
REGULATORY OVERVIEW

OVERVIEW

We are a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel for construction projects in Hong Kong. We also have a subsidiary in the PRC, namely Wing Kei Dongguan, which leased the Dapianmei Production Facility and the Xinlong Production Facility to fabricate structural steel for the structural steelwork projects in Hong Kong undertaken by Wing Kei Hong Kong. This section sets out a summary of certain aspects of Hong Kong and PRC laws, rules and regulations that are relevant to our operations and business.

HONG KONG

Laws and Regulations in relation to Labour, Health and Safety

Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course; and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

The Construction Workers Registration Ordinance also contains a "designated workers for designated skills" provision, which provides that only registered skilled or semi-skilled workers of designated trade divisions are permitted to carry out construction works on construction sites relating to those trade divisions independently. Unregistered skilled or semi-skilled workers are only allowed to carry out construction works of designated trade divisions (i) under the instruction and supervision of registered skilled or semi-skilled workers of relevant designated trade division(s); (ii) in proposed emergency works (i.e. construction works which are made or maintained consequential upon the occurrence of emergency incidents); or (iii) in small-scale construction works (e.g. value of works not exceeding HK\$100,000). Registered skilled and semi-skilled workers for designated trade divisions shall be included as registered construction workers of the Register of Construction Workers, and accordingly, subcontractors of construction sites are required to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out construction works on construction sites in relation to those trade divisions independently.

REGULATORY OVERVIEW

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include (1) providing and maintaining plant and work systems that do not endanger safety or health; (2) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances; (3) providing all necessary information, instructions, training and supervision for ensuring safety and health; (4) providing and maintaining safe access to and egress from the workplaces; and (5) providing and maintaining a safe and healthy working environment.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), any contractor (i) in relation to construction work with a contract value of HK\$100 million or more; or (ii) in relation to construction work having an aggregate of 100 or more workers in a day working in a single construction site; or (iii) in relation to construction work having an aggregate of 100 or more workers in a day working in two or more construction sites is obliged to appoint a safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system and consider improvements to the system at least once in every six months. Further, any contractor (i) in relation to construction work having an aggregate of 50 or more but less than 100 workers in a day working in a single construction site; or (ii) in relation to construction work having an aggregate of 50 or more but less than 100 workers in a day working in two or more construction sites is obliged to appoint a person, being a person who is capable of competently carrying out a safety review, to be the safety review officer to conduct a safety review to review the effectiveness of its safety management system and consider improvements to the effectiveness of the system at least once in every six months.

According to the Factories and Industrial Undertakings (Safety Management) Regulation, the safety auditor shall (i) be a registered safety officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong); (ii) have not less than three years' full-time experience, in the five years period immediately preceding the application for registration with the Labour Department, in a managerial post responsible for industrial safety and health matters in respect of an industrial undertaking; (iii) occupy, at the time of the application for registration with the Labour Department, the managerial post or a like post; (iv) have successfully completed a scheme conducted by a registered scheme operator; and (v) understand the requirements under legislation in Hong Kong relating to industrial safety and health matters. Pursuant to the Code of Practice on Safety Management issued by the Labour

REGULATORY OVERVIEW

Department, a safety auditor should (i) understand his task and be competent to carry it out; (ii) be familiar with the industry and the processes being carried out in the relevant industrial undertaking; (iii) have a good knowledge of the safety management practices in the industry; and (iv) have the necessary experience and knowledge to enable him to evaluate performance and identify deficiencies effectively, while a safety review officer should (i) have a good understanding of the operation of the relevant industrial undertaking in respect of which he conducts the safety review; (ii) have a good understanding of the legal requirements in force in Hong Kong relating to industrial safety and health; and (iii) have received appropriate training in how to review the effectiveness of a safety management system with a view to improving it.

Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (Chapter 59AG of the Laws of Hong Kong) (the "Loadshifting Machinery Regulations")

Under regulation 3 of the Loadshifting Machinery Regulations, the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who (i) has attained the age of 18 years; and (ii) holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs. Under the Loadshifting Machinery Regulations, loadshifting machines used in industrial undertakings refer to forklift trucks, while loadshifting machines used on construction sites refer to a bulldozer, a loader, an excavator, a truck, a lorry, a compactor, a dumper, a grader, a locomotive and a scraper. For the purpose of the Loadshifting Machinery Regulations, the responsible person means a person who is having the management or in charge of the machine but does not include a person who operates the machine, and the contractor who has control over the way any construction work which involves the use of the machine is carried out and, in the case of a loadshifting machine situated on or used in connection with work on a construction site, also means the contractor responsible for the construction site.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

Under the Occupational Safety and Health Ordinance, employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
 - maintenance of the workplace in a condition that is safe and without risks to health; and
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;

REGULATORY OVERVIEW

- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment for the employer's employees that is safe and without risks to health.

