Leader Environmental Technologies Limited

Sustainability Report 2018

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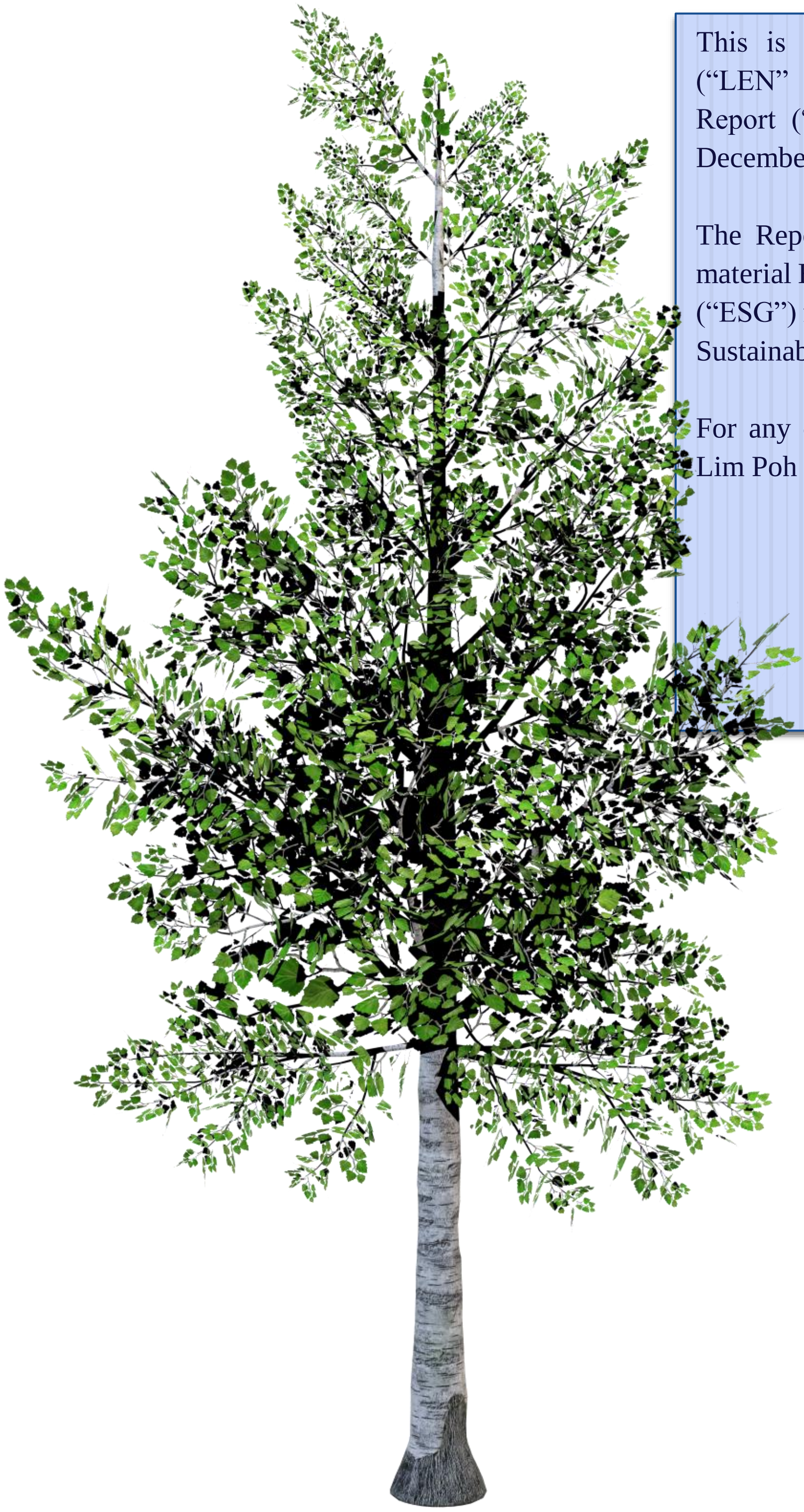


This is Leader Environmental Technologies Limited's ("LEN" or "the Group") second annual Sustainability Report ("the Report") for the financial year ended 31 December 2018 ("FY2018").

The Report will be based on identified and established material Economic, Environmental, Social and Governance ("ESG") factors of our business in accordance with the GRI Sustainability Reporting Standards: Core Option.

For any queries regarding the report, please contact Mr. Lim Poh Yeow, our Chief Financial Officer.

Board Statement

Dear Stakeholders,

Dear Stakeholders,

On behalf of the Board of Directors (the "Board") of Leader Environmental Technologies Limited, the Group is pleased to present its Corporate Sustainability Report ("CSR" or "Report") for the financial year ended 31 December 2018. The Group has adopted the "comply or explain" approach in the reporting as prescribed by SGX. This CSR is also prepared in accordance with the GRI Sustainability Reporting Standards: Core Option.

Being an environmental solution service provider, sustainability has always been in our blood and we will always consider sustainability issues in our formulation of business strategies. In the industrial wastegas and wastewater projects that we do, the Group is dedicated to play a pivotal role in helping customers to substantially reduce emissions of harmful and toxic gases into the environment.

The Group has previously set certain targets based on key material Environmental, Social & Governance ("ESG") factors as identified in its maiden report and will present an overview and discussions of its performance in this year's Report. We manage our ESG risks by using our system of policies and procedures.

In addition, the Group will also be setting targets for the next reporting period, which we will strive to improve on them year on year. This is basically in line with the Group's strategic plan and objective to build a long-term sustainable business.

In recent years, the People's Republic of China ("PRC") government has demonstrated its resolve and seriousness in enforcing and tightening its environmental laws to crack down on pollution.

Backed by favourable national policies, the Group endeavours to undertake more industrial wastegas and wastewater projects in 2019 and beyond. It also plans to expand its capacity and capability to embark and deliver larger scale industrial wastegas and wastewater projects. To do that, we must continue to invest in our workforce and R&D activities.

As the saying goes, an organisation is as good as its people. Hence, it is important to invest in building a strong and happy workforce. Enhancing the well-being of employees, by looking at their mental, psychological or emotional aspects of life, and then taking into consideration their job satisfaction, health and professional development, is an effective approach in strengthening the Group's overall performance.

Board Statement

Accordingly, the Group's employment practices and HR policies have to be reviewed constantly to ensure they remain fair and relevant. Safety at work place is also viewed as equally important by Management and should not be compromised at all times. The appointed project managers will spare no effort in conducting safety checks and trainings to ensure zero accidents at work sites.

In this knowledge-based economy where knowledge is a significant resource, many companies experienced increased competitions for more highly skilled workers. Hence, to stay ahead of our competitors, the Group plans to earmark more funding for internal and external trainings to ensure that the Group's employees are equipped with the necessary skills and knowledge to perform their work well. The skilling of employees is vital as it helps to boost business performance, motivation and staff morale. This is also likely to instill more loyalty in the workforce than having to waste unnecessarily the time and resources on recruitment exercise as a result of high staff turnover.

