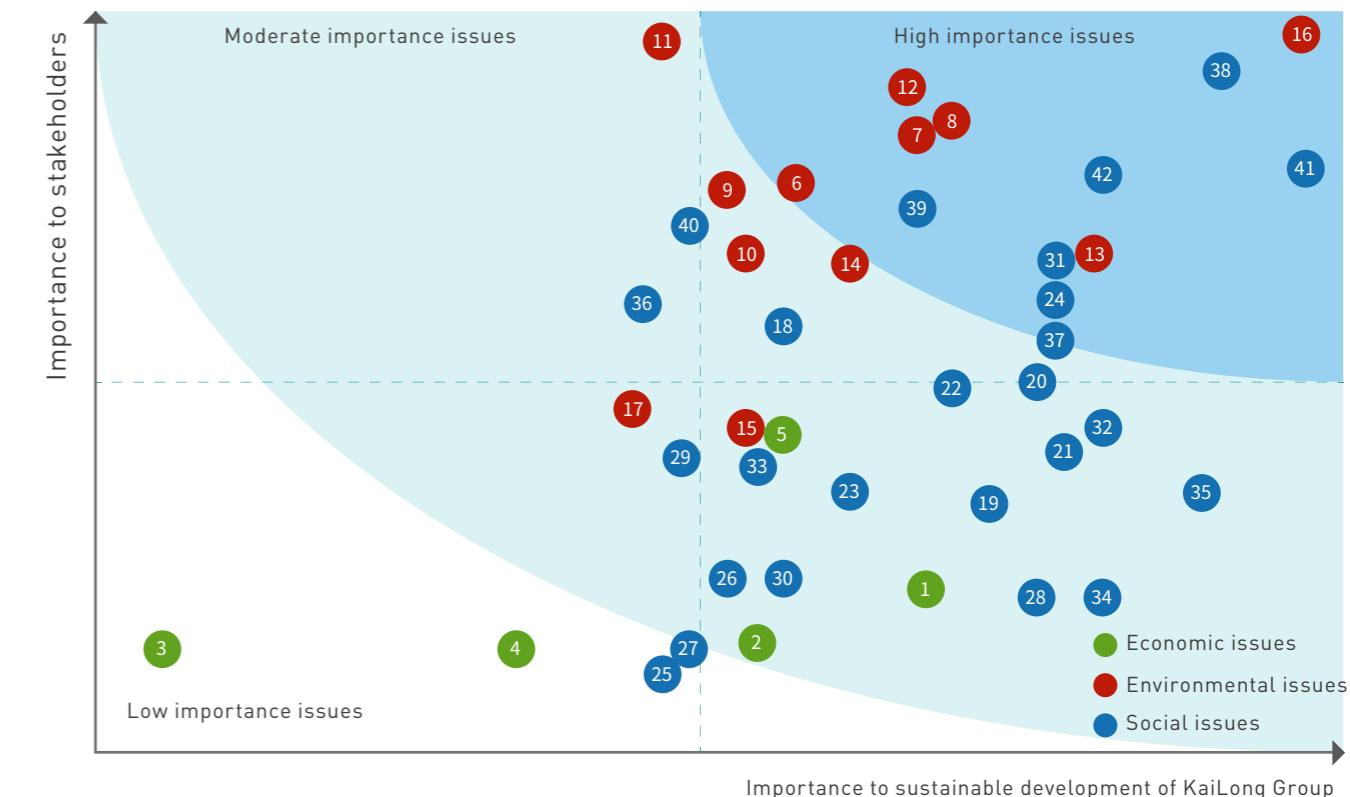
In order to identify major risks and opportunities for sustainability of KaiLong, we conducted a comprehensive materiality analysis. We screened out preliminary issues by referring to inputs from KaiLong's management team, input from internal and external expert and analysis on media information, and domestic and foreign peer-to-peer benchmarking, etc. On that basis, combined with the attention of internal and external stakeholders to these issues and KaiLong's development strategy, material issues were selected as the basis of information disclosure in this report.

## Materiality analysis process

| 1. Identification of potential material issues  | 2. Prioritizing potential material issues  | 3. Summary and feedback  |
|---|--|--|
| Through background checks over internal management systems, media analysis, peer-to-peer benchmarking analysis and other relevant documents, we identified potentially material issues that reflect KaiLong's economic, environmental and social impact and affect stakeholder assessment and decision-making on KaiLong. | A stakeholder communication plan was developed and a stakeholder survey was carried out to make comprehensive and in-depth interviews, understand the priority of concern to various stakeholders, and then the potentially material issues were re-examined and sorted to form a matrix of material issues. | The report was checked to see whether it provides a reasonable overview of KaiLong's impact and ESG performance, and whether the process of preparing the report reflects the intent of reporting principles, and then stakeholders were invited to make comments. |

## Materiality Matrix

In 2017, we designed relevant questionnaires for internal and external stakeholders. The survey covered six aspects in economics, environment, employment and labor, supply chain, community, operational practices and product liability, with a total of 42 topics. Based on the evaluation and feedback of stakeholders on the materiality of ESG issues, we formed a matrix of major issues.



### Economic issues

- 1 Economic performance / financial performance
- 2 Direct economic contribution
- 3 Indirect economic impact
- 4 Procurement and contracting models
- 5 Responsible investment

### Environmental issues

- 6 Use of raw materials and green building materials
- 7 Energy consumption and energy saving measures
- 8 Water use and water conservation measures
- 9 Biodiversity and natural pollution
- 10 Emission management
- 11 Waste disposal
- 12 Green building design
- 13 Green energy-saving transformation
- 14 Intelligent building control system
- 15 Supplier environmental performance and assessment
- 16 Environmental regulations compliance
- 17 Environmental impact of transportation

### Social issues – employment and working environment

- 18 Employee benefits
- 19 Internal communication mechanism
- 20 Construction safety
- 21 Occupational health
- 22 Employee training
- 23 Diversity and equality
- 24 No discrimination
- 25 Employee complaint mechanism

### Social issues – supply chain

- 26 Supplier/contractor occupational safety, health, environmental performance
- 27 Supplier/contractor wage arrears
- 28 Child labor, forced or compulsory labor
- 29 Responsible procurement
- 30 Motivation for suppliers to fulfill their responsibility

### Social issues – communities

- 31 Impact of business operations on surrounding communities
- 32 Anti-corruption and transparency policies
- 33 Industry development
- 34 Anti-migrant competition
- 35 Compliance with regulations
- 36 Community involvement and development
- 37 Social service and charity
- 38 Product and service safety
- 39 Green building certification
- 40 Reasonable marketing and promotion
- 41 Customer privacy
- 42 Legal operation



CREATING  
VALUE FOR  
INVESTORS

# IMPROVING PROJECT MANAGEMENT

**51**  
PROJECTS  
Invested and managed

**3.4**  
BILLION USD  
Investment

**1.0**  
MILLION SQ.M  
Area of properties

**2.0**  
BILLION USD  
AUM

KaiLong has a professional and experienced investment and asset management team. The team specializes in seeking projects with stable income or future value appreciation potential, while providing comprehensive asset management of the projects to enhance asset value. KaiLong's asset management team designs and refines asset management solutions for each project based on its unique investment objectives and characteristics in order to reduce operating costs and increase revenue. It also seeks to create more added value based on trends and needs of urban and community development and to enhance the end profit. We keep track of the market trends and choose the appropriate timing for exit to ensure an excellent return on investment.

1.

Preliminary due diligence and investment analysis

Investment staff is professionally trained according to international standards in due diligence and analysis conduct pre-investigations to ensure the investment value of the project. Technical due diligence is carried out to fully understand project risks. Environmental due diligence is carried out to assess environmental risks and impacts.

2.

Post-investment project management

Project enhancement plans are developed based on different project characteristics to enhance the project in various aspects such as functionality, appearance, environmental protection and energy conservation. The concept of sustainable development is integrated to reduce costs, increase income, and exit is only performed at the right time to maximize profits.

With a keen sense of global real estate capital market and pursuit of lean project management, KaiLong achieved a stable return on investment. As of December 31<sup>st</sup>, 2017, we had invested in and managed 51 projects with total investment of more than USD 3.4 billion, total titled area of 1,020,000 square meters, and a total AUM of USD 2.0 billion.