Failure to comply with any of the above provisions constitutes an offence. The Commission for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity in or condition of the workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 15(1A) of the Employees' Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation. According to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with section 40(1) of the Employees' Compensation Ordinance.

REGULATORY OVERVIEW

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years.

Limitation Ordinance (Chapter 347 of the Laws of Hong Kong)

Under the Limitation Ordinance, the time limit for an applicant to commence employees' compensation claims in two years, while that for common law claims for personal injuries is three years, from the date on which the cause of action accrued.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited to (a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000). Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor who pays an employee any wages under section 43C of the Employment Ordinance may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

REGULATORY OVERVIEW

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

According to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) shall take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (set at HK\$40 per hour as at the Latest Practicable Date) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPF Schemes Ordinance")

Employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund ("MPF") scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (set at HK\$30,000 and HK\$7,100 per month, respectively, as at the Latest Practicable Date), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling (set at HK\$1,500 as at the Latest Practicable Date). Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (set at HK\$30,000 as at the Latest Practicable Date).

Laws and Regulations in relation to Environmental Protection

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented.

REGULATORY OVERVIEW

Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)

Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such "notifiable work" includes site formation, reclamation, demolition of a building, work carried out in any part of a tunnel that is within 100 metres of any exit to the open air, construction of the foundation of a building, construction of the superstructure of a building or road construction work.

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance. Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system.

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong). Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

Pursuant to section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or if that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence. (1) Emission of dust from any building under construction or demolition in such manner as to be a nuisance; (2) any accumulation of water on any premises found to contain mosquito larvae or pupae; (3) any accumulation or

REGULATORY OVERVIEW

deposit which is a nuisance or injurious to health; and (4) any premises in such a state as to be a nuisance or injurious to health are actionable under the Public Health and Municipal Services Ordinance.

Laws and Regulations in relation to Construction Works

Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

The Buildings Ordinance provides that before the commencement of any building works: (i) prior approval and consent from the Building Authority must be obtained; (ii) authorised persons, such as architects, engineers and surveyors registered under the Buildings Ordinance, must be appointed to coordinate the works, prepare and submit plans for the approval from the Building Authority; (iii) registered professionals must be appointed to design and supervise the works; and (iv) registered contractors must be appointed to carry out the works. Section 14(1) of the Buildings Ordinance provides that no person shall commence or carry out any building works without having obtained such prior approval and consent from the Building Authority and such proper appointments. According to section 41(3) of the Buildings Ordinance, building works (other than drainage works, ground investigation in the scheduled areas, site formation works and minor works) in any building are exempt from the requirement for approval and consent from the Building Authority if the works do not involve the structure of the building.

If the building works are within the purview of section 41(3) of the Buildings Ordinance, the works must further comply with the building standards specified in the relevant Building Regulations empowered under the Buildings Ordinance. The Buildings Ordinance further requires that any authorised person of the buildings works must be appointed by the ultimate beneficiary of the works, the employer of the works or the contractor.

Laws and Regulations in relation to Contractor Licensing Regime and Operation

Registered Specialist Trade Contractors Scheme

As at the Latest Practicable Date, Wing Kei Hong Kong was registered as a registered subcontractor in the Registered Specialist Trade Contractors Scheme of the Construction Industry Council under the trade category of 01.08 Structural Steelwork.

Subcontractors which are involved in, among others, structural steelwork trades in Hong Kong may apply for registration under the Registered Specialist Trade Contractors Scheme managed by the Construction Industry Council. The Subcontractor Registration Scheme (replaced by the Registered Specialist Trade Contractors Scheme on 1 April 2019) was formerly known as the Voluntary Subcontractor Registration Scheme (the "VSRS"), which was introduced by the Provisional Construction Industry Co-ordination Board (the "PCICB"). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

REGULATORY OVERVIEW

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) (“**WBDB**”) on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department) requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors (whether nominated, specialist or domestic) registered from the respective trades available under the VSRS. After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage two of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

With effect from 1 April 2019, the Registered Specialist Trade Contractors Scheme replaced the Subcontractor Registration Scheme. The Registered Specialist Trade Contractors Scheme comprises of two registers: the Register of Specialist Trade Contractors (“**RSTC**”) and the Register of Subcontractors (“**RS**”). All subcontractors who are registered under the seven trades namely demolition, concreting formwork, reinforcement bar fixing, concreting, scaffolding, curtain wall and erection of concrete precast component of the Subcontractor Registration Scheme have automatically become Registered Specialist Trade Contractors and no application is required. All subcontractors who are registered under the remaining trades of the Subcontractor Registration Scheme have been retained as registered subcontractors and no application is required.

Categories of registration

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch out into around 94 specialties, including general demolition, and others (concrete coring and saw cutting) etc. Since 1 April 2019, subcontractors may apply for registration on the RSTC in one or more of the seven designated trades including demolition, reinforcement bar fixing, erection of concrete precast component, concreting formwork, concreting, scaffolding and curtain wall and on the RS in other common civil, building, electrical and mechanical trades.