The Group operates in a fast-changing business environment. Hence, it must continuously evolve and innovate. The environmental industry will face more stringent emission requirements and the emission standards for various industrial wastegas are likely to tighten further in the near future as the PRC government strives to improve air quality in China. In light of this, the Group has to intensify its Research & Development ("R&D") efforts to upgrade existing and develop better technologies and systems in order to fulfil the higher stipulated emission requirements.

In conclusion, the Group will be committing more resources to perform what is necessary for its environment and business. In addition, it also plans to engage and work closely with its key stakeholders to ensure that their expectations are met, which will eventually help to achieve the Group's goals and objectives.

Our Business

The Group's customer base for FY2018 remains similar to FY2017. Our head office is located in Changchun, Jilin province and we serve a wide variety of clients spanning across different sectors and industries in the region. As disclosed in FY2017, the Group planned to set up sales offices in the Shanghai and Fuzhou markets. In FY2018, the Group managed to initiate discussions with potential customers but the finalisation of the projects in these regions are still in the early stages.

For FY2019, we aim to build on our progress and to continue making inroads to penetrate the Shanghai and Fuzhou regions, further expanding our roles in contributing to a greener environment in areas we operate.

Table 1 – Clients by different regions

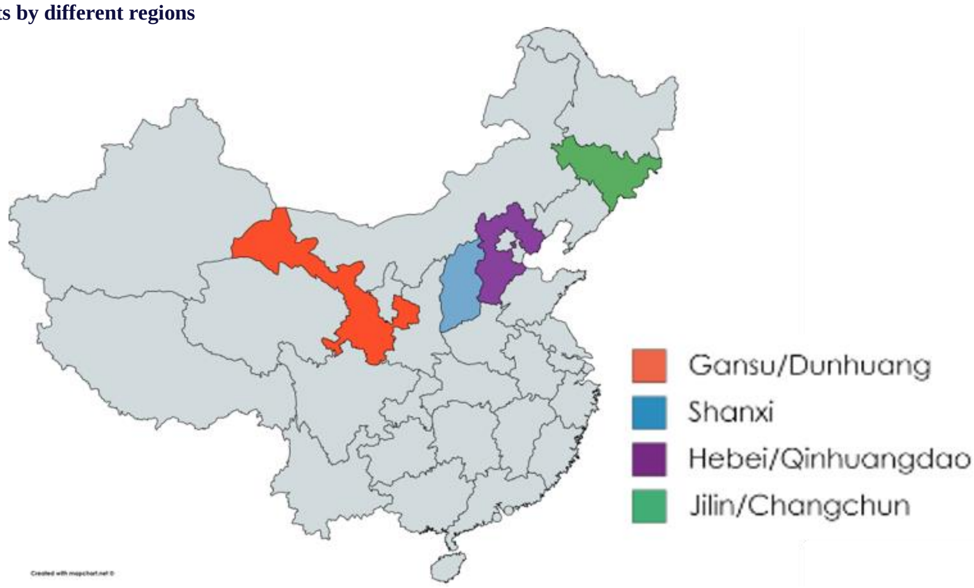


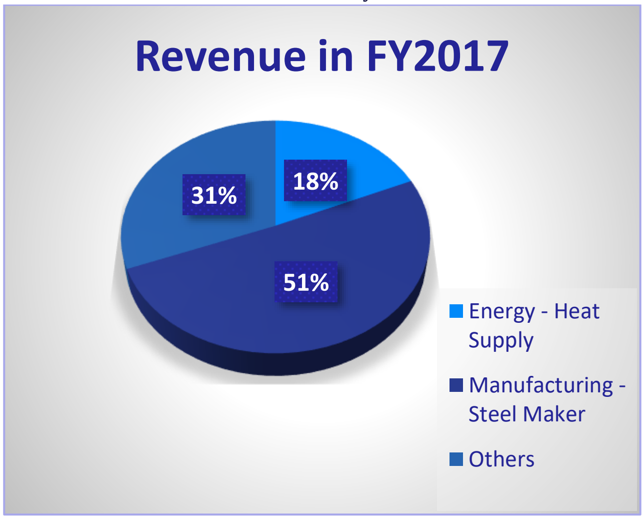
Table 2 – Clients by different industries

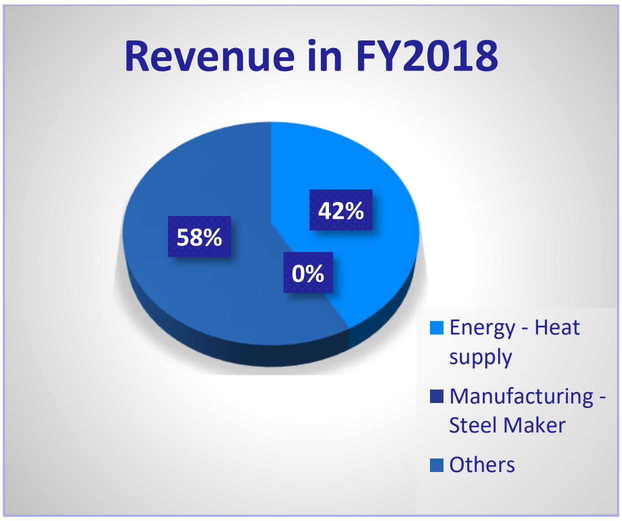
Energy – Heat Supply	Aviation – Airport operator
Environmental – Water Treatment	Manufacturing – Steel Maker/ Fibre production
Construction and Engineering – Construction companies	Food – Food processing

Our Business

In FY2018, the highest revenue contributors were from heating supply companies compared with steel makers in FY2017. This was due to the completion of the Group's obligations for a big scale contract from a steel maker in FY2017. For FY2018, we completed multiple smaller scale contracts with heating supplies companies, primarily from the Northern region where there are many heating supply companies that provide heating to industrial companies and households during the winter period. Table 1 illustrates the shift in the highest revenue contributing customer type.

Table 1 – Revenue contribution for the year FY2017 and FY2018





Revenue from "Others" are made up of customers such as airport operators, manufacturing plants, construction companies and food processing companies. In FY2018, there was no revenue contributed by steel makers as the main contract for a steel maker was completed in year FY2017. No other contracts for steel makers were obtained in FY2018 as the profit margin is low.

The shift in customer base can be attributed to the Group's sales strategy of focusing more on better margins and payment terms rather than on a specific sector in the industry. We have the expertise to customise our solutions to the needs of different customers, and this helps to reduce our over-reliance on any specific industry.

