
REGULATORY OVERVIEW

OVERVIEW

This section sets out a summary of material laws, regulations and requirements applicable to our Group’s business and operations in Hong Kong. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.

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 (being the Director of Buildings of the Buildings Department) (the “**Buildings 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 or street 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.

*Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (the “**Building (MW) Regulation**”)*

The Building (MW) Regulation is a subsidiary legislation under the Buildings Ordinance and provides for a simplified procedure and requirements to regulate building works which have been specified as “minor works”. Under the Building (MW) Regulation, minor works are classified into three classes according to their nature, scale, complexity and the risk and safety they pose and are subject to different degrees of control.

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Class I refers to works are relatively more complicated and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional, Class II refers to works with a lower complexity and Class III refers to common household minor works.

Under each class of minor work, it is further sub-divided into eight types (i.e. Type A (alteration and addition works), Type B (repair works), Type C (works relating to signboards), Type D (drainage works), Type E (works relating to structures for amenities), Type F (finishes works), Type G (demolition works) and Type H (works relating to ventilation system inside a building) that correspond to the specialisation of works in the industry as set out in schedule 1 of the Building (MW) Regulation.

A person who wishes to arrange for works to be carried out can commence Class I to Class III minor works without obtaining prior approval and consent of the Building Authority by following the simplified procedures contained in Section 14AA of the Buildings Ordinance. The Building Authority must be notified of the commencement of projects involving Class I and Class II minor works items in the specified form with prescribed plans with supporting documents and site photos, which must be submitted at least seven days before commencement of the works concerned. For projects that involve only Class III minor works, it is not necessary to notify the Building Authority of commencement of the projects as required for Class I and Class II minor works. For projects involving either Class I, Class II or Class III minor works, a certificate of completion of works and plans of the completed works must be submitted to the Building Authority within 14 days after completion of works.

Renewal of the registration as registered minor works contractor is required every three years.

Any person who, without reasonable excuse, fails to observe the relevant requirements under the Building (MW) Regulation for conducting the minor works commits an offence and is liable on conviction to a fine of HK\$50,000 (level 5). Under Section 40(2E) of the Buildings Ordinance, where a registered minor works contractor or registered specialist contractor certifies or carries out minor works belonging to a class, type or item for which he is not registered, he will be guilty of an offence and liable on conviction (i) to a fine at HK\$100,000 (level 6) and to imprisonment for six months, and (ii) to a fine of HK\$5,000 for each day during which it is proved to the satisfaction of the Hong Kong Court that the offence has continued.

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Laws and regulations in relation to contractor licensing regime and operation

Contractor licensing requirements for public sector projects

The public work projects include those managed by various governmental departments and public institutions with government funding. For selective tendering that may be adopted in the public sector, tender invitations are published in the Gazette of the Government or are sent by letter to all contractors on the relevant lists of approved qualified contractors. The Professional Services Section of the Development Bureau administers the List of Approved Contractors for Public Works, which is divided into five categories, which are (i) roads and drainage, (ii) port works, (iii) waterworks, (iv) buildings and (v) site formation. Generally, there are Group A (except no Group A in port works and site formation categories), Group B and Group C. Contractor listed in each group is allowed to tender for contracts up to certain monetary value and these tender limits are periodically adjusted and are currently set as follows:

<u>Category</u>	<u>Authorised contract value</u>
Group A (probatory)	Any number of Group A contracts in the same category provided the total value of works in the Group A contracts that he already holds and the Group A contract being procured under the same category does not exceed HK\$150 million.
Group A (confirmed)	Contracts of value up to HK\$150 million.
Group B (probatory)	(i) Any number of Group A contracts in the same category, and (ii) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed HK\$400 million.
Group B (confirmed)	Contracts of value up to HK\$400 million.
Group C (probatory) (<i>note</i>)	The total number of Group C contracts being procured under the same category, provided that the total number of the Group C contract that he already holds and the Group C contract being procured under the same category does not exceed two, and that the total value of works in the Group C contracts that he already holds and the Group C contract being procured under the same category does not exceed HK\$1,500 million.