Where a contractor is to subcontract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Registered Specialist Trade Contractors Scheme) of the Registered Specialist Trade Contractors Scheme, it shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the Registered Specialist Trade Contractors Scheme. Should the subcontractors further subcontract (irrespective of any tier) any part of the public works subcontracted to them involving trades available under the Primary Register of the Registered Specialist Trade Contractors Scheme, the contractor shall ensure that all subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Registered Specialist Trade Contractors Scheme.

REGULATORY OVERVIEW

Applications for registration under the RSTC are subject to a number of requirements based on the relevant trade category and tender limits as detailed in Schedule 2 of the Rules and Procedures for the Register of Specialist Trade Contractors and the Rules and Procedures for the Register of Subcontractors both issued by the Construction Industry Council in January 2024.

Both registered subcontractor and the registered specialist trade contractor shall apply for renewal not earlier than six months but not later than three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified form and accompanied by the prescribed fees and documents. The committee on Registered Specialist Trade Contractors Scheme which oversees the Registered Specialist Trade Contractors Scheme (the "**RSTC Committee**") may not renew the registration of any registered subcontractor or registered specialist trade contractor unless the RSTC Committee at its sole discretion is satisfied that (i) the registered subcontractor or registered specialist trade contractor meets all the relevant renewal requirements; and (ii) the registered subcontractor or registered specialist trade contractor is suitable for renewal. The RSTC Committee may impose additional conditions for the renewal of registration of any registered subcontractor or registered specialist trade contractor as it thinks fit. Having regard to needs of the designated trades and groupings, the RSTC Committee may approve and renew the registration of a registered specialist trade contractor despite the registered specialist trade contractor does not fully satisfy the registration requirements. An approved renewal for a registered subcontractor and a registered specialist trade contractor shall be valid for not less than 36 months after the decision date for that application for renewal.

Codes of Conduct

A registered subcontractor and a registered specialist trade contractor shall establish and promulgate its integrity policy and code of conduct with reference to the Integrity Policy and Code of Conduct Guidance Document (Schedule 3 of the Rules and Procedures for the Register of Specialist Trade Contractors and the Rules and Procedures for the Register of Subcontractors).

The circumstances that may lead to regulatory actions be taken against a registered specialist trade contractor or a registered subcontractor include, but are not limited to (a) a petition for winding-up or bankruptcy has been filed against the registered specialist trade contractor or the registered subcontractor or other financial problems; (b) failure of the registered specialist trade contractor or the registered subcontractor to answer queries or provide information relevant to the registration within the prescribed time specified by the RSTC Committee; (c) misconduct or suspected misconduct of the registered specialist trade contractor or the registered subcontractor; (d) court conviction or violation of any law by the registered specialist trade contractor or the registered subcontractor, including but not limited to the Factories and Industrial Undertakings Ordinance, Occupational Safety and Health Ordinance, Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Immigration Ordinance, Prevention of Bribery Ordinance, Construction Industry Council Ordinance, Construction Workers Registration Ordinance; (e) matters of public interest; (f) causing or contributing to the occurrence of a serious incident taking place in any public or private construction site resulting in one or more of the following circumstances (i) loss of life; (ii) serious bodily injury resulting in a loss or an amputation of a limb or permanent

REGULATORY OVERVIEW

total disablement to the injured or (iii) dangerous occurrence or incident leading to or resulting in injuries that are considered serious or damage to works or property that posed a potential threat to public safety; (g) serious or suspected serious poor performance in any public or private sector works contract; and (h) failure of the registered specialist trade contractor or the registered subcontractor to comply with any provisions of the rules and procedures for the Registered Specialist Trade Contractors Scheme.

Regulatory actions

The RSTC Committee may instigate regulatory actions against a registered specialist trade contractor or a registered subcontractor (where applicable) by directing that:

- (a) written warning be given to the registered specialist trade contractor or the registered subcontractor;
- (b) the registered specialist trade contractor or the registered subcontractor be suspended from registration for a specified period;
- (c) the grouping of a registered specialist trade contractor be changed; or
- (d) the registration of the registered specialist trade contractor or the registered subcontractor be revoked.

Proposed Security of Payment Legislation ("SOPL")

The Government has conducted a public consultation on the SOPL for the construction industry to promote fair payment and help main contractors, subcontractors, consultants, sub-consultants and suppliers to receive payment on time for work done and services provided, so as to improve payment practices and provide rapid dispute resolution. It is expected that the bill of the SOPL will be submitted to the Legislative Council of Hong Kong in the first half of 2024 for consideration for enactment.

The SOPL will, among others:

- prohibit "pay when paid" and similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;
- prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;
- enable parties who are entitled to progress payments under the terms of a contract covered by the SOPL to claim such payments as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and parties who are entitled to payments under statutory payment claims will be entitled to pursue adjudication if the statutory payment claims are disputed or ignored; and

REGULATORY OVERVIEW

- grant parties the right to suspend or reduce the rate of progress of works after either non-payment of an adjudicator's decision or non-payment of amounts admitted as due.