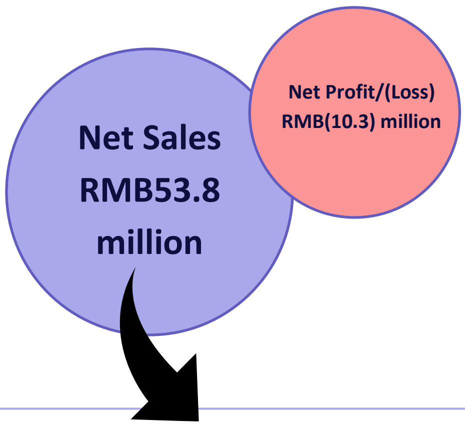
Scale and Structure of the Group

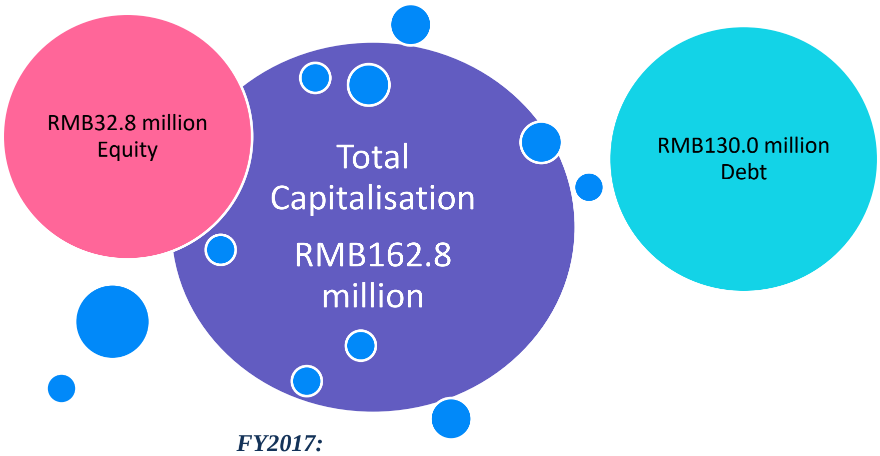
As indicated in our Annual Report's tagline "Overcoming challenges", FY2018 was a tough year for us. With the monetary tightening by the central bank of China in the early part of FY2018, substantial work cannot commence due to delays in securing contracts, resulting in a hit to our revenue and operating results.

With the delays in projects, the number of subcontractors (i.e. non-employees) we engaged were also drastically lower compared with FY2017.

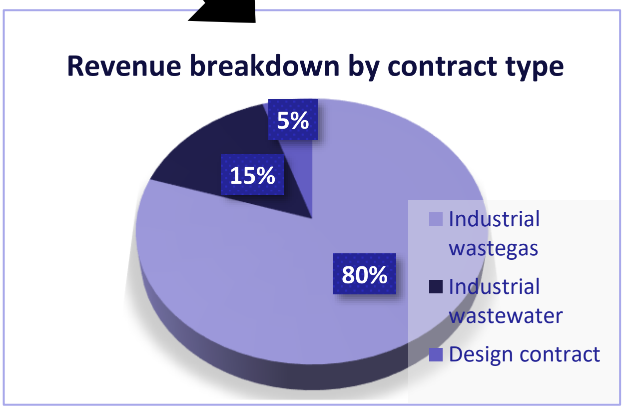
The ratio of male to female staff remains similar to the previous year. We achieved one of our targets of rejuvenating our workforce by adding a considerable number of younger personnel to boost our full-time staff strength. Below is a snapshot of the components mentioned above depicted in figures:

FY2017:
Net sales approximately RMB119.4 million
Net profit/(loss) approximately RMB13.4 million

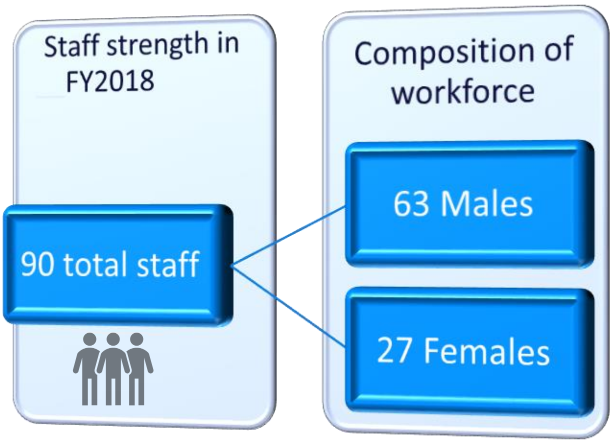




FY2017:
Total capitalisation approximately RMB174.4 million (RMB44.4 million from equity, RMB130.0 million from debts)



Full time staff breakdown:



Other staff:

FY2017:
Full time staff: 75
Non-employees involved at work sites: 358

Scale and Structure of the Group

Board of Directors Composition:

FY2017:	FY2018:
3 Males 2 Females	3 Males 1 Females

Mdm Zang Linying relinquished her duties as the Finance Director on 22 January 2018. She handed over the responsibilities of the overall financial management, accounting matters and administrative functions of the Group to the Chief Financial Officer, supported by the Group Accountant. She subsequently resigned from the Board on 3 May 2018.

To further support the Chief Financial Officer and Group Accountant on the responsibilities handed over by Mdm Zang, the Group will hire a Finance Manager.

Staff Composition:

FY2017:	FY2018:
Full-time employee: 75 (70% Male to 30% Female) Employees Aged 40 Years and below added: 2	Full-time employee: 90 (70% Male to 30% Female) Employees Aged 40 Years and below added: 26

During FY2018, the Group boosted the full-time staff strength to 90.

There is a significant change in our key management personnel as disclosed in our announcement. The Group's Deputy Chief Executive Officer ("CEO"), Dr. Kung Chi Kang, and General Manager, Mr. Gu Zheng, resigned in FY2018.

The Group is still in the process of identifying suitable successors by looking internally and externally for suitable candidates. Dr. Kung's duties are covered by the CEO and Mr. Gu's duties are taken up by our Deputy General Manager.

Net Sales:

FY2017:	FY2018:
RMB 119.8million	RMB 53.8million

We have worked on more contracts due to the stricter enforcement of the environmental law. However, we were unable to perform substantial work on the order book of RMB89.4million before winter due to delays in securing these contracts and this affected our revenue significantly for FY2018.

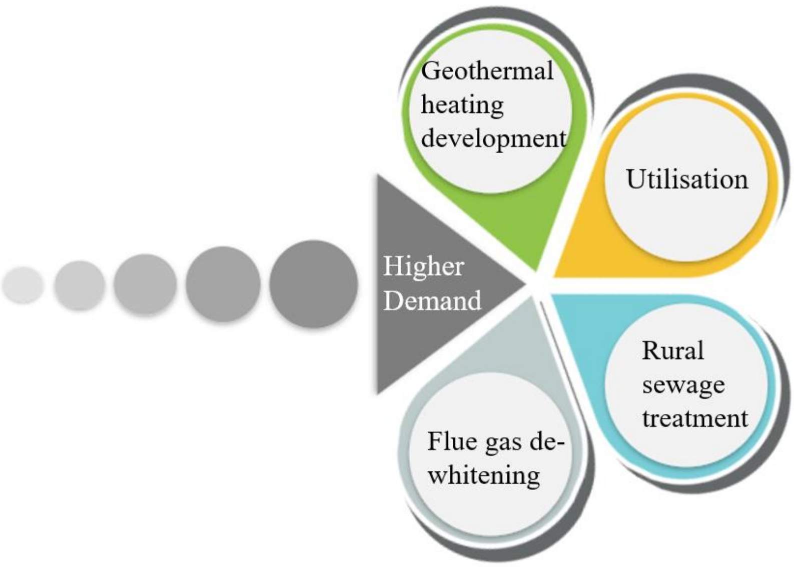
To undertake larger scale government related projects, one of our subsidiaries changed its name to Jilin Anjie New Energy Group Co., Ltd (formally known as Jilin Anjie New Energy Power Generation Co,. Ltd) in June 2018. With the change, the principal activities of the subsidiary expanded to include water pollution control; design and construction works relating to remediation of rivers and lakes, main contractor for municipal public projects; soil pollution control and restoration services; and heat supply engineering construction and design works. There is no change in our Group structure.