## KAILONG LEADS IN URBAN RECONSTRUCTION AND CREATING MULTIPLE VALUES

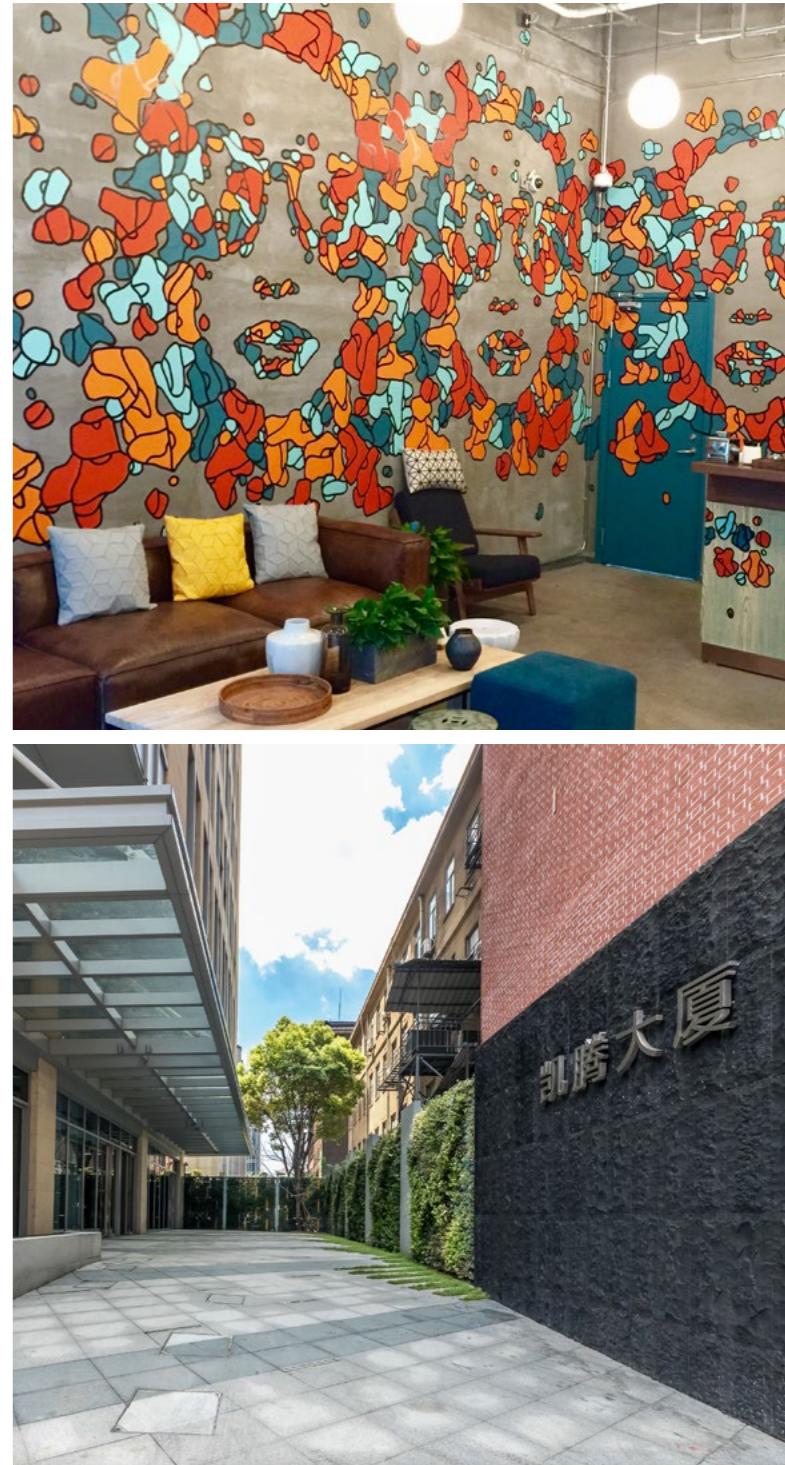
**Project Laura** Three-star hotel renovation  
Create a brand new 12-floor boutique office building  
Fully leased to WeWork  
Won the RICS Awards for Outstanding City Regeneration Team

Despite the decline of new construction land in first-tier cities year on year, Shanghai's urban development has been accelerating. Aged buildings in the city center have been phased out by the market. Many developers and investment funds have been involved in building renovation, seeking new profit growth drivers. KaiLong captured the opportunity by acquiring a three-star hotel. Combined with the economic, environmental and social needs, KaiLong renovated the hotel's exterior wall, floor layout and electromechanical systems to create a brand new 12-floor boutique office building, Project Laura. The building's office space is fully leased to the world's renowned co-working space operator WeWork. This not only enhanced the value of the project, but also promoted the rejuvenation and development of the old vicinity.

KaiLong's asset management team completed the application for construction approval and renovation in only one year, and achieved a pre-lease commitment rate of 93% before the completion. For its ingenious transformation and excellent management modes, after fierce competition and multiple evaluations by the assessment panel, KaiLong won the 2018 RICS Awards for Outstanding City Regeneration Team.



The Royal Institution of Chartered Surveyors (RICS) is a leading international organization for land, real estate, infrastructure and construction, dedicated to promoting and implementing the highest professional certifications and standards. The RICS Awards are designed to recognize elite teams with outstanding innovation and contributions in their areas of expertise, thereby enjoying high reputation and influence in the global real estate and construction industry.



# ENSURING CUSTOMER PRIVACY

In order to protect KaiLong's interests and rights and to ensure customer privacy, we formulated a special customer privacy protection policy and established a confidentiality system. The policy and system regulate the processing methods and confidentiality measures of the Company's customer data and require all employees to attach great importance to the security of data involving customer privacy. The confidentiality system not only clarifies the scope of confidentiality and responsibility and punishment, but also establishes perfect confidentiality measures for different types of documents, meetings and other related activities.



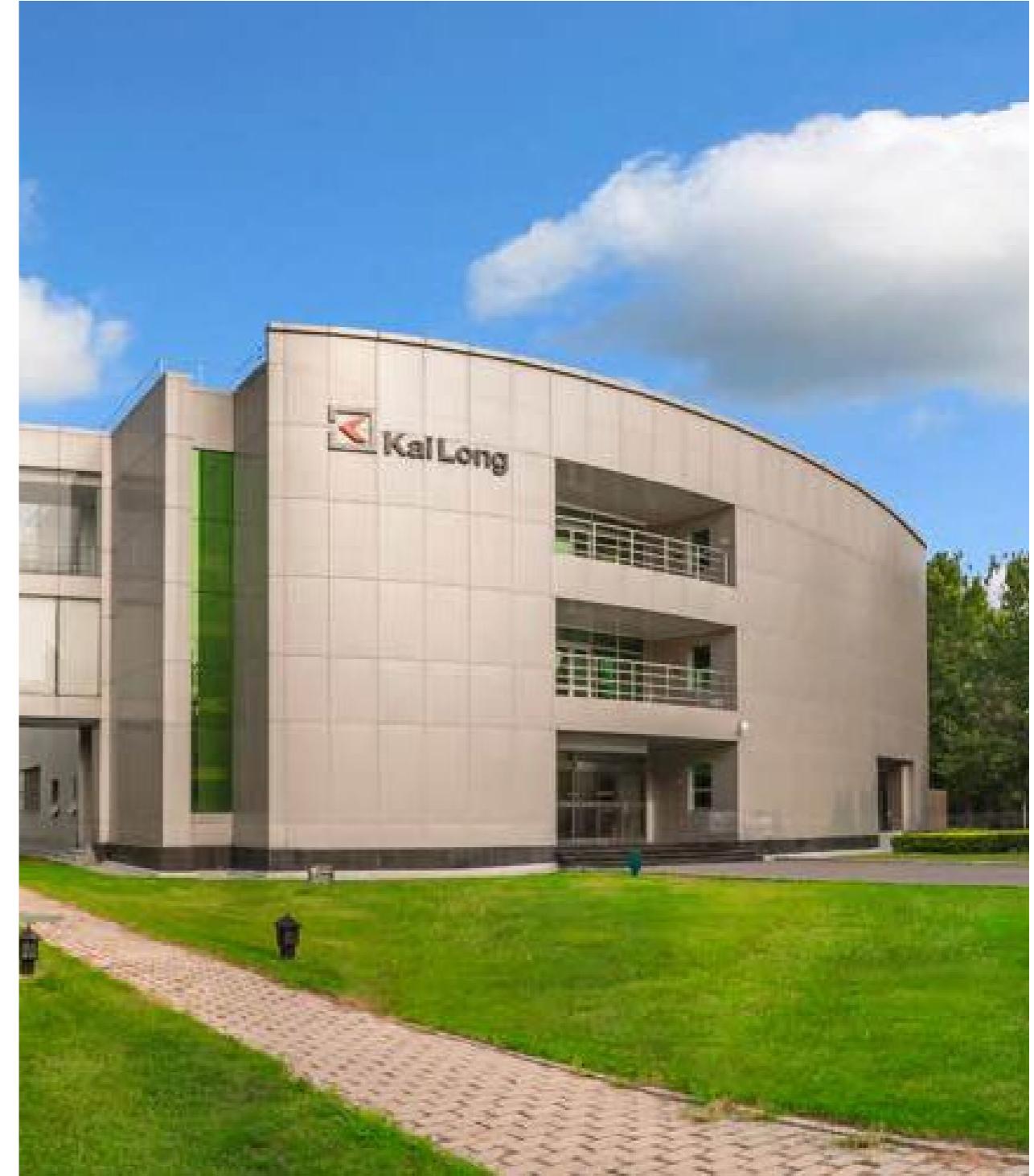
## Confidentiality measures for classified documents, materials and other items