All contracts and sub-contracts, whether in written or oral form, for (i) government works, under which the Government and specified public entities procure construction and maintenance activities or related services, materials or plant; and (ii) private sector works, under which private entities procure construction activities for new buildings (as defined in the Buildings Ordinance) with a main contract value of over HK\$5 million or procure related services, material or plant or supply-only contracts with a contract value of over HK\$500,000, will be governed by the SOPL. Where the main contract is covered by the SOPL, all subcontracts (irrespective of tier) will be covered by the SOPL regardless of value. The legislation will not apply to private sector construction works relating to new buildings with a main contract value of less than HK\$5 million or related services, material or plant supply-only contracts with a contract value of less than HK\$500,000.

The proposed legislation will not apply retrospectively but will apply only to contracts entered on or after a date to be set by or pursuant to the legislation.

The SOPL is designed to assist contractors throughout the contractual chain to ensure cash-flow and access to a swift dispute resolution process. However, there are still uncertainties on the final legislative framework to be submitted to the Legislative Council for consideration and approval.

List of Approved Suppliers of Materials and Specialist Contractors for Public Works

If a contractor wishes to carry out structural steelwork projects of the Development Bureau, it must be included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (the "**Approved Specialist List**") which is administered by the Works Branch of the Development Bureau. The Approved Specialist List comprises suppliers/specialist contractors who are approved for carrying out works in one or more of the 46 categories of specialist works, including "Structural Steelwork".

Generally, contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public work contracts. For retention on the Approved Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain minimum levels of paid-up share capital, employed capital and working capital applicable to the appropriate category and group.

The minimum levels of paid-up share capital, employed capital and working capital for "Structural Steelwork" is currently HK\$1,800,000. In terms of experience, satisfactory completion of at least three projects in the fabrication and erection of structural steelworks for permanent civil engineering or building structures in the past three years is required, each with a value of HK\$0.8 million or more. In terms of top management, at least one member of the top management shall have a minimum experience of five years, out of which three years shall be local experience, in managing a construction firm obtained in the

REGULATORY OVERVIEW

past eight years. In terms of technical staff, there should be (i) at least one professional staff experienced in the design, fabrication and erection of structural steelworks; (ii) at least two technical staff at supervisory level experienced in the fabrication and erection of structural steelworks; and (iii) skilled workers from local workforce for erection of structural steelwork including at least three registered skilled workers of trade division "Metal-steel Worker (Master)" or "Structural Steel Erector" in the trade "Metal-steel Worker" under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) and at least three qualified welders to BS 4570, BS EN 287-1 or BS 4872:Part 1 as appropriate. In terms of plant and equipment, the appropriate plant and equipment include welding plant, lifting crane, drilling machine, bending machine, lathe, shearing machine, flame cutting machine, plate rolling machine, grit blasting equipment, grinder, planing, shaping and slotting machine, milling machine, boring and surfacing machines, oven/cabinet with drying facilities for storing electrodes.

Laws and Regulations in relation to Competition

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which prevents, restricts or distorts competition in Hong Kong. The Competition Ordinance establishes the first conduct rule and the second conduct rule, which prohibit anti-competitive agreements and abuse of market power, respectively.

The first conduct rule prohibits businesses from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the agreement concerned has the object or effect to harm competition in Hong Kong. The second conduct rule prohibits businesses with a substantial degree of market power from abusing its power through engaging in conduct that has the object or effect to harm competition in Hong Kong.

Serious anti-competitive conduct is defined under section 2(1) of the Competition Ordinance as any conduct that comprises any one or combination of the following: (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods and services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods and services; and (iv) bid-rigging.

Section 82 of the Competition Ordinance provides that if the Competition Commission has any reasonable cause to believe that a contravention of the first conduct rule has occurred and the contravention does not involve serious anti-competitive conduct, it shall issue a warning notice to the undertaking, before bringing proceedings in the Competition Tribunal against the undertaking.

Section 67 of the Competition Ordinance provides that where a contravention of the first conduct rule has occurred and such contravention involves serious anti-competitive conduct or a contravention of the second conduct rule has occurred, the Competition Commission may, instead of commencing proceedings against the person concerned, issue an infringement notice offering not to bring proceedings on the condition that the person commits to comply with the requirements of the infringement notice.

REGULATORY OVERVIEW

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including, among others: (i) imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; (ii) disqualifying a person from acting as a director of a company or taking part in the management of a company; (iii) prohibiting an entity from making or giving effect to an agreement; (iv) modifying or terminating an agreement; and (v) requiring the payment of damages to a person who has suffered loss or damage.

