

Sustainability Report 2017



SMJ INTERNATIONAL HOLDINGS LTD.

(Incorporated in Republic of Singapore)

(Company Registration Number: 201334844E)

Contents

| | |
|--|----|
| Board's Statement..... | I |
| Working towards achieving our sustainability vision..... | I |
| Our sustainable journey..... | I |
| Our commitment to sustainable growth | I |
| About this Report..... | 2 |
| Our Company Profile | 3 |
| 2017 review | 4 |
| SMJ International Value Chain | 5 |
| Sustainability Governance Structure | 5 |
| Stakeholders' Engagement | 6 |
| Our Sustainability Approach | 7 |
| Identifying material topics..... | 7 |
| Sustainability Topic | 8 |
| Business performance..... | 8 |
| Governance and compliance..... | 9 |
| Anti-corruption | 9 |
| Customer privacy | 9 |
| Socioeconomic compliance | 10 |
| APPENDIX A..... | 11 |

This Sustainability Report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Sponsor has not independently verified the contents of this Sustainability Report.

This Sustainability Report has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this Sustainability Report, including the correctness of any of the statements or opinions made or reports contained in this Sustainability Report.

The contact person for the Sponsor is Ms. Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

Board's Statement

The Board of Directors (the “Board”) of SMJ International Holdings Ltd. (the “Company” or “SMJ International”, and together with its subsidiaries, the “Group”) is pleased to present you with the Company’s first sustainability report. SMJ International’s sustainability strategy is aligned with our strategy shift in our business model. The Group is committed to improve the economic and social well-being of its stakeholders by incorporating the key principles of economic, environment, social and governance (“EESG”) in setting out the business strategies and operations.

Working towards achieving our sustainability vision

The Group’s vision is re-designing the business model to drive long term sustainability. In light of this, the Group ventured into China’s leisure and cultural tourism industry by establishing our wholly-owned subsidiary, Beijing Zhuoye Tiancheng Business Management Co. Ltd. We believe that the new business model is in line with our sustainability vision that will benefit the future generations.

Several key focus areas of the EESG factors have been set out. The EESG factors material to the Group and our stakeholders are namely: business performance, governance and compliance and human resource. We are responsible to establish a sustainability framework and incorporate EESG factors into our business strategy.

Our sustainable journey

In the pursuit of sustainable growth, our Group will continue to expand our consultancy business, with a focus on bolstering our recurring income and widening our geographical footprints.

Our Group maintains a high standard of corporate conduct, ensuring business sustainability and safeguarding the interest of our stakeholders. We work and compete ethically in the markets we work in. Beyond the marketplace, we will continue to engage with the public through volunteering in charities and remain in line with our core values.

Our Group believes that human capital is the key to our sustainable growth. Our Group emphasises on the provision of safe and healthy working environment for all employees. We will continue to engage our employees by providing them with ample opportunities for personal growth and development.

Our commitment to sustainable growth

As we embark on our sustainability reporting journey, we strive to continually identify, manage and address all EESG factors. This will be on an ongoing basis and we will take into consideration the interest of our stakeholders’ while creating greater value.

Going forward, the Board is looking to build the Group into a “one stop” full service provider of hotel services to China’s tourism and hospitality market.

Sincerely,
Board of Directors
SMJ International Holdings Ltd.

About this Report



Libre Resorts Huangshan

Our Group continuously places a strong emphasis on retaining sustainability in our business. In preparation of this report, we have considered material issues and strategies which are important to our stakeholders and will have an impact on our business growth. We have highlighted information that is of significance economic, environmental, and social and governance impact to enable stakeholders to assess the Group's performance. We use a consolidated operating approach to determine organisational boundaries.

This is an inaugural standalone report by SMJ International. The report is prepared in accordance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules – Sustainability Reporting guide (the "SGX Sustainability Reporting Guide") and with reference to the Global Reporting Initiative ("GRI") Standards 2016: Core Option, which is a well-known and globally-recognised sustainability reporting framework referred to in the SGX Sustainability Reporting Guide, and its reporting principles. The Company has chosen to adopt the GRI Sustainability Reporting Standards as it is most widely accepted global framework for voluntary corporate reporting of environmental and social performance. Moreover, it is considered as a leading template for voluntary sustainability reporting and the most relevant institution in the sustainability context.

This report covers the period from 1 January 2017 to 31 December 2017, which is same with our financial year ended 31 December 2017 ("FY2017"). We have not sought external assurance for this report and we may consider to do so in future annual sustainability reports. For any suggestion, comment and enquiry related to this report, kindly contact us at (65) 6532 3006 or 80 Raffles Place, #11-20 UOB Plaza 2, Singapore 048624.