- No borrowing, copying or extracting is allowed without the approval of relevant department heads;
- Sending, receiving, transmitting and carrying out shall be done by dedicated personnel appointed by relevant department heads with necessary security measures taken;
- Classified documents, materials and other items are kept in the file management office in a unified manner or in a well-equipped safe. in the relevant department;
- Confidential information stored in the form of electronic documents, etc. should be saved under a specified directory of a public folder with appropriate permissions set;
- Deletion of classified documents is carried out by designated personnel with appropriate confidentiality measures;
- A nondisclosure agreement is signed with the recipient or provider of the information;
- Only confidential information that the Company confirms as mandatory disclosure shall be disclosed.



## Confidentiality measures for classified meetings and other activities

- Classified meetings are held in venues qualified for confidentiality;
- The scope of participants to the meetings is limited;
- Use of meeting equipment and management of meeting documents shall be in accordance with confidentiality regulations;
- Participants of the meetings are required to sign a nondisclosure agreement.





## ENSURING QUALITY WITH TENANTS



## PROVIDING EXCEPTIONAL SERVICE

80%

Occupancy rate

( As of December 31<sup>st</sup>, 2017 )

All projects under management in 2017 provided good service to tenants and were widely recognized by tenants.

The types of real estate operated by KaiLong are mainly business parks and office buildings. Apart from divestment gain, it is also an important source of revenue for us to rent out renovated projects to tenants. Striving to provide tenants with quality and thoughtful services and a pleasant environment is one of the keys to our long-term stable development and success. We provide tenants with comprehensive office facilities to fully meet their office needs. Each project's property management center employs a group of experienced professional property management personnel to provide satisfactory services for all tenants. At the same time, we have developed emergency response measures and fire prevention guidelines for office buildings. We also regularly conduct training on basic first-aid procedures for the property management center's security and all management personnel so as to enhance their safety awareness and keep them alerted and prepared for emergencies.

We have established a routine communication mechanism with tenants. The management of the Company communicates with tenants on a monthly basis to understand and meet their needs. At the same time, we have formulated relevant procedures for tenant complaints processing and facilitated channels for making complaints to ensure a quick response and active solution to tenants' reasonable complaints.

In addition to the care for tenants during project operation, before a project is rebuilt, we also ensure the safety and rights of all tenants who have not moved out and consistently perform our duties and obligations in accordance with relevant contracts. In addition, to ensure personal safety and normal operation of the tenants before renovation, we hire qualified contractors to conduct regular safety inspections and repairs on the fire equipment, elevators, and electromechanical facilities of the old building in accordance with the laws and regulations of the place of operation. In the renovation stage of an office building, we carry out comprehensive design and enhancement of the leisure, sports facilities and landscape of the office space with full consideration of tenants' needs in a bid to create a comfortable and high-quality office environment. Thanks to our quality service, the occupancy rate of our projects has steadily increased.



### ROOF RECONSTRUCTION OF PROJECT LAURA - CREATING AN OUTDOOR SPACE FOR TENANTS' ACTIVITIES

Project Laura Roof reconstruction  
Creating an outdoor space for leisure and activities

The roof of Project Laura was once obsolete and chaotic with a central air-conditioning room and a storage room. In order to build a quality office building, we changed the original central air-conditioning system to a VRV multi-split type air conditioning system. While ensuring indoor comfort and personalized service, we turned the original machine room and storage room area into an outdoor space for leisure and activities, promoting a healthy lifestyle among tenants. At the same time, considering the geographical location of Project Laura, we changed the exterior wall facing the Bund to a glass window to create a view of the Bund.



BEFORE



# CREATING AN ATMOSPHERE OF UNDERTAKING RESPONSIBILITY

KaiLong's high-quality service is inseparable from the trust and support of tenants. We strive to create a responsible atmosphere. We clarify the tenants' rights and responsibilities in the Tenant Handbook and the Tenant Fit-out Guide. It guides and requires tenants to work with KaiLong to maintain and manage office buildings, business parks and their public facilities, in order to normalize the use of office facilities and improve safety and neatness.

## Normalization

- Tenants shall be responsible for the actions of their employees, visitors and contractors, ensuring that no one damages the rental units or does anything the tenancy contract does not allow.
- Renovation and construction in the rental unit of the tenant have to be conducted in accordance with the instructions of the owner/owner representative and the property management center, and the regulations of the relevant government departments in the place of operation.

## Safety

- Tenants are not allowed to bring into or store in the rental unit weapons, ammunition, saltpeter, gunpowder, or other flammable or explosive dangerous goods, contraband, or items that may increase the cost of the rental unit's insurance.
- Tenants must use or adjust air conditioning equipment or machines with care and appropriateness. Do not install additional air conditioning equipment or machinery, or replace the existing ones provided by the owner/owner representative.
- Before fit-out, the tenant shall report the fit-out design to the property management center and relevant departments for approval, only after which can the construction be started.

## Neatness

- Tenants are not allowed to affix anything to or paint, improve, and hang anything outside the rental unit or in the common area. They are not allowed to drop anything from the rental unit, or to destroy, damage, or smear any part of the building structure.
- Tenants must not paint, spray or paste anything or any substance on the inside or outside of the rental unit's windows or on the window frames or glass curtain walls.
- Tenants must strictly adhere to a unified waste collection system to ensure that waste collection is carried out in an orderly manner.





BUILDING  
THE FUTURE  
WITH OUR  
PARTNERS

## PROMOTING RESPONSIBLE PROCUREMENT

40.92+

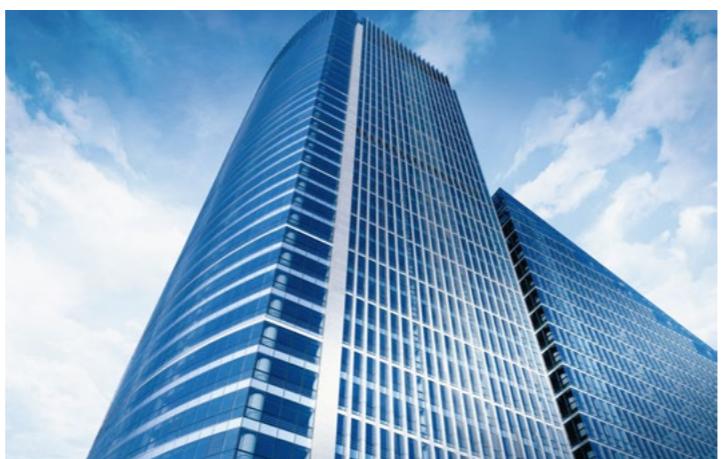
BILLION RMB  
Total procurement from local suppliers in 2017

Social and environmental impact assessments were carried out on 100% of suppliers.

Outstanding suppliers and contractors are a necessary condition for KaiLong to provide high-quality services and a key part of KaiLong's value chain to fulfill its responsibilities. KaiLong hopes to lead the industry into a responsible future while achieving common development with partners. For the best interests of KaiLong and its customers, we develop optimal purchasing policies and select quality suppliers and contractors. We actively promote responsible procurement and emphasize corporate social responsibility. We focus on the environmental, employment, safety and anti-corruption policies and performance of our suppliers and contractors. We refuse to work with those who violate laws and regulations or KaiLong's policies to ensure our responsibility for the environment and the society.