Laws and Regulations in relation to Tax and Transfer Pricing

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO")

As our Group carries out business in Hong Kong, we are subject to the profits tax regime under the IRO. As at the Latest Practicable Date, the standard profits tax rate for corporations was at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000 (namely, two-tiered tax rates). The application of the two-tiered rates is restricted to only one entity nominated among group entities for a year of assessment. The standard profits tax rate for corporations not applying two-tiered tax rates was 16.5% on assessable profits.

In July 2018, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance**") was enacted to introduce a legislative framework to codify how the pricing for the supply of goods and services between associated parties should be determined and implemented. Codified international transfer pricing principles include, amongst others, the arm's length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person, and the three-tier transfer pricing documentation relating to the master file, local file and country-by-country reporting.

Based on the Amendment Ordinance, a person who has a Hong Kong tax advantage if taxed on the basis of a non-arm's length provision (the "**Advantaged Person**") will have income adjusted upwards or loss adjusted downwards. The Advantaged Person's income or loss is to be computed as if arm's length provision had been made or imposed instead of the actual provision. If the Advantaged Person fails to prove to the satisfaction of the assessor of the Inland Revenue Department that the amount of the person's income or loss as stated in the person's tax return is an arm's length amount, the assessor of the Inland Revenue Department must estimate an amount as the arm's length amount and, taking into account the estimated amount (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person pursuant to section 50AAF of the IRO. In July 2019, the Inland Revenue Department further issued the Departmental Interpretation and Practice Notes No. 58, No. 59 and No. 60 to set out interpretations to the Amendment Ordinance.

The Amendment Ordinance introduces a mandatory "three-tiered" transfer pricing documentation requirement in Hong Kong consisting of (a) Master File; (b) Local File; and (c) Country-by-country Report. The Amendment Ordinance provides two types of exemptions to entities that engage in transactions with associated enterprises from preparing

REGULATORY OVERVIEW

Master File and Local File. In terms of size-based business exemption thresholds, a Hong Kong taxpayer meeting any two of the following three size-based business exemption thresholds for an accounting period is exempted from preparing the Master File and Local File for that accounting period: (a) Total annual revenue not exceeding HK\$400 million; (b) Total value of assets not exceeding HK\$300 million; or (c) Average number of employees not exceeding 100. In terms of volume-based related party transactions exemption thresholds, the threshold per accounting period for transfer of property (whether movable or immovable but excluding financial assets and intangible assets) is HK\$220 million. Our Group did not meet the threshold for preparing transfer pricing documentation in Hong Kong. As advised by our Hong Kong Legal Counsel, save as disclosed above, our Group is not subject to any applicable laws and regulations in Hong Kong in respect of transfer pricing. For details of our transfer pricing arrangement, please refer to the paragraph headed "Business – Production facilities and capacity – Transfer pricing arrangement" in this document.

THE PRC

Laws and Regulations in relation to Foreign Investment

Foreign Investment Law

On 15 March 2019, the National People's Congress promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, which came into effect on 1 January 2020 and replaced the three major existing laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. Meanwhile, the Regulations for the Implementation of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) was promulgated by the State Council on 26 December 2019 and came into force as of 1 January 2020, which provided clarification and elaboration for the relevant provisions of the Foreign Investment Law. The organisation form, organisation and activities of foreign-invested enterprises shall be governed, among others, by the Company Law of the PRC (《中華人民共和國公司法》) and the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》). Foreign-invested enterprises set up prior to the implementation of the Foreign Investment Law may retain the original business organisation and so on within five years after the implementation of this Law.

According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment refers to the treatment given to foreign investors and their investments at the stage of investment access shall not be less favorable than that of domestic investors and their investments. The negative list management system means that the state implements special administrative measures for access of foreign investment in specific fields.

Foreign investors' investment, earnings and other legitimate rights and interests in PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. Among others, the state ensures that foreign-invested enterprises participate in the formulation of

REGULATORY OVERVIEW

standards in an equal manner and that foreign-invested enterprises participate in government procurement activities through fair competition according to the law. Further, the state shall not expropriate any foreign investment except under special circumstances. In special circumstances, the state may levy or expropriate the investment of foreign investors under the law for the need of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be provided. In carrying out business activities, foreign-invested enterprises shall comply with relevant laws and regulations on labour protection.

Foreign Investment Industrial Policy

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》), or the Encouraging Catalog, and the Special Administrative Measures for Access of Foreign Investments (《外商投資准入特別管理措施(負面清單)》), or the Negative List, and together with the Foreign Investment Law and their respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List provide the basic regulatory framework for foreign investment in the PRC, classifying businesses into three categories regarding foreign investment: "encouraged," "restricted," and "prohibited." On 26 October 2022, the MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》), which became effective on 1 January 2023, to substitute the previous one. On 27 December 2021, the MOFCOM and the NDRC promulgated the Special Administrative Measures for Access of Foreign Investments (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the Negative List 2021, which came into force on 1 January 2022, to replace the previous Negative List.

Under the current regulations, any industry not listed in the Negative List 2021 is a permitted industry and generally open to foreign investment unless specifically prohibited or restricted by PRC laws and regulations.