Our Company Profile



Libre Resorts Lijiang

SMJ International was established in 1988 as one of the leading premier carpet specialists and specialised in the distribution of carpets. SMJ International was admitted to the Catalist of the SGX-ST in 2014. In 2016, we embarked on a strategic shift in the business model to diversify into Property Related Investment and Management Business. In 2017, we disposed our carpet business and further expanded our business scope to include Project Management and Consultancy Services targeting at the tourism and hospitality industries in China. SMJ International is based in Singapore with its key subsidiaries operating in Beijing, People's Republic of China.

We provide a comprehensive range of pre-opening programs and services to assist hotel and resort owners and managers to prepare their properties to be made into an operationally ready state. Our services include project inception; vendor selection; architectural and interior design; engineering consulting; development management; furniture, fixture and equipment solution; and project close-out and transfer of operation.

Our Vision

To be Asia's one-stop solution advisor by continually striving for success and adapting to global evolution.

Our Mission

To be a true partner to the hotel and resort owners and managers, providing objective and result-oriented analysis solutions to maximise the investment of the properties.

Our Values

Committed to Excellence – We strive to serve our clients through creativity, continuous improvement and dedication to meet their needs.

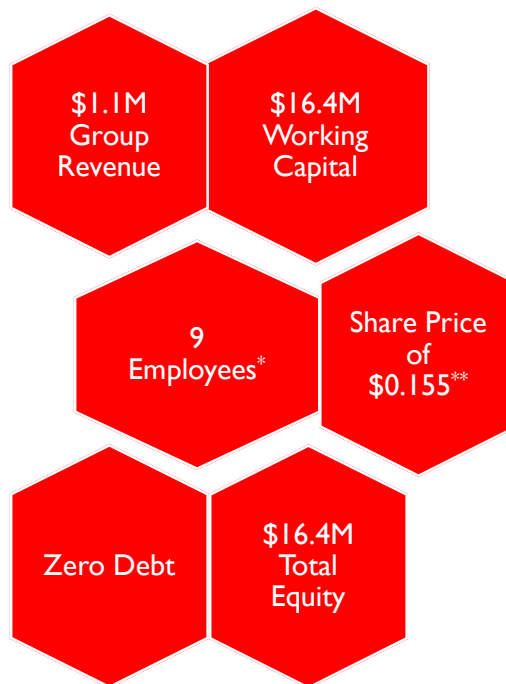
Integrity and Ethical Values – We uphold strong work ethics and always do the right thing.

Strive for Innovation – We pledge to deliver optimally dependable solutions and continually invest in development of our knowledge base.

Create a Difference – We respond with agility to rapid changing environment and create lasting impact with our colleagues and clients.

Teamwork and Respect – We seek to build collaborative relationships that are beyond boundaries.

2017 review



* Number of employees as at 31 December 2017

** Share price as at 29 December 2017 (last trading day in FY2017)

SMJ International Value Chain

SMJ International aspires to continuously promote and integrate sustainability in our business operations and taking stakeholders' interest into our considerations. EESG factors are integrated in our value and supply chain as our sustainability efforts progressively mature. Moreover, SMJ International pledges to sustainable business practices across its value chain, from our subsidiaries to suppliers. The Group trusts that sustainable supply chain management drives organisational excellence and delivers desirable business results to the stakeholders.

The Group aims to educate stakeholders across its value chain and sustainability beliefs. This includes sourcing for environmental-friendly supplies required for designing and construction of buildings and other infrastructure of resorts located in China. The Group also ensures that environmental pollution is reduced to the minimum. The Group also adopts appropriate and adequate risk controls and action plans to ensure health and safety of its stakeholders.

Sustainability Governance Structure

SMJ International's robust sustainability structure is in place to identify and execute sustainability initiatives in the business, ensuring that it is systematic and seamless. We incorporate sustainability in our decision-making processes. At the top of this structure is the Board of Directors, who are responsible for reviewing and approving SMJ International's sustainability matters. In implementation and execution, the structure empowers the Chief Executive Officer to cascade responsibilities to the relevant heads of function.

We embrace sustainability on strategic and operational levels. With advanced growth and developments coming up for the Group, it is crucial to communicate our sustainability efforts to our stakeholders in all areas of our business. SMJ International takes a strategic approach to sustainability by aligning the focus with its corporate values and strategies.

Stakeholders' Engagement

In line with GRI 102 on general disclosures and SGX Sustainability Reporting Guide, SMJ International has identified key stakeholders' concerns and interests. The Group believes that regular engagement with its key stakeholders will provide an overview of their expectations and the Group would be in a better position to anticipate EESG challenges, bolstering its sustainability efforts. Please refer to **Table I** for details of our approach on stakeholders' engagement.