Notable Memberships

As disclosed in the FY2017 Sustainability Report, the Group is a member of the Provincial Environmental Protection Industry Association of the Jilin province ("Association"). The Association solicits opinions on local laws and regulations and relevant governmental decisions and law promulgated by National People's Congress and propose necessary amendments; participate in legislative research and research projects organized by the special committees of the Provincial People's Congress and the working organizations of the Standing Committee; and gather feedback in respect of legislative proposals and requirements including feedback on difficulties encountered during the implementation of laws and regulations, and propose amendments and improvements.

Key developments in FY2018

In FY2018, we continue to participate in meetings and conferences held by the Association to keep up to date with any developments in the industry. Below are the areas of growth identified by the Association.



Our Supply Chain

The Group's supply chain structure remains relatively similar to FY2017. Below is the summary of the key aspects of the Group's supply chain.

Key Suppliers and Customers

Key suppliers:
- Subcontractors
- Suppliers of raw materials and parts

Key customers:
- Companies who require wastegas or wastewater treatment solutions (Refer to "Our Business" for region and industry served)

Subcontractors selection criteria

- Experience
- Expertise on the field
- Service quality
- Project requirements
  (i.e. types of raw materials and supplies required which differs due to custom nature of projects)

Key Characteristics of Supply Chain

- Contracts with suppliers entered back-to-back with customers
- Payment terms to suppliers and customers generally matched
  - Based on progress or milestones
  - Retention sum of between 5% and 10% kept as guarantee for quality of parts or services delivered
- Credit terms not specified from suppliers as payments to suppliers usually made upon payment received from customers
- Long-term contracts only entered into for common raw materials

Key developments in FY2018 relates to impairment of retention monies the Group had paid to customers as disclosed in our announcements. Due to stricter monetary policies, some customers faced cashflow issues and were unable to repay the retention monies. Going forward, we do not expect changes to the supply chain characteristics but we will be more selective of the projects we take on.

As we have established good working relationships with our key suppliers whom we have business dealings with many years, we managed to build the trust which enable them to support us during good and bad times. Hence, for our prepayments and advances made to our suppliers, we are confident of collecting back any residual monies and pay our trade creditors upon project completion.

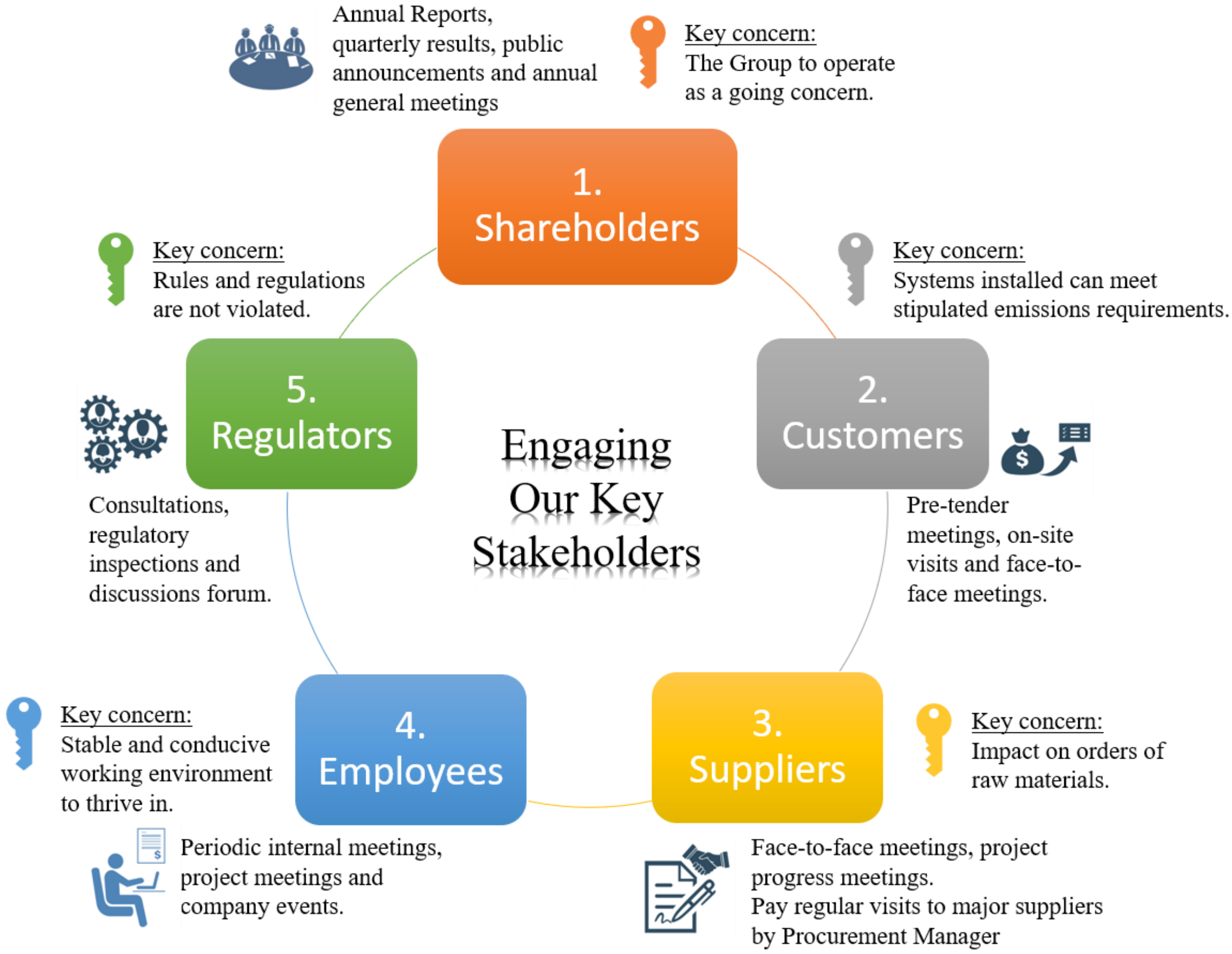
Our Approach

Our Approach in Determining Material Factors

The Group adopts the same approach as disclosed in our maiden sustainability report in FY2017. We use a 4-Step Approach to identify and assess potential factors.