Our current business, which is the supply, fabrication and installation of structural steel, is not otherwise restricted to foreign investment by PRC laws and regulations. We made this conclusion by considering the nature of our business and the fact that Wing Kei Dongguan, a wholly foreign owned enterprise, has been approved by the relevant authorities to conduct such business without being subject to restrictions on foreign investment. However, as the Negative List is amended from time to time, and other PRC laws and regulations on foreign investment restrictions are subject to change as well, we cannot guarantee that our business will not become subject to restrictions on foreign investment in the future.

Laws and Regulations in relation to Workplace Safety and Special Equipment

Production Safety Law

In accordance with the Production Safety Law of the PRC (《中華人民共和國安全生產法》), production enterprises shall strengthen work safety management, enhance work safety conditions, promote work safety standardization and improve work safety levels. The entity which does not meet safety conditions prescribed by this law and other relevant laws,

REGULATORY OVERVIEW

administrative regulations, and national or industry standards should not engage in production and the other business activities. To assure work safety rules being observed in production process, business entities should establish and improve work safety responsibility systems and work safety policies which specify the responsible person for each position, the scope of duties and the evaluation criteria. Business entities shall provide their employees with labour protection products and work safety training. Where the primary person in charge of a business entity fails to perform his or her duties in work safety as provided for in the Production Safety Law, he or she would be subject to legal liabilities regarding the seriousness of work safety accident.

We have set up an occupational health and safety system to promote work safety and to prevent occurrence of accident in our daily operation. For details, please refer to the paragraph headed "Business - Occupational health and work safety" in this document.

Use of Special Equipment

Pursuant to the Law of the PRC on the Safety of Special Equipment (《中華人民共和國特種設備安全法》), special equipment refers to boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, cranes, passenger cable-ways, large entertainment facilities and in-plant (in-factory) special motor vehicles that involve great danger to the personal and property safety, as well as other special equipment applicable to the law according to relevant laws and administrative regulations. Special equipment producers shall be licensed by the relevant department in charge of the safety supervision and administration of special equipment before engaging in relevant production activities. Special equipment users shall use special equipment produced with a permit and passing inspection, and such users shall, before or within 30 days after putting special equipment to use, register the use with the department responsible for special equipment safety supervision and administration, obtain a use registration certificate. The entities using special equipment shall have special equipment safety management personnel, testing personnel and operating personnel with corresponding qualifications in accordance with the relevant state provisions. They shall conduct routine maintenance and regular self-check of the special equipment used by them and conduct regularly check and repair the safety accessories and safety protection devices, and keep records thereof.

In addition to the regulations above, according to the Regulations on Safety Supervision over Special Equipment (《特種設備安全監察條例》), special equipment users shall make a request for the periodic inspection to a special equipment inspection and testing institution as required by the safety technical codes for the periodic inspection.

Laws and Regulations in relation to Social Security and Housing Provident Funds

Employment

The Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), and the Implementation Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), are the principal regulations that govern employment and labour matters in the PRC. According to the aforementioned laws and regulations, labour contracts shall be concluded in writing if labour

REGULATORY OVERVIEW

relationships are to be or have been established between employers and the employees. Employers are prohibited from forcing employees to work above certain time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, wages shall not be lower than the local minimum wage standard. Employers shall establish a system for labour safety and sanitation, strictly comply with national standards, and provide relevant education to its employees. Employees are also required to work under safe and sanitary conditions.

Social Insurance and Housing Provident Fund

Under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), together with other laws and regulations, employers are required to pay basic pension insurance, unemployment insurance, basic medical insurance, employment injury insurance, maternity insurance, and other social insurance for its employees at specified percentages of the salaries of the employees, up to a maximum amount specified by the local government regulations from time to time. When an employer fails to pay social insurance premiums in full, relevant social insurance collection agency shall order it to make up the shortfall within the prescribed period and may impose a late payment fee of 0.05% per day of the outstanding amount from the due date. If such employer still fails to make up for the shortfalls within the prescribed time limit, the relevant administrative authorities shall impose a fine of one to three times the outstanding amount upon such employer.

In accordance with the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》), employers shall register at the designated administrative centers and open bank accounts for depositing employees' housing funds. Employer and employee are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. When an employer fails to pay the housing provident fund in full, the designated administrative centers shall order it to make the payment and deposit within a prescribed time limit. If the payment and deposit have not been made by the expiration of the time limit, an application for enforcement may be made to a people's court.

Laws and Regulations in relation to Environmental Protection

Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), any entity which discharges or will discharge pollutants in the course of its operations or other activities shall implement effective environmental protection safeguards and procedures to control and properly dispose of exhaust gases, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

Environmental protection authorities impose various administrative penalties on individuals or enterprises that violate the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action

REGULATORY OVERVIEW

against relevant responsible persons, and orders to shut down enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the Civil Code of the PRC (《中華人民共和國民法典》). In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

Our Group has established an environmental management system and also formulated an environmental policy to provide guidance, support and adequate resources for effective implementation of our environmental protection measures.