Table I: Our approach on stakeholders' engagement

| Stakeholder Group | Mode of Engagement | Stakeholder Expectation |
|----------------------------------|---|---|
| Clients | <ul style="list-style-type: none"> Proposals Meetings Operating Manuals Training Satisfaction survey | Timely guidance on quality products and services |
| Suppliers | <ul style="list-style-type: none"> Quotations Periodic discussions Supplier evaluation | Compliance with terms and conditions of purchasing policies and procedures, maintain ethical standards, fair and transparent business conduct, continued engagement |
| Employees | <ul style="list-style-type: none"> Briefings Staff appraisal Training Orientation programme Annual colleague engagement survey | Staff rights and welfare, personal development, occupational health and safety |
| Investors | <ul style="list-style-type: none"> Annual general meetings Board meetings Circulars to shareholders | Profitability, transparency, timely updates on financial performance and business strategies and opportunities |
| Business Partners | <ul style="list-style-type: none"> Frequent discussions and meetings | Partnership for opportunities and growth |
| Government and Regulators | <ul style="list-style-type: none"> Discussions with government agencies and regulators | Environmental-friendly business approach, compliance with laws and regulations, timely reporting and resolutions of issues |

Our Sustainability Approach

Identifying material topics

In developing our inaugural sustainability report, we had identified the EESG topics that are material to both our internal and external stakeholders. We have structured our materiality assessment into three steps as illustrated below:

1. Identify material topics in relation to impacts of economic, environmental, social and governance, and the degree of influence they have on our stakeholders.
2. Take interest of different stakeholder groups into consideration, decide relevancy and determine priority of material topics in considering the operational status of the Group during the reporting period.
3. Evaluate the material topics that have been prioritised and seek approval from senior management and the concurrence of the board of directors.

Three material EESG topics were identified and details are provided in **Table 2**. For future sustainability reporting, we will re-evaluate and review our material EESG topics to ensure their relevance to our Group and compliance with GRI.

Table 2: List of material EESG topics

| No. | Topics | Description | Reference |
|-----|---------------------------|--|---|
| 1 | Business Performance | Our economic performance, value generated and distributed to communities where our business operates. | Page 8 of this report; Annual Report 2017: Page 12 – Operating and Financial Review and Pages 42 to 46 – Financial Statements |
| 2 | Governance and Compliance | Measures in place to uphold anti-corruption policies, and compliance with relevant socioeconomic regulations, including protecting all our customers' information. | Page 9 of this report Annual Report 2017: Pages 13 to 32 – Corporate Governance Report |
| 3 | Human Resource | As a service provider, our employees are our greatest assets. We undertake fair employment practices to achieve a diverse and inclusive environment for our employees. Additionally, we aim to provide appropriate training and career development for our people. | To be discussed in future sustainability reports which is in line with the Group's progressive development |

Sustainability Topic

Business performance

In FY2017, we have yield S\$0.6 million of profit from our consultation services division. Our consultation services division operates its business in various provinces in mainland China and it is expected to expand into other geographical markets in the near future. We work closely with our management and operational staff to identify any sustainability opportunities and risks which may arise.

Sustainable issues in the project construction industries such as global greenhouse gas emissions, solid waste generation and declining availability of raw materials would shape the competitive environment in which SMJ International operates. Henceforth, our Group would evaluate any long-term sustainability opportunities and recognise significant risks. We are determined to achieve desirable economic performance without compromising environmental issues for sustainable growth both for the organisation and community the Group operates in.

A shift in our business model since 2016 which focuses on cost leadership without compromising on our service level and always prioritises our customers' interest.

Going forward, we strive to advance our market position and economic performance by seeking new business opportunities and gaining a stronger foothold in the industry. We will also seek business growth through acquisition of new businesses that reap good returns.

In today's volatile market, SMJ International will work prudently and diligently to focus on growth strategies and enhancing shareholders' value.



Governance and compliance

Anti-corruption

In SMJ International, the Group has a zero-tolerance policy for fraud, bribery and corruption. We have effective monitoring, policies and procedures in place to ensure our business is conducted in an ethical manner and that we comply with the best practices. We have established a whistleblowing mechanism for management and employees as well as stakeholders.

A whistleblowing channel has also established to allow employees to get direct access to our Chairmen of the Board and the Audit Committee. By doing so, all stakeholders in our Group can be assured that all reports or suspicion of potential breaches of our Employee Guidelines are well managed.