Identification

We identified our sustainability issues based on our understanding of the Group's environment by gathering information through engaging with our key stakeholders in various medium as illustrated below:



Our Approach

Prioritisation and Validation

We assess and prioritise our material Economic, Environmental, Social and Governance ("ESG") factors in order of their significance to both our stakeholders as well as to our business. We have further obtained information on the materiality assessment with our key stakeholders and prioritised the potential significant ESG factors; based on the feedback received from our key stakeholders, we have retained the same material ESG factors in FY2018.

Materiality

The ranking of our material ESG factors was performed based on two parameters: **importance to key stakeholders** and **impact on the Group's business.** Through research and validation, review and materiality assessment, we decide on the material factors we consider appropriate to concentrate on. Based on our approach and assessment, we have identified the following material ESG factors which are still relevant and which matter most to us:

Our Approach

We ranked our material ESG factors as depicted in the ESG Materiality Matrix below.

ESG Materiality Matrix

The Group's material issues remain the same as in FY2018 with the exception of the swop in the top two most material issues. Due to the monetary tightening of the central bank of China in FY2018 which exerted pressures on our working capital, "Business Discipline" has replaced "Product Excellence" as our most material issue. The Group has the responsibility to all our stakeholders, and hence, maintaining tight business discipline is crucial for the Group's sustenance so that we can continue to serve the different stakeholders' needs.

Economic & Environment

Business Discipline

In FY2018, business discipline became our most material ESG factor due to changes in our operating environment. The Group has to be selective and take on projects that offer better gross profit margins and payments terms given our working capital constraints and challenges in collecting receivables due to the Group as some of our customers are severely impacted by the tightening policy. As disclosed in our announcement, the Group also decided to impair some of the retention monies due to be returned to us as the customers were unable to return them even though the retention period has expired.

Consequently, the Group has to maintain a prudent and disciplined approach in planning, managing and utilising its limited resources in FY2018. We also embarked on cost cutting measures to rein in business costs. A detailed cost budget is prepared for each potential tender project, taking into account equitable profit allowance according to the nature and complexity of the work to be performed, and also taking into account prevailing market factors. If budget costing is not able to achieve the expected rate of return, the Group will not participate in the tender. This has been our approach to achieve positive and reasonable returns for our projects.

Moving forward, the Group is exploring public-private partnership projects with third-parties, financial institutions and government agencies. We are targeting wastewater related projects which have reasonably higher margins and their operation and maintenance segments will provide regular, stable and long-term cash flows to the Group. The Group will evaluate the financial and operational requirements before deciding on whether to venture into such partnerships.

Customer Assessment

Our criteria for customer assessment include the analysis of the return on investment (ROI), profit margin, and customer’s financial track record and reputation.

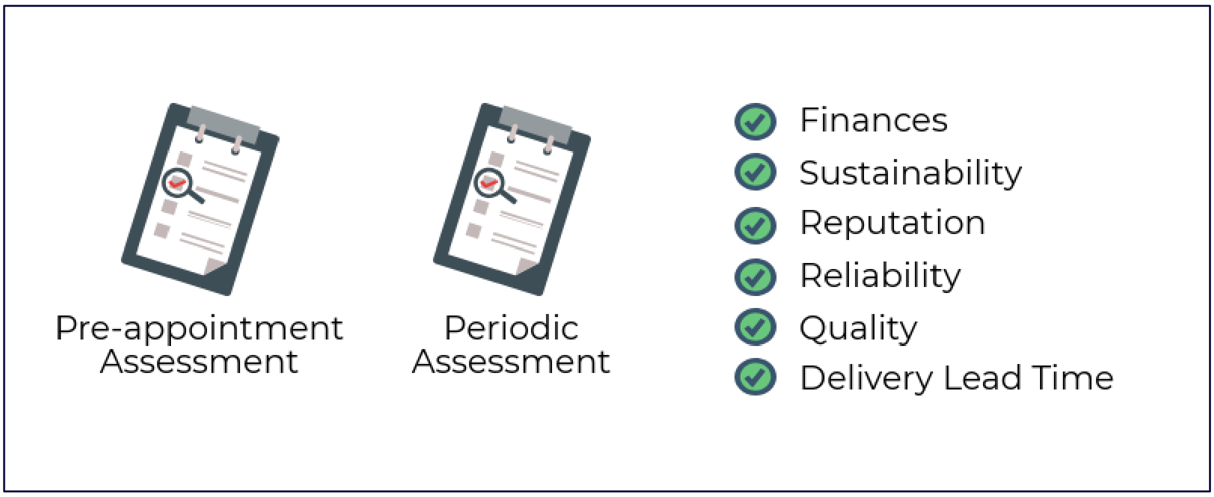
Our Group's sales strategy is to source for projects with better margins and payment terms. This strategy still remains relevant in this business climate. We have also performed more background checks on the customers in light of the slowing economy in China. The debtors aging had increased from approximately 30 days in FY2017 to 81 days in FY2018. The sales staff have followed up closely with the customers and regular visits were made to address any potential payment issues. The Group also strategised to have milestone payments in our projects to improve our collection terms.

For long overdue debts, the Group will consider serving legal letters or seeking recourse. For new customers, the Group will check on their credit rating. We will not work with a customer with poor credit rating even if the project profit margin is high.

Supplier Assessment

For FY2018, our supplier assessment criteria remains the same despite the change in business climate because we have been working with these established suppliers for more than 5 years and have established a very good working relationship.

As reported in Sustainability Report 2017, our supplier assessments are based on both financial and non-financial factors to ensure a holistic assessment.



One of the key criteria in supplier assessment is the supplier's ability to supply quality steel materials and fabric bags that can meet the stringent requirements for the purpose of treatment of harmful wastegas.

Prior to appointment of potential new suppliers, our purchasing manager does the following customer evaluation:

a. Obtain either the supplier’s management accounts or audited financial statement to assess and evaluate their financial positions to check whether the suppliers have the financial means to fulfil their commitments.

b. Conduct visits to suppliers to perform detailed check and observation of their establishments. Factors considered in the checking of potential new supplier’s establishment includes sustainability, reputation, reliability, quality, and delivery lead time; and

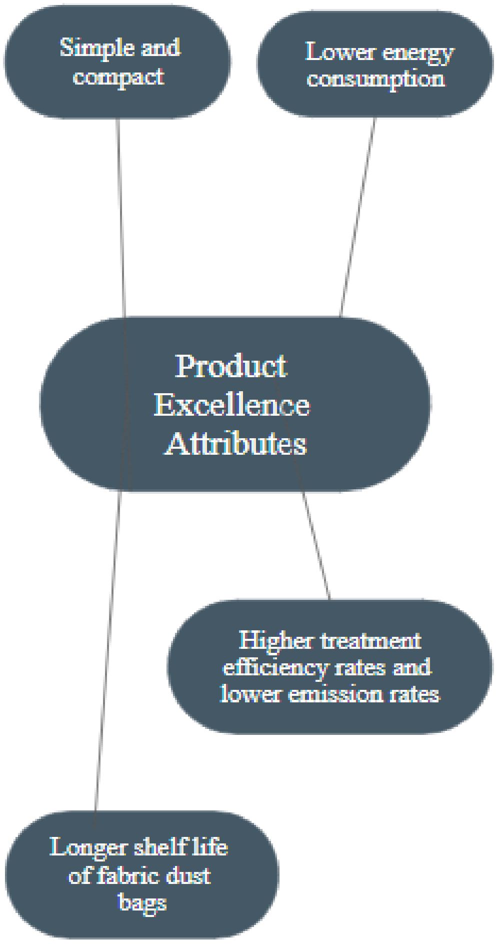
c. Conduct due diligence by engaging with other business contacts who have business dealings with these potential suppliers for reference check.