When screening suppliers, we evaluate their product and service applicability, price, delivery date, quality, daily management ability, market reputation, etc., as well as their commitment to environmental protection, employee policies, and occupational safety and health. We include relevant provisions of corporate social responsibility in the bidding conditions and contract terms, while continuously promoting responsible procurement. For example, to ensure the safety of employees and the quality of service, we require contractors to ensure the welfare of migrant workers and to adhere to strict working hour management regulations.

At the same time, we actively promote the procurement localization policy. While driving local economic development, we ensure localized procurement and services to better meet local needs and that rapid response is achieved. In 2017, our total procurement from local suppliers amounts to RMB 40,927,900.



## ENSURING SAFETY CONSTRUCTION

We value the occupational health and safety of the employees of our suppliers and contractors. We strengthen the protection of their health and safety by strict management of the use of materials and daily supervision. For items that are harmful to human health, such as glues and paints used in renovation, we require contractors to take necessary protective measures during the use, strengthen the awareness of employees' health and safety, and make sure that supervision is in place during construction. In addition, daily inspections are conducted and reports are made by KaiLong's dispatched employees and property management personnel. This ensures that the quality and safety management of the construction meets the standards and requirements.

We pay attention to not only the health and safety of construction workers, but also the hidden dangers and nuisances that may be caused to the surrounding communities during construction. Therefore, we actively take precautionary measures and reasonable planning to minimize the negative impact of construction or reconstruction on the surrounding communities.

| Management and control | Measures   |
|------------------------|--|
| Procedures and safety  | Construction is started based on the approval from relevant government departments and strictly follows all the laws, regulations and requirements during the process. Qualified contractors are hired to ensure safety. Mesh enclosures are installed on fixtures, such as air-conditioning racks and water pipes located on the exterior walls of old buildings, to avoid such devices from falling causing injury or damage to nearby residents property. |
| Noise                  | Noisy demolition works are carried out during off-peak hours and soundproofing measures such as using sound deadening fabric are taken in advance.   |
| Dust                   | Dust-proof measures are taken such as sprinkling water during demolition.  |
| Odor                   | Paints with odor are minimized on the construction sites.  |
| Transportation         | Traffic control and management is in place for entry and exit of vehicles and personnel to reduce the impact on residents living around.   |

## ENGAGING IN INDUSTRY DEVELOPMENT

KaiLong's progress is inseparable from the boom of the real estate financial industry and its own accurate control of the industry dynamics. We actively sponsor and join real estate finance industry associations to fully support the development of the industry. As of December 31<sup>st</sup>, 2017, KaiLong had sponsored and joined the following industry associations and forums:

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Asian Association for Investors in non-listed Real Estate Vehicles (ANREV)

[ANREV China 2018 Conference](#)  
Sponsor and speaker

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Asia Pacific Real Estate Association (APREA)

[Asia Pacific Property Leader Summit](#)  
Sponsor and speaker

---

Urban Land Institute (ULI)

[Asia Pacific Summit - June Hong Kong](#)  
Member, sponsor and speaker

---

PERE

[PERE Investor Forum of China](#)  
Sponsor and speaker

---

Young President Organization (YPO)

Member

---

KFoundation

[Bid for Love Charity Auction](#)  
[Run for Love Charity Event](#)  
Golden Sponsor





# EMPLOYEES DEVELOPMENT

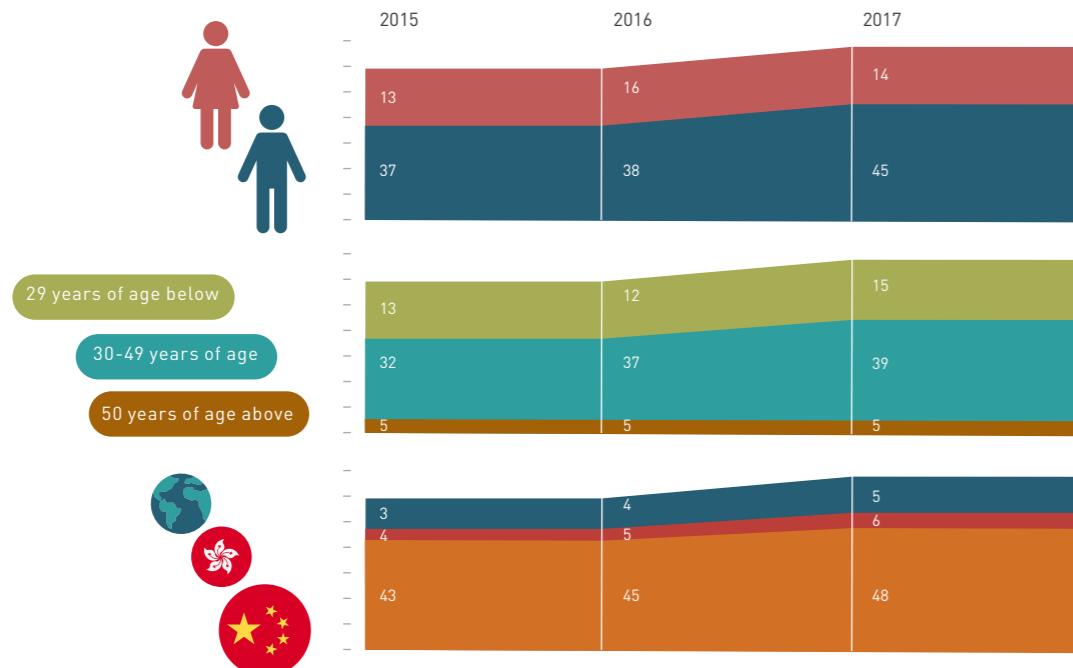
# ADVOCATING DIVERSITY AND EQUALITY

KaiLong advocates a work culture featuring diversity and equality. It cares for employees and strives to provide them with diverse training opportunities and smooth channels for development. We hope that all employees can explore the infinite possibilities of the future together with KaiLong.

KaiLong has developed a positive and open human resources policy and is committed to building a fair, diverse and open workplace to attract more talented people. We always treat each other with respect and fairness. We respect the difference among different individuals around the world. We equally treat candidates and employees regardless of gender, age, skin color, and nationality, and eliminate all factors of discrimination in employment. We comply with national and local laws and regulations including labor laws and regulations, and ensure that any decision on employment is based on business reasons such as qualification, talent and achievement. KaiLong prohibits the use of any form of forced labor and child labor.

## Employment Performance

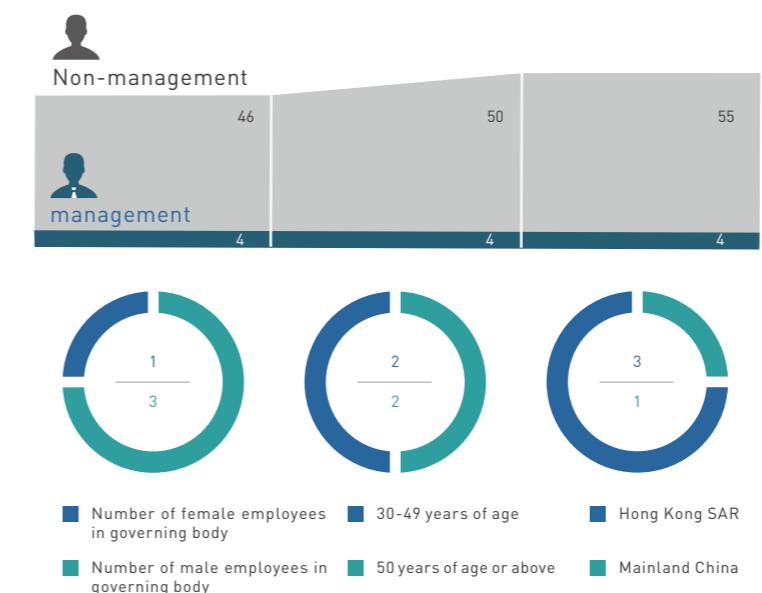
As of December 31<sup>st</sup>, 2017, we had a total of 59 employees, an increase of 5 over 2016. The distribution of employees is as follows:



In 2017, KaiLong newly hired a total of 20 employees, including two recruited from the KaiLong Management Trainee Program. The recruitment of new employees in the past three years is as follows:

| Number of new employees  | 2015 | 2016 | 2017 |
|--------------------------|------|------|------|
| <b>By gender</b>         |      |      |      |
| Male                     | 4    | 4    | 2    |
| Female                   | 8    | 11   | 18   |
| <b>By age</b>            |      |      |      |
| 29 years of age or below | 6    | 7    | 12   |
| 30-49 years of age       | 6    | 8    | 8    |
| 50 years of age or above | 0    | 0    | 0    |
| <b>By location</b>       |      |      |      |
| Mainland China           | 11   | 13   | 17   |
| Hong Kong SAR            | 0    | 1    | 1    |
| Overseas                 | 1    | 1    | 2    |

KaiLong's governing body consists of a board of directors and a management committee. We have four senior executives, two of whom are employed locally. Our governing body composition has remained stable in the past three years without major changes. The specific classification of our governance personnel in the past three years is as follows:



As of December 31<sup>st</sup>, 2017

**59**

Employees

**76%**

Female Employees

**20**

2017 New Employees

**50%**

Local Senior Executives

**2**

2017 Management Trainees

We provide our employees with compensation and benefits that are competitive in the industry and locally. All places of operation observe applicable laws on wages, working hours, overtime and welfare. Our standard starting salary for employees is significantly higher than the local minimum wage. In addition to the basic salary, we give incentives through bonuses and welfare. We have a transparent bonus policy. 10% of the annual profit will be paid out according to employee performance; 30% of the excess profit will be distributed to employees directly involved in projects based on their respective contribution. In addition to basic medical insurance, we purchase supplementary medical insurance for employees in mainland China, separate medical insurance and accident insurance for foreign employees. In 2017, KaiLong's overall employee turnover rate was 14.49%.

#### Employee Communication

Our open corporate culture creates a democratic, smooth environment for communication and a flat management structure is built. We are committed to a constructive dialogue with all employees and encouraging direct communication between employees at all levels. The HR department actively communicates with employees on a regular basis to understand their work status and satisfaction in order to continuously improve their work.

# UNFOLDING UNLIMITED POSSIBILITIES

We encourage employees to participate in business-related external seminars and forums, provide a fair and smooth channel for promotion for every employee.

4  
Levels

17  
Ranks

Channel for promotion

KaiLong hopes that employees have a keen sense of market changes, keep abreast of the market dynamics, and that employees continuously expand their knowledge and prepare for the future brimming with possibilities. To this end, we encourage employees to participate in business-related external seminars and forums, and encourage veterans to participate as keynote speakers in various types of seminars. In order to strengthen the systematic management of training, we have begun to establish internal training mechanisms and incorporated training into performance appraisal to continuously promote employee training and development. In addition, we have set up the KaiLong Management Trainee Program, which aims to provide training and career development opportunities for outstanding graduates through rotation training and mentoring, and at the same time to nurture talents for KaiLong.

We provide a fair and smooth channel for promotion for every employee. We divide employees into 4 levels and 17 ranks. Among them, positions below the Assistant Vice President/Deputy General Manager are ranked in different functional departments to ensure specific promotion paths that can better help employees exert and develop their talents. Every year, we review each employee's annual performance through individual self-assessment, supervisor evaluation, and high-level review as the main criteria and basis for employee promotion. The evaluation indicators mainly include individual ability, performance and participation in the Company's activities and social service. The department head will make recommendation for the promotion of an employee which will ultimately be determined by senior executives.



## CARING FOR EMPLOYEE LIFE

KaiLong advocates flexible working hours and pursues a balance between work and life. We believe that balancing work and life is one of the factors that keep employees active and efficient to the greatest extent. In order to enrich the lives of employees, we organize a variety of employee activities every year, including cultural and sports, charity and sports, and encourage all employees to participate.

We treat every employee equally and give more protection and support to employees with difficulties. For example, we extend maternity leave to female employees and paternity leave to male employees, and encourage them to balance career and family.

|  | 2015 | 2016 | 2017 |
|--|------|------|------|
| Number of female employees with maternity leave  | 1    | 1    | 0    |
| Number of male employees with paternity leave  | 0    | 0    | 1    |
| Number of employees who returned to work after maternity/paternity leave during the reporting period             | 1    | 1    | 1    |
| Number of employees who returned to work after maternity/paternity leave and remained in service after 12 months | 1    | 1    | 0    |





## ENVIRONMENTAL PROTECTION

# PROMOTING GREEN TRANSFORMATION

## 3.63%

The power consumption inside KaiLong in 2017 was 9,441,512 kWh, a decrease of 3.63% compared to 2016

## 5%

In 2017, KaiLong emitted a total of 5,990 tons of carbon dioxide equivalent, and its greenhouse gas emission intensity was 0.057 tons of CO<sub>2</sub>e/m<sup>2</sup>, a decrease of 5% compared with 2016

KaiLong attaches great importance to environmental protection and abides by environmental protection laws of the countries and regions where it has business operations. We undertake to minimize the environmental impact of our business activities and to operate our business in a way that promotes the sustainable use of natural resources.

KaiLong upholds the advanced concept of urban renewal. Through project transformation, it hopes to drive the upgrading and development of the old city while enhancing the project's own value. We actively incorporate the concept of environmental protection into the overall enhancement of projects' exterior walls, floor layouts and electromechanical systems.

### Design

In the design, the long-term effective use of energy is considered, and the energy utilization efficiency is maximized through the optimization of building structure and upgrading equipment.

### Materials selection

KaiLong's selection of materials for enhancement and decoration of all projects is in line with environmental requirements that are stated in the procurement contracts.

### Construction

KaiLong management team, the project management company and the supervision company supervise the whole process of enhancement, requiring the general contractor and sub-contractors to implement self-examination and self-management measures to ensure there is no negative impact on the environment. Discharge of harmful substances during construction is strictly controlled to ensure compliance with relevant emission requirements.

Gas emissions, wastewater treatment and waste disposal are all examined and accepted by the EIA.

## GREEN ENHANCEMENT OF MIX 6 – ESTABLISHING SIX GREEN FEATURES

### MIX 6

#### Roof top and Split-level Garden

Providing green space for tenants with a green area of 2,830 m<sup>2</sup>, over 30% of the total area.

#### Green system and Balcony

#### Adaptive Re-use of abandoned building's materials

Practicing the concept of recycling and green sustainability to maximize the use of resources.

#### Recyclable materials

#### PM2.5 Filters

Creating an indoor space with a high air quality to meet the health needs of tenants.

#### Double Vacuum Glazing

Reducing external noise, and reducing energy consumption through large-area lighting and thermal insulation.

MIX 6 is located in the historical Shanghai Laoximen area. It is just minutes to the famous Xintiandi area. After enhancement, six green features were established, making the project one of the models of KaiLong's green transformation.



MIX 6 | Project Laura

## GREEN RECONSTRUCTION OF PROJECT LAURA - TO CREATE A GREEN BOUTIQUE OFFICE BUILDING

### Project Laura

#### Building structure

Using insulated low-conductivity exterior wall materials, enlarging the windows to increase daylighting and save energy consumption, and reducing the number of elevators to improve unit utilization.

#### Electromechanical equipment

Removing large-capacity boilers, replacing central air-conditioning system with multi-split type VRV system, using LED lamps and inductive switches to reduce energy consumption.

#### Green environment

Rebuilding the parking lot into a landscaped courtyard to increase greening and encouraging the use of public transportation to reduce carbon emissions.

# GREEN OPERATIONS

KaiLong attaches great importance to environmental management by actively transforming its operating methods and integrating green behavior into daily operations. To achieve the goals of green operation - energy saving and emission reduction, we carry out effective and strict management of operation processes, especially the energy and resource consumption and waste disposal process.