In FY2017, SMJ International has zero confirmed incidents of corruption and zero incidences of material non-compliance with laws and regulations and we aim to maintain this record. Our Group will continue to keep these whistleblowing and other anti-corruption policies in place to prevent corruption and bribery. In addition, we will provide continuous training for employees if there are any amendments in laws and regulations.

Customer privacy

SMJ International has established a personal information impact assessment to prevent compliance risks associated with laws and regulations that manage customers' information.

Our Group collects a minimum amount of information absolutely needed in providing our project management and consultancy services. We avoid collecting extra information for future use. In collection of information, we would inform our customers in advance on the type of information we are collecting, purpose of collection, and the retention period for the collected information and obtain their consent. Moreover, we control data security and our management team has put in place measures such as access control, maintenance of access log and data encryption. Lastly, we strictly prohibit the use of personal information for unintended purposes and would seek customers' permission in advance.

We have no case of customers' data leakage in FY2017 and we aim to maintain this record. Moving forward, we will review our policies and measures, ensuring all that we maintain a zero incidence of data leakage.

Socioeconomic compliance

SMJ International ensures that it complies with all the laws and regulations in the social and economic area. Any material breaches of laws or regulations could create a significant impact and result in irreversible reputational damage to the Group. In view of this, our Group adheres to high standards of corporate governance practices which ensure compliance to all applicable laws and regulations.

The Group manages the risk of non-compliance with relevant laws and regulations by having clear policies and procedures which state the responsibilities and obligations of all employees and senior management.

In FY2017, there was no material breach of relevant local laws and regulations.

Moving forward, our senior management will continue to monitor closely and as and when there are substantial new laws or regulations, the senior management will conduct training to ensure zero incidence of material non-compliance with laws and regulations.

APPENDIX A

| GRI Standard/ Disclosure | Page Reference and Reasons for Omission, if applicable |
|---|---|
| I02-1 Name of the organisation | 1 |
| I02-2 Activities, brands, products, and services | 3 |
| I02-3 Location of headquarters | 3 |
| I02-4 Location of operations | 3 |
| I02-5 Ownership and legal form | 3 |
| I02-6 Markets served | 3 |
| I02-7 Scale of the organisation | 4 |
| I02-8 Information on employees and other workers | 4 |
| I02-9 Supply chain | 5 |
| I02-10 Significant changes to the organisation and its supply chain | 3 |
| I02-11 Precautionary principle or approach | 9 |
| I02-12 External initiatives | Not applicable as there is no externally-developed economic, environmental and social charters, principles, or other initiatives to which our Company subscribes, or which it endorses within the scope of this SR. |
| I02-13 Membership of associations | Not applicable as there is no major memberships of industry or other associations, and national or international advocacy organisations maintained at the Company level within the scope of this SR. |
| I02-14 Statement from senior decision maker | 1 |
| I02-16 Values, principles, standards, and norms of behaviour | 3 & 4 |
| I02-18 Governance structure | 5 |
| I02-40 List of stakeholder groups | 6 |
| I02-41 Collective bargaining agreements | Not applicable as all employees within the scope of this SR are not covered by any collective bargaining agreements. |
| I02-42 Identifying and selecting stakeholders | 6 |
| I02-43 Approach to stakeholder engagement | 6 |
| I02-44 Key topics and concerns raised | 7 |
| I02-45 Entities included in the consolidated financial statements | Annual Report 2017: Pages 73 – 74 Investments in subsidiary corporations |
| I02-46 Defining report content and topic boundaries | 2 |
| I02-47 List of material topics | 7 |
| I02-48 Restatements of information | Not applicable as it is our first SR |
| I02-49 Changes in reporting | Not applicable as it is our first SR |
| I02-50 Reporting period | 2 |
| I02-51 Date of most recent report | Not applicable as it is our first SR |
| I02-52 Reporting cycle | 2 |
| I02-53 Contact point for questions regarding the report | 2 |
| I02-54 Claims of reporting in accordance with the GRI Standards | 2 |
| I02-55 GRI content index | 11 & 12 |
| I02-56 External assurance | 2 |

| GRI Standard/ Disclosure | Page Reference and Reasons for Omission, if applicable |
|--|---|
| 103-1 Explanation of the material topic and its boundaries | 7 |
| 103-2 The management approach and its components | 7 |
| 103-3 Evaluation of the management approach | 7 |
| 201-1 Direct economic value generated and distributed | 8 |
| 205-1 Operations assessed for risks related to corruption | 9 |
| 205-2 Communication and training about anti-corruption policies and procedures | 9 |
| 205-3 Confirmed incidents of corruption and actions taken | 9 |
| 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | 9 |
| 419-1 Non-compliance with laws and regulations in the social and economic area | 10 |