We will only work with established suppliers in the city or province where our projects are based. We have been working with these established suppliers for more than 5 years and have established a stable and reliable working relationship.

Going forward, we will also conduct checks on the suppliers' background to ensure that they have not breached any environmental laws or perform any act that is harmful to the society before dealings with them.

Product Excellence

Our projects are characterised by the following attributes:



Simple and compact

- The simplicity and compactness of our dust elimination and desulphurisation technological systems help our customers save space when these systems are constructed with the new power plants or industrial boilers as they can be easily fitted into the old or existing power plants and industrial boilers, which typically have limited space.

Lower energy consumption

- The systems in operation consume less energy.

Longer shelf life of fabric dust bags

- The fabric dust bag of our dust elimination system is durable and can be used for a longer period of time. Cost of maintenance for both systems is low.

Higher treatment efficiency rates and lower emission rates

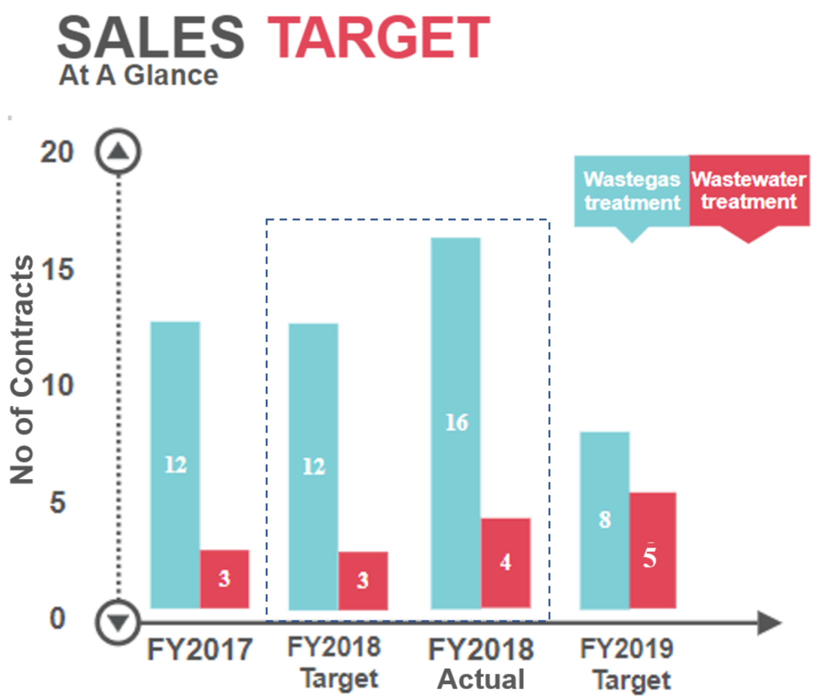
- Our dust elimination and desulphurisation systems have wastegas treatment efficiency rates of up to 99.9% and more than 90%, respectively. Both systems have the capabilities of achieving emissions of 10 mg/Nm^3 and 35 mg/Nm^3, respectively, which are significantly lower than the stipulated national emission standards of 30 mg/Nm^3 and 200 mg/Nm^3, respectively.

The PRC government's continuing resolve to crack down on pollution with more environmental bureaus deployed to perform inspection on factories and companies in FY2018 presents direct business opportunities for the Group. Companies that fail to meet regulatory requirements are penalised heavily.

However, these opportunities are neutralised by the monetary tightening of the central bank of China in FY2018 since companies were less able to embark on capital expenditures as the likelihood of getting funding were drastically reduced.

Nonetheless, the Group endeavors to keep up its efforts in retaining the above positive attributes so that we can continue to play a pivotal role in helping customers to substantially reduce emissions of harmful and toxic gases into the environment.

Sales Targets



FY2017: The bulk of our revenue in FY2017 was generated from 12 wastegas treatment contracts and 3 wastewater treatment contracts.

FY2018 Target: As disclosed in the Sustainability Report 2017, the Group intends to increase its participation in tenders for industrial wastegas and wastewater contracts.

The strong emphasis by the PRC government to curb pollution, coupled by the tightening of environmental policies with more on-going inspections, have boosted the environmental industry. As a result, more contracts are made available for tenders which give us the added optimism. Hence, the Group targets to achieve the same number of contracts in FY2018.

FY2018: The Group FY2018's sales were mainly spillover from uncompleted contracts in FY2017. The decrease in revenue was mainly attributed to delays in securing contracts due to, among other factors, monetary tightening by the PRC central bank. Money tightening of the central bank of China has affected many companies' ability to get loans from the central bank, thus, impacting cash flows.

More contracts were made available due to the stringent checks performed, but the Group has been selective in taking on contracts that can offer good profit margins and payment terms.

FY2019 Target: Sales from wastegas projects have been a challenge to the Group as they face intense competition from their competitors in the field.

The Group is exploring public-private partnership projects with third parties, financial institutions and government agencies in the next 12-18 months as the gross profit margins generated for the wastewater related projects can be reasonably higher. Moreover, its operation and maintenance segments will provide regular, stable and long-term cash flows to the Group. The financial institutions are keen to participate and provide substantial part of the funding to finance the construction of these plants and facilities as the assets can be used as collaterals. This will help to relieve the financial burden on the Group. Management is reviewing and evaluating the financial and operational requirements before reaching a decision whether to venture into such partnerships.

Occupational Health and Safety

Occupational Health and Safety ("OHS") remains one of our top most material topics affecting the Group's sustainability as the Group strongly believed that safety at the workplace should not be compromised at all times.

In delivering our solutions to treat industrial wastegas and wastewater, OHS impacts occur mostly at the Group's project sites, involving our workers as well as the socio-ecological environment surrounding the project sites.

Even though we engaged less subcontractors in FY2018, they still made up 81% of all workers whose work and workplace are within our controls. Hence, it is our responsibility to ensure they stay safe while working at our worksites. This remains a key challenge for us; managing the OHS for the subcontractors who are not directly under our control.

To manage this risk, we have the dedicated Health and Safety ("HS") Department to manage all OHS matters. The HS Department's responsibilities include designing, implementing and promoting the OHS management system as well as handling OHS grievances and whistleblowing.

Our approach to OHS is largely influenced based on prevention. Our target is to achieve zero-accident which we have achieved again this year.

Well-designed and implemented systematic mechanisms, through an OHS Management System, enable us to identify and prevent OHS threats early.

This commitment of resources by LEN is appropriate to the materiality of OHS on our sustainability.

Occupational Health and Safety

Hazard Identification

Hazard identification is crucial in ensuring early prevention and intervention. They are strategically implemented in 3 critical areas as shown below.