**3.63%**  
Electricity consumption decreased compared to 2016



## Reducing energy and resource consumption

- Adjusting the time of energy use on a regular basis to reduce unnecessary energy consumption, and optimizing water use based on occupancy rates and seasonal changes
- Strengthening inspections by property management personnel to avoid water and energy consumption during non-working hours
- Enhancing employees' awareness of saving electricity and water conservation through daily supervision and promotion campaigns

## Reducing waste generation

- Encouraging double-sided use of paper
- Separating dry and wet wastes for collection and disposal by local sanitation bureaus
- Construction waste and abandoned devices generated by building renovation are subject to the local disposal policy, disposed by a professional third-party company and recycled as much as possible

## Reducing air pollution

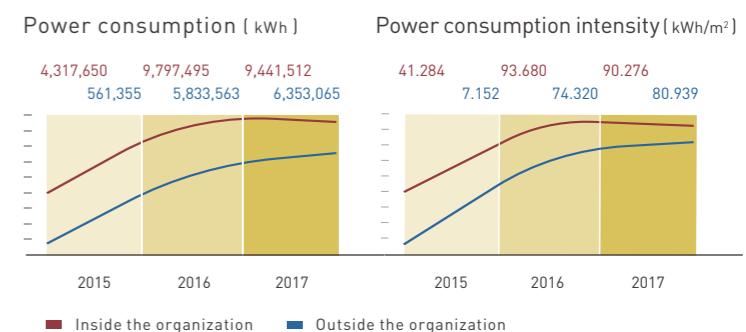
- Encouraging commuting by public transport
- Strict management of the use of group cars

## Performance of Green Operations

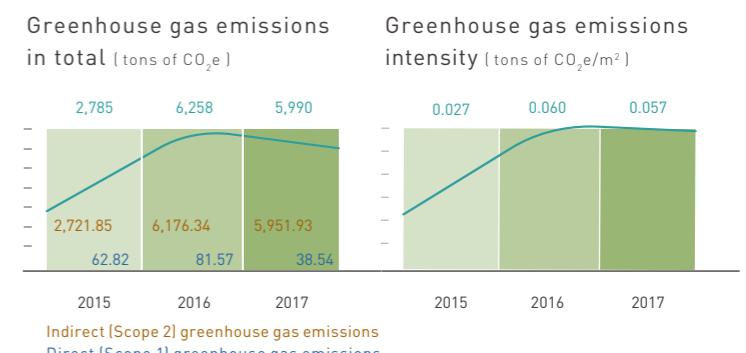
Due to the nature of business, our energy consumed is mainly outsourced electricity. Strict management of electricity use not only avoids unnecessary waste of electricity, but also reduces the impact of greenhouse gases from energy consumption on global warming, thereby reducing the Company's carbon footprint. As of December 31<sup>st</sup>, 2017, the power consumption inside the organization was 9,441,512 kWh, 3.63% lower than that of 2016. The effect of green office has already begun to appear. Due to the rising number of tenants, electricity consumption outside the organization in 2017 was 6,353,065 kWh, an increase of 8.91% compared to 2016. In this regard, while continuing to practice green office, we will increase our promotion of energy conservation and emission reduction among tenants to further enhance their awareness and actions. In 2017, KaiLong's greenhouse gas emissions were basically the same as in 2016. In 2017, a total of 5,990 tons of carbon dioxide equivalent was emitted. Its greenhouse gas emission intensity was 0.057 tons/m<sup>2</sup>, down 5% year-on-year. In 2017, KaiLong used 39,409 tons of fresh water, its water consumption intensity was 0.215 tons/m<sup>2</sup>.



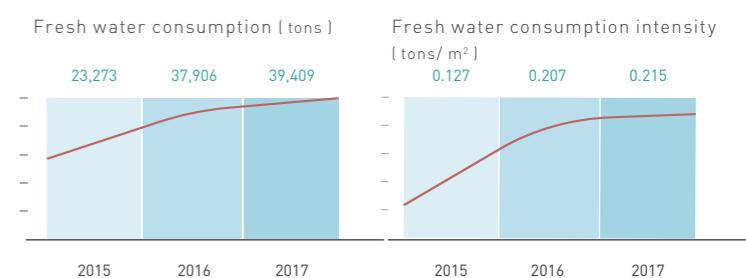
**9,441,512**  
Power consumption [ kWh ]  
**3.63%**  
Decreased compared to 2016



**5,990**  
Greenhouse gas emissions [ tons of carbon dioxide equivalent ]  
**0.057**  
Greenhouse gas emission intensity [ tons of CO<sub>2</sub>e/m<sup>2</sup> ]



**39,409**  
Fresh water consumption [ tons ]  
**0.215**  
water consumption intensity [ tons/m<sup>2</sup> ]

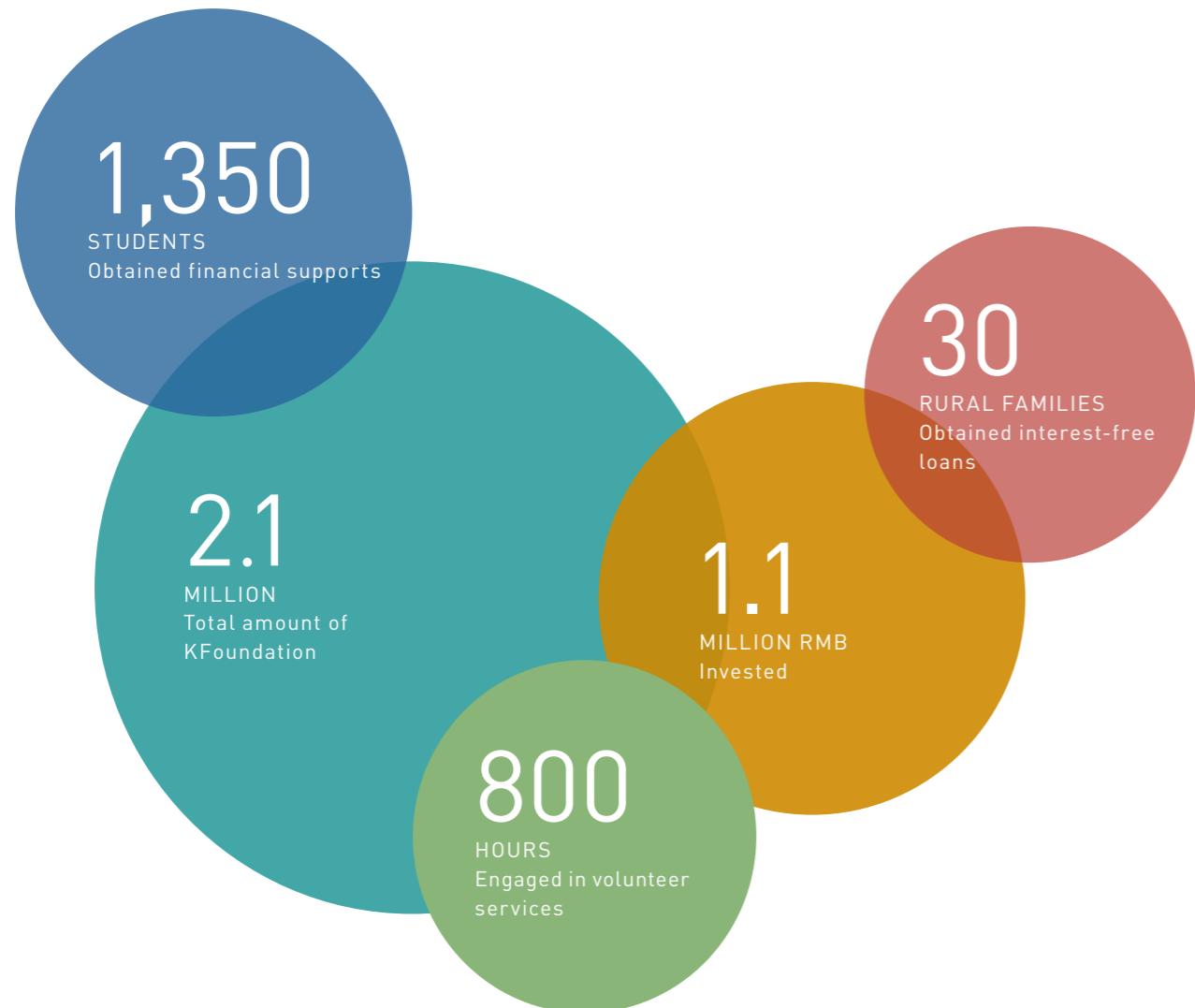




CO-BUILDING  
BEAUTIFUL  
COMMUNITIES



## GATHERING LOVE



To better fulfill its social responsibility and deliver the tenet of “joining forces to give back to the society”, KaiLong launched the KFoundation in 2011. Based on the Group’s input and donations from its employees and peers, a platform was set up to engage more people in charity. To further expand the scope of charitable assistance, in 2014 KFoundation in cooperation with Shanghai Soong Ching Ling Foundation launched the Shanghai Soong Ching Ling Foundation - KFoundation. KaiLong undertakes to invest 100% of the funds raised in charity projects. It has successfully organized a variety of charity activities such as “Run for Love”, “Bid for Love”, etc. to bring together love for disadvantaged students and children in poverty-stricken areas.