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Category	Authorised contract value
Group C (confirmed) (<i>note</i>)	Contracts of any values exceeding HK\$400 million.

Note: Group C contractors will normally not be allowed to tender contracts in Groups A and B unless the procuring department considers that there may be an inadequate number of tenderers.

Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works. A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status “confirmed” contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/requirements than that described above. Appendices 2A and 2B of the Contractor Management Handbook (last revised on January 2024) published by the Development Bureau provides a summary of the minimum financial, technical and management, and safety requirements for admission, confirmation and promotion of contractors.

The requirements of particular relevance to the current qualification held by our Group are set out below:

A. Financial requirements

Group/ status	Minimum paid-up share capital <i>(HK\$)</i>	Minimum employed capital <i>(HK\$)</i>	Minimum working capital <i>(HK\$)</i>
Group A:			
(a) Probation	HK\$2.4 million	HK\$2.4 million, subject to a maximum of HK\$4.7 million	HK\$2.4 million or 15% on annualised outstanding works, whichever is higher
(b) Confirmed	HK\$4.8 million	HK\$4.8 million, subject to a maximum of HK\$9.0 million	HK\$4.8 million or 15% on annualised outstanding works, whichever is higher.

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B. Technical and management requirements

Group/status	Roads and drainage	
	Experience	Management and technical personnel
<p>Confirmation to Group A</p>	<p>Satisfactory completion as the main contractor of one Government contract within the past 5 years.</p> <p>After inclusion in Group A on probation, by meeting the required contract experience (including the experience as main contractor of one Government contract and/or non-Government project), minimum contract value and by acquiring experience in (i) construction of concrete carriageway and (ii) laying of pre-cast concrete pipes of various diameters.</p>	<p>At least one member of the resident 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 past eight years.</p> <p>At least one person with one or more of the following qualifications:</p> <ul style="list-style-type: none"> (i) Higher Certificate in a discipline relevant to the category of works from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent (the “Recognised Institution”) and one year local working experience in the relevant category of works; or (ii) Ordinary Certificate in a discipline relevant to the category of works from a Recognised Institution and two years local working experience in the relevant category of works; or (iii) at least ten years local working experience in the relevant category of works.

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C. Safety requirements

<u>Group/ status</u>	<u>Qualified personnel</u>	<u>Performance in compliance with safety legislations</u>
Group A		
(a) Probation	<p>The contractor shall employ at least one person who is qualified to be a safety supervisor in accordance with the Construction Site Safety Manual.</p> <p>The duties of safety supervisor shall include providing assistance to the contractor in promoting the safety and health of its employees. Provided that the duties of the safety supervisor can be properly discharged, the safety supervisor may work on part-time basis or take up other tasks.</p>	<p>Less than 5 counts of safety offences in each of the rolling six-month period in the past 12 months.</p>
(b) Confirmed	<p>Same safety requirements as that applies to probatory (Group A) licence.</p>	<p>Less than 5 counts of safety offences in each of the rolling six-month period in the past 12 months.</p>

In order to retain the current qualification held, the minimum financial criteria and other requirements on management and technical personnel set out above must be met. Further, audited accounts of the approved contractors are submitted to the Development Bureau annually or half-yearly basis in the case of Group C. The most updated accounts shall also be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by Development Bureau. Approved contractor who fails to meet the capital requirements in a particular category will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering may be imposed by the Development Bureau.

Although [REDACTED] approvals granted by the Development Bureau are not required to be renewed annually, the Development Bureau may take regulatory actions against a contractor for failure to, among other things, meet the financial criteria, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, poor environmental performance, and court convictions such as contravention of site safety legislation and employment of illegal workers.

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Subcontractor Registration Scheme and Registered Specialist Trade Contractors Scheme maintained by the Construction Industry Council

The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme 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.