Laws and Regulations in relation to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, which was promulgated on 16 March 2007, became effective from 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively, an enterprise established outside the PRC with de facto management bodies within the PRC is considered a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or the Implementing Rules of the EIT Law defines a de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%.

Tax on Related Party Transactions

According to the EIT Law and the Implementation Regulations for the EIT Law (《中華人民共和國企業所得稅法實施條例》), for the transactions between the enterprise and its related parties, if not meeting the arm’s length principle, or if done by the enterprise for unreasonable commercial purpose, the tax authority may adjust the taxable revenue or income in compliance with reasonable methods (including comparable uncontrolled price method, resale price method, cost-plus method, transactional net profit method, profit split method and other methods that meet the arm’s length principle. According to the Implementation Measures for Special Tax Adjustment (Trial Implementation) (《特別納稅調整實施辦法(試行)》) promulgated by the SAT on 8 January 2009 and became effective on 1 January 2008, and was amended on 16 June 2015, 29 June 2016, 11 October 2016, 11 October 2016, 17 March 2017 and 15 June 2018 respectively, related party transactions between an enterprise and its related parties shall follow the arm’s length principle.

Pursuant to the EIT Law and its implementation rules and the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》), which was first promulgated on 4 September 1992 by the Standing Committee of the NPC (the “SCNPC”) and amended on 28 February 1995, 28 April 2001, 29 June 2013 and 24 April 2015, related party transactions should comply with the arm’s length principle. In the event that the related party transactions fail to comply with the arm’s length principle resulting in the

REGULATORY OVERVIEW

reduction of the enterprise's taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

On 29 June 2016, the State Tax Administration ("STA") issued the Public Notice regarding Refining the Reporting of Related Party Transactions and Administration of Transfer Pricing Documentation (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) ("PN 42"). PN 42 provides new transfer pricing compliance requirements in the PRC, including Annual Reporting Forms for Related Party Transaction ("RPT Forms"), Country-by-Country Reporting Form ("CbC Reporting Form") and Transfer Pricing Documentation ("TPD"), all of which are substantial changes to the previous rules. The CbC Reporting Forms are required for the Chinese resident enterprise if: (i) it is the ultimate holding company of a multinational enterprise's ("MNE") group with combined revenue over RMB5.5 billion, or (ii) it is nominated by the MNE group as the CbC Reporting Entity. PN 42 adopts a three-tiered approach for TPD, including master file, local file and special issue file, and sets different thresholds for each file and type of transaction. If the company meets either of the following criteria, a master file should be prepared: (i) have cross-border related party transactions and belong to a group to which has prepared the master file; or (ii) the total amount of related party transactions exceeds RMB1 billion. The threshold for the local file is dependent on the type of related party transactions, which are listed below: (i) RMB200 million for tangible assets transfer (in the case of toll process, the amount in the annual customs record for toll processing should be included); (ii) RMB100 million for financial assets transfer; (iii) RMB100 million for intangible assets transfer; or (iv) RMB40 million for other related party transactions in total.

On 17 March 2017, the STA issued the Public Notice of the State Taxation Administration Regarding the Release of the "Administrative Measure for Special Tax Investigation Adjustments and Mutual Agreement Procedures" (《國家稅務總局關於發佈〈特別納稅調查調整及相互協商程序管理辦法〉的公告》) ("PN 6"). PN 6 provides rules on risk management, investigations and adjustments, administrative review and mutual agreement procedures regarding the special tax adjustment and other relevant issues. PN 6 highlights the tax authorities' emphasis on strengthening the monitoring of enterprises' profit levels, and improving enterprises' compliance with the tax law through special tax adjustment monitoring and administration as well as special tax investigation adjustment. PN 6 reinforces the transfer pricing administration on intercompany intangibles and services transactions, and provides certain methods and principles for investigations and adjustments. Taxpayers are advised to review and adjust, if necessary, their transfer pricing policies in such transactions to ensure compliance with the new rules. PN 6 provides rules on transfer pricing of intangibles, and reinforces the general principle that "allocation of income generated by intangibles shall be commensurate with the commercial activities and contribution to its value creation". To allocate the income generated by intangibles, the enterprise is required to perform an analysis of value contributed by parties performing the functions of development, enhancement, maintenance, protection, exploitation and promotion of the intangibles. Compared with the development, enhancement, maintenance, protection, exploitation functions of intangibles in the Organisation for Economic Co-operation and

REGULATORY OVERVIEW

Development (OECD) transfer pricing guidelines, PN6 includes “promotion” as an important function. In addition, under PN 6, a related party that only provides funding for the creation and exploitation of intangibles, but does not actually undertake relevant risks shall be entitled to only a reasonable return on the funding cost. PN 6 introduces an important principle in relation to intangibles, and provides that “tax authorities may make special tax adjustments on royalties that are not commensurate with the economic benefit and result in a reduction in the taxable gross income or taxable income of enterprise or their related parties”. Enterprises that have low profits or are even in a loss position while paying a royalty may face a heavy burden of proof to demonstrate the alignment between the royalty payment and its economic benefits, or the deduction of the royalty payment may be disallowed.