### SUSTAINED CONTRIBUTION TO CHARITY “BID FOR LOVE”

Bid for Love June 2017

In June 2017, for the fourth consecutive year, Shanghai Soong Ching Ling Foundation - KFoundation’s 2017 Bid for Love Charity Dinner was held successfully. More than 200 people participated in the event, gathering the strength of love from different fields such as real estate finance, art, charity, etc. and promoting the development of charity.

All the auctioned artworks at the “Bid for Love” Banquet were created or donated by caring people. Through charity auction, silent auction, charity sale, etc., this event aimed to bring together love for the disadvantaged students in China. RMB1.5 million was raised throughout the event and was all entered into the Shanghai Soong Ching Ling Foundation - KFoundation to support the China Student Aid Program and fund the medical care for orphans and disabled children.

### PROMOTING A HEALTHY LIFE “RUN FOR LOVE”

Run for Love November 2017

To fulfill the original intention of promoting healthy living, teamwork and charity, in November 2017 KFoundation launched “Run for Love” for the third consecutive year. All the registration fees and the funds raised by the event would be directly used for public welfare projects by Shanghai Soong Ching Ling Foundation. In addition, many participating teams supported the event by soliciting donations from friends and family.

The 2017 “Run for Love” brought together 500 caring participants. With the support from all walks of life, the event achieved great success in fund-raising. In just less than two weeks, RMB 200,000 was raised. This event also specially arranged a mini charity marathon for children to enjoy the fun of running and learn a healthy lifestyle. Although the race course was only 1 km, children who finished the race also got medals and certificates of honor. The event encouraged children to take out pocket money to sign up for the competition and make a small contribution to charity.



# ACTIVELY GIVING BACK TO SOCIETY

As a promoter of sustainable social development, KaiLong actively gives back to the society. Since the launch of the charity fund, KaiLong has co-founded a number of charity projects together with its caring partners such as student support, child support and sustainable poverty alleviation. In 2017, KFoundation raised a total of about RMB 2.1 million and invested RMB 1.1 million in charity.

The main charity projects that involve KFoundation include:



## Student aid

Funding students excellent in character and academics from poor families in Guizhou, Henan, and Guangdong, etc. which covered primary school to university students;

KaiLong's caring volunteers bring care and warmth by regularly visiting the students receiving the aid.



## Child support

Actively funding the medical treatment for sick orphans through Shanghai Baby Home;

Supporting and funding the "Children's Art Activity Center" to help children build confidence through art learning.



## Sustainable poverty alleviation

In cooperation with Shanghai Soong Ching Ling Foundation, KaiLong funded the "Farmer Entrepreneurship Relay Charity Project" by providing interest-free loans to 30 farmer households to help them enhance their skills and achieve self-employment. After three years, the farmers will pay back the loans with earnings retained and the returned funds will be reused to help other families.

## APRIL 15<sup>TH</sup> TO 17<sup>TH</sup>, 2017

Volunteers from KFoundation and "Xiangshan Jumu" Student Aid Program set out from Shanghai, Hong Kong, Shenzhen and other places to gather in Lechang, Guangdong, where they visited aid-receiving students to get a close look at their living conditions and encourage them to work hard against all odds.

## JUNE 17<sup>TH</sup> TO 18<sup>TH</sup>, 2017

A group of more than 10 people from KFoundation paid the annual visit to Gudong Middle School in Majiang County and Mahao Middle School in Shiping County in Qiandongnan Autonomous Prefecture in Guizhou Province. The group divided into two sub-groups visited a total of 14 families where they had intimate talks with students and parents.

## AUGUST 12<sup>TH</sup> TO 14<sup>TH</sup>, 2017

In order to help poor students in the mountainous areas of Guangdong get enrolled in school, KFoundation has funded 171 poor students in Guangdong for six consecutive years. From August 12<sup>th</sup> to 14<sup>th</sup>, volunteers from KFoundation traveled from Shanghai to Shaoguan, Guangdong Province to visit the assisted college students from poor families. In addition to learning about their living conditions, volunteers chatted with students to share career advice.

## NOVEMBER 28<sup>TH</sup>, 2017

All employees of KaiLong went to Lingbao, Henan Province to visit the families of poor students funded by KFoundation. They continued to reach out to each family to understand the story behind each of the students. In addition to bringing care and encouragement to the students, our employees benefited a lot for themselves. They were deeply touched and educated, and had a better understanding of the significance of charity by KFoundation.

## DECEMBER 24<sup>TH</sup>, 2017

Volunteers of KaiLong visited the Community Art Centre for Orphaned and Disabled Children in Xuanqiao, Shanghai and brought presents and greetings to celebrate Christmas with the children. Since its establishment, the Community Art Centre has opened a series of courses in music, painting and English. It hopes that through the means of art education, students will learn to appreciate and understand, release nature, feel happiness, and make their character more cheerful.



# APPENDIX

## GRI Standards Content Index

| Disclosure                        | Description  | Chapters  |
|-----------------------------------|--|---|
| GRI 101: Foundation 2016          |  |   |
| GRI 102: General Disclosures 2016 |  |   |
| <hr/>                             |  |   |
|                                   | <b>Organizational Profile</b>                                |   |
| 102-1                             | Name of the organization                                     |   |
| 102-2                             | Activities, brands, products, and services                   |   |
| 102-3                             | Location of headquarters                                     |   |
| 102-4                             | Location of operations                                       | About KaiLong-Company Profile                                       |
| 102-5                             | Ownership and legal form                                     |   |
| 102-6                             | Markets served   |   |
| 102-7                             | Scale of the organization                                    |   |
| 102-8                             | Information on employees and other workers                   | Common Development with Employees-Respecting Pluralism and Equality |
| 102-9                             | Supply chain   | Building The Future with Partners-Promoting Responsible Procurement |
| 102-10                            | Significant changes to the organization and its supply chain | About KaiLong-Company Profile                                       |
| 102-11                            | Precautionary Principle or approach                          | About KaiLong-Corporate Governance                                  |
| 102-12                            | External initiatives   | Not applicable  |
| 102-13                            | Membership of associations                                   | Building The Future with Partners-Engaging in Industry Development  |
| <hr/>                             |  |   |
|                                   | <b>Strategy</b>  |   |
| 102-14                            | Statement from senior decision-maker                         |   |
| 102-15                            | Key impacts, risks, and opportunities                        | Message from the Chairman   |
| <hr/>                             |  |   |
|                                   | <b>Ethics and Integrity</b>                                  |   |
| 102-16                            | Values, principles, standards, and norms of behavior         | About KaiLong-Corporate Governance                                  |

**Governance**

|                               |  |  |
|-------------------------------|--|--|
| 102-18                        | Governance structure                                       | About KaiLong-Corporate Governance           |
| <b>Stakeholder Engagement</b> |  |  |
| 102-40                        | List of stakeholder groups                                 | ESG Governance-Stakeholder Engagement        |
| 102-41                        | Collective bargaining agreements                           | Not applicable                               |
| 102-42                        | Identifying and selecting stakeholders                     | ESG Governance -Stakeholder Engagement       |
| 102-43                        | Approach to stakeholder engagement                         | ESG Governance -Stakeholder Engagement       |
| 102-44                        | Key topics and concerns raised                             |  |
| <b>Reporting Practice</b>     |  |  |
| 102-45                        | Entities included in the consolidated financial statements | About This Report                            |
| 102-46                        | Defining report content and topic Boundaries               | ESG Governance-Materiality Analysis          |
| 102-47                        | List of material topics                                    | Not applicable. This is the first ESG Report |
| 102-48                        | Restatements of information                                | About This Report                            |
| 102-49                        | Changes in reporting                                       | Not applicable. This is the first ESG Report |
| 102-50                        | Reporting period   | About This Report                            |
| 102-51                        | Date of most recent report                                 | Not applicable. This is the first ESG Report |
| 102-52                        | Reporting cycle  | About This Report                            |
| 102-53                        | Contact point for questions regarding the report           | Appendix                                     |
| 102-54                        | Claims of reporting in accordance with the GRI Standards   | Not applicable                               |
| 102-55                        | GRI content index  |  |
| 102-56                        | External assurance   |  |

**Topic-Specific Disclosures****Economic****GRI 201: Economic Performance 2016**

|   |  |                              |
|---|--|------------------------------|
| GRI 103: Management Approach 2016                     | 103-1 Explanation of the material topic and its Boundary | Creating Value for Investors |
|   | 103-2 The management approach and its components         |                              |
|   | 103-3 Evaluation of the management approach              |                              |
| 201-1 Direct economic value generated and distributed |  |                              |