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, which are the Register of Specialist Trade Contractors and the Register of Subcontractors. Except designated trades under the Registered Specialist Trade Contractors Scheme, all other subcontractors which are registered under the trades of the Subcontractor Registration Scheme remain as registered subcontractors under the Registered Specialist Trade Contractors Scheme and no application to the Registered Specialist Trade Contractors Scheme is required. For existing construction contracts where subcontractors are required to register under the relevant trades available in the Subcontractor Registration Scheme, such subcontractors shall be deemed to have fulfilled that requirement if they are registered under the relevant trades in the Registered Specialist Trade Contractors Scheme.

Since 1 April 2019, subcontractors may apply for registration on the Registered Specialist Trade Contractors Scheme in one or more of the 14 designated trades including concreting, concreting formwork, curtain wall, demolition, erection of concrete precast component, reinforcement bar fixing, scaffolding, plastering, suspended ceiling, tower crane (erecting, dismantling and altering height), building drainage installation, levelling and setting out, building maintenance and interior fitting-out.

Where a contractor is to subcontract/sub-let part of the public works involving trades available under 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 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 Registered Specialist Trade Contractors Scheme, the contractor shall ensure that all subcontractors (irrespective of any tier) are registered under the relevant trades in the Registered Specialist Trade Contractors Scheme.

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Both registered subcontractor and the registered specialist trade contractor shall apply for renewal not earlier than six months before but not later than three months before the expiry date of its registration by submitting an application to the Committee on Registered Specialist Trade Contractors Scheme established by the Construction Industry Council (the “**RSTC Committee**”) in a specified form and accompanied by the prescribed fees and documents. The RSTC Committee which oversees the Registered Specialist Trade Contractors Scheme shall 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.

Laws and regulations in relation to electrical works

Registration under the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)

Under Section 2 of the Electricity Ordinance, “electrical work” means work in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical installation and includes the supervision and certification of that work and the design of that installation. Examples of fixed electrical installations are distribution boards, wiring installations and lighting fittings that are fixed on premises. However, persons who are engaged in work on electrical installations other than fixed electrical installations need not be registered. Contractors engaged in work on portable electrical appliances, such as table lamps, television sets and refrigerators, etc. need not be registered.

Electrical works are further classified into five grades of certificates of registration based on the voltage and capacity of electricity involved in an electrical installation and industry specialisation.

Registered electrical contractors

To qualify as a registered electrical contractor registered with the EMSD under the Electricity Ordinance, a corporate applicant must employ at least one registered electrical worker registered under the Electricity Ordinance. No contractor shall carry on business as an electrical contractor or carry out electrical works unless it is registered as a registered electrical contractor.

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Validity period and renewal of registration

Registration for registered electrical contractor is valid for the three-year period shown on the certificate of registration. Pursuant to regulation 13 of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), a registered electrical contractor shall apply to the director of the EMSD for renewal of its/his registration at least one month before and no earlier than four months before the date of expiry of the registration.

Regulatory actions

Where the director of the EMSD considers that there is evidence that a registered electrical contractor fails to comply with the Electricity Ordinance, he may (i) reprimand the contractor, and/or fine the contractor up to HK\$10,000, or (ii) refer the matter to the Secretary for Environment and Ecology for hearing by a disciplinary tribunal, who may do one or more of the following:

- (i) reprimand the registrant;
- (ii) fine a contractor up to HK\$100,000;
- (iii) suspend or cancel the registration of the registrant; or
- (iv) suspend the registrant's right to apply for registration or renewal of registration for a prescribed period.

Laws and regulations in relation to labour, health and safety

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

The 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 holds a relevant certificate referred to in Section 6BA(2) of the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) in respect of that person's attendance at a construction work-related safety training course.

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Further, under Section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless it is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course and obtained such relevant certificate, 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.