01 Pre-Employment

Management

- Ensure the hiring of qualified and competent Project Managers
- Ensure that Sub-contractors have adequate hiring policy for their workers

New Employees

- Compulsory Safety Training Course
- Operational Safety Handbooks

02 Pre-Project Commencement

Project Managers

- Conduct site visits to assess potential potential hazards
- Develop safety measures to be implemented at project sites

03 Operations

HS Department

- Design, implement and monitor OHS Management System for early identification and prevention
- Prepare Incident Reporting for internal and external use

Workers

- Daily briefing and debriefing conducted at project site
- Perform regular equipment inspections
- Identify and report hazards on the ground

In addition, the Group also set up a reward system to encourage timely rectification of any safety lapse observed. While this has yet to make any positive contribution, we are heartened to know that our safety officers have been rectifying potential safety hazards at worksites even before the deployment of workers. The safety officers are involved at both the pre-project commencement and operations areas to provide additional safeguards to ensuring hazard-free work sites.

Occupational Health and Safety

Pre-Employment

Prior to the commencement of employment, employees are required to go through training on workplace safety. The training covers the common workplace hazards and appropriate approach to specific work site situations that forms part of our safety regulation at our project sites.

In situations where specialised equipment needs to be used, the Project Manager or Safety Officer verifies whether the worker (including subcontractor) tasked to operate the specialised equipment is certified to handle the equipment prior to deployment of the worker.

Pre-Project Commencement

Our site visits prior to undertaking new projects involve evaluation on the suitability of the area to be used as a project site and check whether safety measures can be taken to mitigate risks posed to the surrounding area.

Our policies include, but not limited to, the following measures:

- Ensure proper drainage and perimeter demarcation;
- Deployment of personnel to direct traffic at junction with high traffic flow;
- Setting up electrical points in compliance to China's regulation;
- Ensure no fire hazards at the sites; and
- Ensure structural integrity of the surrounding buildings and work sites structures.

Incident Reporting

During the course of operations, all OHS incidents are to be reported, investigated and endorsed by all relevant personnel in the Hierarchy of Responsibility below:

General Manager

- Responsible for OHS reporting both internally and externally
- Provide oversight for the OHS function and the HS Department

HS Department

- Overall design, implementation & monitoring of OHS system at organisational level
- Conduct investigations of OHS issues identified on the ground with assistance from Project Manager
- Preparation of OHS reporting both internally and externally

Project Manager

- OHS Implementation at project site level
- Different project sites may have different requirements
- Works with HS Department in ensuring OHS sufficiency and relevance at project site level
- Works with Supervisors and Safety Officer on OHS implementation

Safety Officer

- Advise Project Manager and Supervisor on safety issues
- Alternative point of contact for workers to report incidents

Supervisor

- OHS implementation at ground level based on direction set by management
- Facilitate communication for feedback and investigation between workers and management

Workers

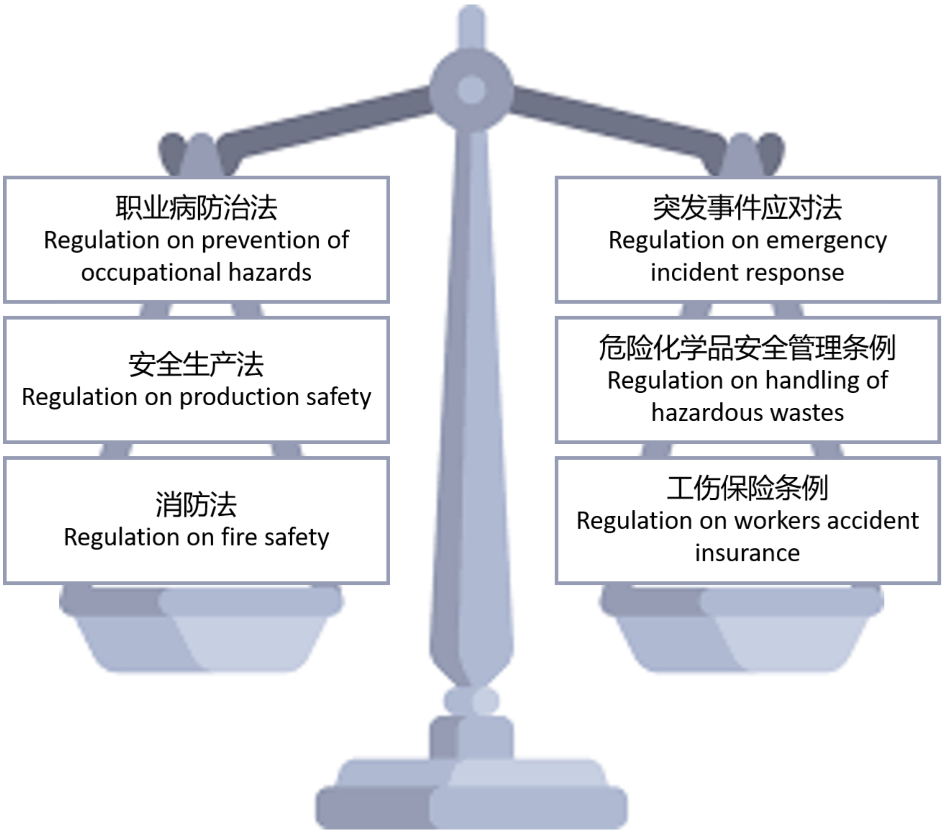
- Report any safety lapse observed
- Provide feedback and assist in investigation of OHS issues

Occupational Health and Safety

The incident reporting mechanism enables the HS department to evaluate our OHS processes by analysing incident reports on a monthly basis. These incident reports continually add on to the shared OHS knowledge pool within the organisation which can be tapped on when required.

The incident reports are also collated for the year and submitted to the local Bureau of Work Safety on an annual basis for external assessment.

Our OHS Management System is compliant with the following legislations:



Occupational Health and Safety

OHS Communication

Safety Officers are appointed and stationed at project sites to facilitate investigation of safety hazards on-site. They also serve as the point of contact for safety issues at the project sites.

Compulsory daily briefing and inspection sessions prior to the start of each work shift is a key touch point with workers (including subcontractors) with regards to OHS communication at project sites.

A workers' union meeting is held every quarter where workers are represented in joint management-worker health and safety issues, concerns and welfare of the workers are discussed with the management.

A key development highlighted by the union this year was the implementation of a mutual financial assistance guarantee scheme to support union members affected by major illness or injuries due to accidents occurred at the work place or project sites. Union members that subscribed to it are eligible for a lump sum payout to provide for their sustenance in the event of any covered incidents.

In FY2018, the Group also conducted 4 training sessions for workers covering topics such as the Group's code of conduct, workflow training and familiarisation, work skill training and soft skills such as cultivating proper mindset and attitude towards safety and work. We target to conduct at least 4 training sessions per year to train new workers and also serve as refresher training for existing workers.

For subcontractors at our project sites, we ensure our OHS coverage by requiring all our subcontractors to sign an agreement that workers sent to our work sites have to abide by our health and safety policies.