During the Track Record Period, Wing Kei Dongguan has submitted the annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority on an annual basis and our Group did not meet the threshold for preparing transfer pricing documentation and was not required to prepare transfer pricing documentation report as per the applicable transfer pricing rules and regulations in the PRC. Our Group has conducted a transfer pricing study and based on the report, our executive Directors are of the view that our Group’s transfer pricing arrangement with respect to its fabrication work does not result in material reduction to its taxable income in the PRC for the three years ended 31 December 2022. As advised by the PRC Legal Advisers, save as disclosed above, our Group is not subject to any applicable laws and regulations in the PRC in respect of transfer pricing. For details of our transfer pricing arrangement, please refer to the paragraph headed “Business – Production facilities and capacity – Transfer pricing arrangement” in this document.

Regulations in relation to M&A Regulation and Overseas Listing

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部關於外國投資者併購境內企業的規定》), or the M&A Rules requires, among other things, that if an overseas company established or controlled by PRC companies or individuals, or PRC Citizens, intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC Citizens, such acquisition shall be submitted to the MOFCOM for approval. The M&A Rules also require offshore special purpose vehicles established to pursue overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the Chinese Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle’s securities on any stock exchange overseas.

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Measures and five supporting guidelines, which became effective on 31 March, 2023, among other requirements, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall fulfil the filing procedures with the CSRC; if a domestic company fails to complete the filing procedure, such domestic company may be subject to administrative penalties; (2) if the issuer satisfies both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for

REGULATORY OVERVIEW

more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers responsible for operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (3) if the domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and shall submit the filings to the CSRC within three business days after the submission of the overseas offering and listing application.

Considering that (1) the operating revenue, profit, assets or net assets of Wing Kei Dongguan, our Company's indirect subsidiary established in the PRC, accounted for no more than 50% of our Group's total operating revenue, total profit, total assets or net assets as presented in the audited combined financial statements for the most recent accounting year; (2) our Company is headquartered in Hong Kong with its chief executive officer, chief financial officer and all members of the board of directors based in Hong Kong who are not PRC citizens; and (3) the operations and business of our Company are not principally conducted in the PRC given that the revenue is mainly generated in Hong Kong and the major sales and purchase activities are conducted in Hong Kong, the PRC Legal Advisers are of the view that the Company would not be required to file with the CSRC under the Trial Measures for the Share Offer.

Regulations in relation to Land Use Right and Lease Properties

Regulations in relation to Land Use Right

The PRC Land Administration Law (《中華人民共和國土地管理法》), which was promulgated by the SCNPC on 25 June 1986 and last amended on 26 August 2019, stipulates that the leasing of collectively-operated development land, the granting of the right to use collectively-operated development land and its maximum term of years, transfer, swap, capital contribution, gift and mortgage shall be implemented with reference to State-owned construction land for the same type of land use purpose. The assignment and lease of collectively-operated development land shall be subject to the consent of over two-thirds of the members or over two-thirds of villagers' representatives at the village council of the members of the collective economic organization. On 23 June 2005, the People's Government of Guangdong Province promulgated the Administrative Measures of Guangdong Province for the Circulation of the Right to the Use of Collectively-owned Land for Construction Purposes (《廣東省集體建設用地使用權流轉管理辦法》), which became effective on 1 October 2005, stipulates a written contract shall be signed for the granting or leasing of the right to the use of collectively-owned land for construction purposes. The maximum terms for which the right to the use of collectively-owned land for construction purposes may be granted or leased shall not exceed the maximum terms for which the right to use State-owned land for the same type may be granted. On 19 May 1990, the State Council issued the Interim Regulations of the People's Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), which prescribes that the maximum term of granted land-use for industrial purposes is 50 years.

REGULATORY OVERVIEW

Regulations in relation to Lease Properties

The Administrative Measures for Commercial House Leasing (《商品房屋租賃管理辦法》), or the New Lease Measures, which was promulgated by MOHURD on 1 December 2010 and came into effective on 1 February 2011, the parties concerned to a housing leasing shall go through the housing leasing registration formalities with the competent construction (real estate) departments within thirty (30) days after the lease contract is signed. Non-compliance with such registration and filing requirements shall be subject to fines no more than RMB1,000 for individuals and from RMB1,000 to RMB10,000 for enterprises, provided that they fail to rectify such non-compliance within the required time limits.

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the NPC on 28 May 2020 and became effective on January 2021, the term of a leasing contract shall not exceed 20 years, and the parties' failure to register the lease contract in accordance with the provisions of laws and administrative regulations does not affect the validity of the contract.