In addition, the Construction Workers Registration Ordinance contains a “registered skilled workers for designated trade” 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 designated trade divisions independently. Unregistered skilled or semi-skilled workers are only allowed to carry out construction works of designated trade divisions under the instruction and supervision of registered skilled or semi-skilled workers of relevant designated trade division(s). Registered skilled and semi-skilled workers for designated trade divisions shall be included as registered skilled/ semi-skilled workers in 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.

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial sector. 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 (i) providing and maintaining plant and work systems that do not endanger safety or health, (ii) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of plant or substances, (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health, (iv) providing and maintaining safe access to and egress from the workplaces, and (v) providing and maintaining a safe and healthy working environment. A proprietor of an industrial undertaking who contravenes any of these duties may be liable to a fine of HK\$3,000,000 on summary conviction, or on conviction on indictment to a fine of HK\$10,000,000; if found to have contravened willfully and without reasonable excuse, to a fine of HK\$3,000,000 and to imprisonment for six months on summary conviction, or on conviction on indictment to a fine of HK\$10,000,000 and to imprisonment for two years.

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Further, our project team member responsible for the on-site supervision and inspection works of our projects is required to carry a valid certificate (the “**Green Card**”) or an equivalent document in accordance with the Factories and Industrial Undertakings Ordinance while carrying out such site work. According to Section 6BA(5) of the Factories and Industrial Undertakings Ordinance, every proprietor on and after the appointed day (as defined in the said ordinance) shall not employ at the undertaking a relevant person who has not been issued a relevant Green Card or whose relevant Green Card has expired. Contravention is liable on conviction to a fine of HK\$100,000 (level 6).

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), covers aspects encompassing (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 and difference levels of penalty will be imposed.

The Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) (the “Safety Management Regulation”)

Under the Safety Management Regulation, 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 the contractor’s 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 the contractor’s safety management system and consider improvements to the effectiveness of the system at least once in every six months. Any person who contravenes these requirements commits an offence and is liable on conviction to a fine of HK\$400,000 and to imprisonment of six months.

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Further, according to the 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 referred to point (ii) above 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 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 fork-lift 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.

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial. Under the Occupational Safety and Health Ordinance, employers must, as far as reasonably practicable, ensure the safety and health in their workplaces by, among other things:

- (a) providing and maintaining plant and work systems that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) as regards any workplace under the employer's control:
 - (i) maintenance of the workplace in a condition that is safe and without risks to health; and
 - (ii) provision and maintenance of means of safe access to and egress from the workplace that are safe and without any such risks;
- (d) providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- (e) providing and maintaining a working environment for its 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 (Chapter 59 of the Laws of Hong Kong) or suspension notice against activity of the workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such suspension notice without reasonable excuse constitutes an offence and is liable on conviction to a fine of HK\$1,000,000 (HK\$400,000 in respect of an improvement notice) and to imprisonment for 12 months (the same sentence in respect of an improvement notice), and to a further fine of HK\$100,000 for each day during which the offender knowingly and intentionally continues the contravention (not applicable in respect of an improvement notice).

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

The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system for work injuries. 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 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 in the form prescribed by law 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.

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 of HK\$100,000 (level 6) and to imprisonment for two years, and on summary conviction to a fine of HK\$100,000 (level 6) and to imprisonment for one year.

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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, if any wages 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, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. The liability of a principal contractor and superior subcontractor (as the case may be) shall be limited to (i) 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 (ii) the wages due to such an employee for two months without any deductions under the Employment Ordinance and 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 or another 90 days if permitted. A principal contractor and superior subcontractor (as the case may be) 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 (as the case may be) 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 be liable on conviction to a fine of HK\$50,000 (level 5). 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.

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

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on which injury resulting to persons or damage has been caused to goods or other property lawfully on the land. It imposes a common duty of care on an occupier of a premises to take such care so as to ensure that any person 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)

Under Section 38A of the Immigration Ordinance, a construction site controller should prevent (i) illegal immigrants from being on the construction site; and (ii) persons who are not lawfully employable, as defined under the Immigration Ordinance, from taking employment on the construction site. Any construction site controller who contravenes Section 38A of the Immigration Ordinance may be held liable upon conviction of a fine of HK\$350,000.