We also have a whistle-blowing policy in place to encourage the identification and reporting of OHS hazards by workers at work sites without fear of adverse consequences. Consequently, there will also be severe penalties for the misuse of this policy to discourage falsehoods and untruths.

Occupational Health and Safety

Care for our workers

Our projects can range from three to six months or may last up to two to three years (depending on the scale of the project). We have to ensure that accommodations for our workers are adequately set up at each project site.

We provide canteens and housings for workers based at project work sites. Our project managers ensure that all other necessary facilities such as sanitary installations are set up to ensure proper living condition for our workers stationed at the work site throughout the project period.

We also include in our policies rules for the prohibition of alcohol consumption, gambling and drug abuse at our work sites to promote the mental health of our workers. Frequent checks are conducted on a random basis at the accommodation areas to ensure that there are no illegal activities (i.e. consumption of alcohol, gambling and drug abuse) that may lead to poor mental well-being.

For safety, first aid items (i.e. medications like cold and flu medicines, drugs for weak stomach, adhesive bandages, gauze, antiseptic, etc.) are stored and easily accessible to the workers at the project-site. The effectiveness and replenishment of stock of the first aid medications is be monitored by the project managers.

In addition to compliance with the relevant PRC laws and regulations relating to social welfare insurance, we have also taken social insurance coverage, namely the unemployment insurance, medical insurance, work-related injury insurance and pension insurance for our employees.

Furthermore, we have taken maternity insurance for our female employees and we utilise part of the union funds for workers' health check. In FY2018, the Group also arranged health check for all our employees with the cost fully borne by us.

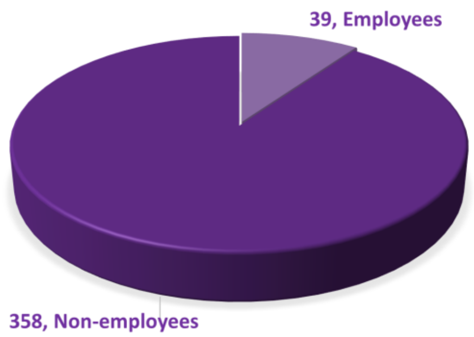
Occupational Health and Safety

OHS Coverage

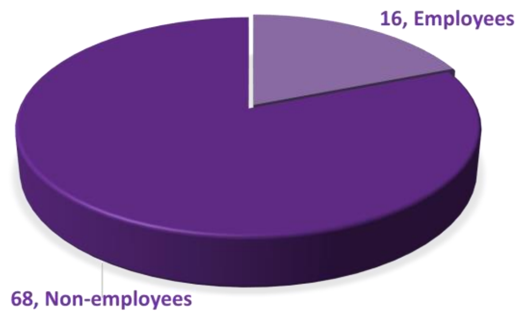
The Group provides 100% coverage for all workers at workplaces controlled by us. As subcontractors form a huge part of our labor force, we recognise and assume our responsibility in providing OHS support for them.

The numbers of each type of workers covered under our OHS Management System for the current year and prior year can be seen below:

FY2017:



FY2018:



The major decrease in workers covered is in line with the substantial decrease in revenue due to delays in securing contracts. Moreover, the bulk of the subcontractors in FY2017 was for a large-scale contract with a steel maker which have been completed, thus we do not need to engage as many subcontractors in FY2018.

Non-employees (subcontractors) remain the majority of the type of workers covered under our OHS Management System.

Human Capital Development

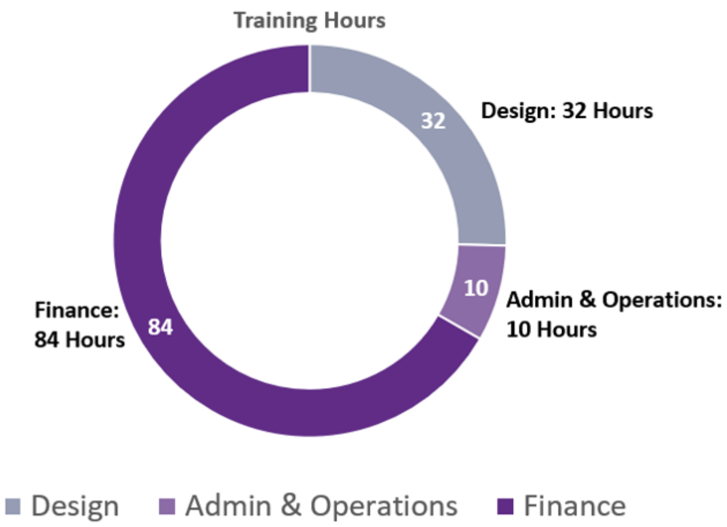
Our people and their skills are our greatest asset. In addition to providing a safe environment to work and deliver results, it is equally important for the Group to ensure that they are well-equipped with the skills to match our needs and goals.

Our approach to Human Capital Development is to ensure the sufficiency and relevance of Training and Education received by our employees. Hence, this year the Group has focused its Human Capital Development efforts for workers in the design, finance and operations departments who play critical roles for the Group to achieve its objectives. We feel that this is a more effective approach as compared to last year where the training efforts were less focused.

Due to the dynamism and continuing developments affecting these departments, continuing education and training ensure that these departments stay competent and competitive within the industry ensuring the sustainability of the Group within the industry.

An annual training plan is designed based on this strategy by assessing the competency gap between the environment and existing competency, as well as considering the end-of-training feedback from the prior year's training completed.

The training and education provided for our employees for FY2018 can be seen below:



The training plan for FY2017 was less focused for each department and provided an overall of 83 hours of broad training for every employee compared with an overall of 126 hours in FY2018.

This year, we have designed training programs suited for each respective department such as continuous education for accountants and tax related courses for the Finance team, social insurance related courses for Admin & Operations team and technical courses for new technology over wastewater treatments for the Design team.

Human Capital Development

As disclosed in FY2017, the Group sees succession planning as a key aspect of our talent management strategy and our long-term sustainability. With a majority of our key executive officers at near or past their retirement age, the Group knows and understands the critical need to rejuvenate the team with younger members.

Hence, the target set in FY2017 was to recruit younger candidates with the relevant experience and drive from outside the organisation. To ensure a smooth transition process, the old guards are retained by the company for a short period of time as consultants to mentor the younger talents to become future leaders of the Group.

We are pleased to report that we have successfully added 26 new employees (aged below 40 years old) in FY2018 as compared to only 2 employees added in FY2017. The young employees are engineers, safety officers, mechanics, quality control staff and project managers.

Governance

Sustainability Governance

The Sustainability Committee is headed by the Group’s Deputy General Manager, Xu Shulin, who provides overall oversight and accountability over the sustainability efforts of the Group.

The Sustainability Committee reviews the Group's existing practices on a strategic level to see if further improvements can be made on certain areas which may have a significant impact on the environment, social and economic aspects.

The Sustainability Committee represents a conscious effort by our Group in managing our sustainability issues by assigning responsibility of oversight and direction setting in sustainability issues and strategies.

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