**GRI 202: Market Presence 2016**

|  |  |                                   |
|--|--|-----------------------------------|
| GRI 103: Management Approach 2016  | 103-1 Explanation of the material topic and its Boundary | Common Development with Employees |
|  | 103-2 The management approach and its components         |                                   |
|  | 103-3 Evaluation of the management approach              |                                   |
| 202-1 Ratios of standard entry level wage by gender compared to local minimum wage |  |                                   |
| 202-2 Proportion of senior management hired from the local community               |  |                                   |

**GRI 203: Indirect Economic Impacts 2016**

|   |  |                              |
|---|--|------------------------------|
| GRI 103: Management Approach 2016                       | 103-1 Explanation of the material topic and its Boundary | Creating Value for Investors |
|   | 103-2 The management approach and its components         |                              |
|   | 103-3 Evaluation of the management approach              |                              |
| 203-1 Infrastructure investments and services supported |  |                              |
| 203-2 Significant indirect economic impacts             |  |                              |

**GGRI 204: Procurement Practices 2016**

|                                   |  |                                   |
|-----------------------------------|--|-----------------------------------|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | Building The Future with Partners |
|                                   | 103-2 The management approach and its components         |                                   |
|                                   | 103-3 Evaluation of the management approach              |                                   |

|  |   |   |
|--|---|---|
| 204-1  | Proportion of spending on local suppliers   | Building The Future with Partners-Promoting Responsible Procurement |
| <b>GRI 205: Anti-corruption 2016</b>           |   |   |
| GRI 103: Management Approach 2016              | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |   |
| 205-1  | Operations assessed for risks related to corruption   | About Kailong-Corporate Governance                                  |
| 205-2  | Communication and training about anti-corruption policies and procedures  |   |
| 205-3  | Confirmed incidents of corruption and actions taken   |   |
| <b>GRI 206: Anti-competitive Behavior 2016</b> |   |   |
| GRI 103: Management Approach 2016              | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |   |
| 206-1  | Legal actions for anti-competitive behavior anti-trust, and monopoly practices  | About KaiLong-Corporate Governance                                  |
| <b>Environmental</b>                           |   |   |
| <b>GRI 302: Energy 2016</b>                    |   |   |
| GRI 103: Management Approach 2016              | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach | Protecting The Environment  |
| 302-1  | Energy consumption within the organization  |   |
| 302-2  | Energy consumption outside of the organization  | Protecting The Environment-Green Operations                         |
| 302-3  | Energy intensity  |   |
| 302-4  | Reduction of energy consumption   | Protecting The Environment  |
| 302-5  | Reduction in energy requirements of products and services   |   |

**GRI 303: Water 2016**

|  |   |   |
|--|---|---|
| GRI 103: Management Approach 2016                      | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach | Protecting The Environment  |
| 303-1  | Water withdrawal by source  | Protecting The Environment-Green Operations                         |
| <b>GRI 305: Emissions 2016</b>                         |   |   |
| GRI 103: Management Approach 2016                      | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach | Protecting The Environment  |
| 305-1  | Direct (Scope 1) GHG emissions  |   |
| 305-2  | Energy indirect (Scope 2) GHG emissions   | Protecting The Environment-Green Operations                         |
| 305-4  | GHG emissions intensity   |   |
| <b>GRI 307: Environmental Compliance 2016</b>          |   |   |
| GRI 103: Management Approach 2016                      | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach | Protecting The Environment  |
| 307-1  | Non-compliance with environmental laws and regulations  | There is no non-compliance with environmental laws and regulations  |
| <b>GRI 308: Supplier Environmental Assessment 2016</b> |   |   |
| GRI 103: Management Approach 2016                      | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach | Building The Future with Partners-Promoting Responsible Procurement |
| 308-1  | New suppliers that were screened using environmental criteria   |   |
| 308-2  | Negative environmental impacts in the supply chain and actions taken  |   |

## Social

**GRI 401: Employment 2016**

|                                   |   |
|-----------------------------------|---|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |
| 401-1                             | New employee hires and employee turnover  |
| 401-2                             | Benefits provided to full-time employees that are not provided to temporary or part-time employees  |
| 401-3                             | Parental leave  |

Common Development with Employees-Respecting Pluralism and Equality

**GRI 404: Training and Education 2016**

|                                   |   |
|-----------------------------------|---|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |
| 404-3                             | Percentage of employees receiving regular performance and career development reviews  |

Common Development with Employees-Unfolding Unlimited Possibilities

**GRI 405: Diversity and Equal Opportunity 2016**

|                                   |   |
|-----------------------------------|---|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |
| 405-1                             | Diversity of governance bodies and employees  |

Common Development with Employees-Respecting Pluralism and Equality

**GRI 406: Non-discrimination 2016**

|                                   |   |
|-----------------------------------|---|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |
| 406-1                             | Incidents of discrimination and corrective actions taken  |

Common Development with Employees-Respecting Pluralism and Equality

Common Development with Employees-Respecting Pluralism and Equality

**GRI 408: Child Labor 2016**

|                                   |   |
|-----------------------------------|---|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |
| 408-1                             | Operations and suppliers at significant risk for incidents of child labor   |

Common Development with Employees-Respecting Pluralism and Equality

**GRI 409: Forced or Compulsory Labor 2016**

|                                   |   |
|-----------------------------------|---|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |
| 409-1                             | Operations and suppliers at significant risk for incidents of forced or compulsory labor  |

Common Development with Employees-Respecting Pluralism and Equality

**GRI 411: Rights of Indigenous Peoples 2016**

|                                   |   |
|-----------------------------------|---|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |
| 411-1                             | Incidents of violations involving rights of indigenous peoples  |

Sharing Quality with Tenants-Providing Meticulous Service

There is no incidents of violations involving rights of indigenous peoples.  
Sharing Quality with Tenants-Providing Meticulous Service**GRI 412: Human Rights Assessment 2016**

|                                   |   |
|-----------------------------------|---|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach |
| 412-2                             | Employee training on human rights policies or procedures  |
| 412-3                             | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening                                  |

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#### GRI 413: Local Communities 2016

|                          |  |
|--------------------------|--|
| GRI 103:                 | 103-1 Explanation of the material topic and its Boundary                                 |
| Management Approach 2016 | 103-2 The management approach and its components   |
|                          | 103-3 Evaluation of the management approach  |
| 413-1                    | Operations with local community engagement, impact assessments, and development programs |

Creating Value for Investors-Improving Project Management

#### GRI 414: Supplier Social Assessment 2016

|                          |  |
|--------------------------|--|
| GRI 103:                 | 103-1 Explanation of the material topic and its Boundary |
| Management Approach 2016 | 103-2 The management approach and its components         |
|                          | 103-3 Evaluation of the management approach              |
| 414-1                    | New suppliers that were screened using social criteria   |

Building The Future with Partners-Promoting Responsible Procurement

#### GRI 416: Customer Health and Safety 2016

|                          |   |
|--------------------------|---|
| GRI 103:                 | 103-1 Explanation of the material topic and its Boundary                      |
| Management Approach 2016 | 103-2 The management approach and its components                              |
|                          | 103-3 Evaluation of the management approach                                   |
| 416-1                    | Assessment of the health and safety impacts of product and service categories |

Sharing Quality with Tenants-Providing Meticulous Service

#### GRI 418: Customer Privacy 2016

|                          |  |
|--------------------------|--|
| GRI 103:                 | 103-1 Explanation of the material topic and its Boundary                                     |
| Management Approach 2016 | 103-2 The management approach and its components   |
|                          | 103-3 Evaluation of the management approach  |
| 418-1                    | Substantiated complaints concerning breaches of customer privacy and losses of customer data |

Creating Value for Investors-Protecting Customer Privacy

#### GRI 419: Socioeconomic Compliance 2016

|                          |  |
|--------------------------|--|
| GRI 103:                 | 103-1 Explanation of the material topic and its Boundary                 |
| Management Approach 2016 | 103-2 The management approach and its components                         |
|                          | 103-3 Evaluation of the management approach                              |
| 419-1                    | Non-compliance with laws and regulations in the social and economic area |

About KaiLong-Corporate Governance  
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There is no non-compliance with laws and regulations in the social and economic area.



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