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 (Chapter 57 of the Laws of Hong Kong). Any provision of an employment contract which purports to extinguish or reduce any right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

Employers are required to enrol their full-time and part-time employees (except for certain exempt persons) aged between 18 and 64 years of age who have been employed for a continuous period of 60 days or more in a Mandatory Provident Fund (“MPF”) scheme within the first 60 days of employment.

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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).

Industry schemes (the “**Industry Schemes**”) were established under the MPF schemes for employers in the construction and catering industries in view of high labour mobility and the fact that most employees in these industries are “casual employees” whose employment is on a day-to-day basis or for a fixed period of less than 60 days. The MPF Schemes Ordinance does not stipulate that employers in these industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry so long as their previous and new employers are registered with the same Industry Scheme.

Laws and regulations in relation to environmental protection

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

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 (being the air pollution control authority) 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.

Contravention to the notification requirement under the Air Pollution Control (Construction Dust) Regulation may be liable on conviction to a fine of HK\$25,000 (level 4) for the first conviction and to a fine of HK\$50,000 (level 5) for a second or subsequent conviction. Contravention to the dust control requirements (control requirements for notifiable works) under the same regulation may be liable on conviction to a fine of HK\$50,000 (level 5) for the first offence and to a fine of HK\$100,000 (level 6) and to imprisonment for three months for a second or subsequent offence, and in addition, if the offence is continuing, to a fine of HK\$10,000 for each day during the whole or any part of which the offence continues.

Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong)

The Pneumoconiosis and Mesothelioma (Compensation) Ordinance establishes the Pneumoconiosis Compensation Fund, which consists of monies received from the Government and the relevant levies, surcharges and penalties received from contractors in relation to pneumoconiosis and mesothelioma. The Pneumoconiosis Compensation Fund is administered by the Pneumoconiosis Compensation Fund Board, a statutory body responsible for assessing and collecting the imposed levies and compensating (i) persons suffering from pneumoconiosis and/or mesothelioma and/or (ii) family members of persons who has died of pneumoconiosis and/or mesothelioma. Under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, contractors are liable to pay a levy for any construction operations with a total value exceeding HK\$3,000,000 carried out in Hong Kong, at a rate of 0.15% of the total value of the construction operations concerned.

REGULATORY OVERVIEW

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

The Noise Control Ordinance controls, among other things, the noise from construction 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 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 (including Sundays), unless prior approval has been granted by the Environmental Protection Department through the construction noise permit system. Contravention to any of the aforesaid provisions shall be liable to a fine of HK\$100,000 (level 6) on the first conviction and to a fine of HK\$200,000 on a second or subsequent conviction and in any case to a fine of HK\$20,000 for each day during which the offence has continued.

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, make an application to the Director of the Environmental Protection to establish a billing account in respect of that particular contract, and to pay any prescribed charge payables in respect of the construction waste generated from the construction work under that contract.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required shall be liable to a fine of HK\$200,000 and to imprisonment for six months on the first conviction and to a fine of HK\$500,000 and to imprisonment for six months on a second or subsequent conviction and in any case to an additional fine of HK\$10,000 for each day of the continuance of the offence.

REGULATORY OVERVIEW

Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)

The Water Pollution Control Ordinance regulates the effluent discharged from all types of industrial, manufacturing, commercial, institutional and construction activities into communal sewers, stormwater drains, river courses or water bodies. For any industry generating wastewater discharge (except domestic sewage that is discharged into communal sewers or unpolluted water to stormwater drains, river courses and water bodies), they are subject to licensing control by the Environmental Protection Department.

All discharges, with the exception as described above, must be covered by an effluent discharge licence and its terms and conditions. The licence shall be granted with a specification of the permitted physical, chemical and microbial quality of the effluent by the Environmental Protection Department unless, for instance, the discharge endangers or is likely to endanger public health or is or is likely to be harmful to the health or safety of any person engaged in the operation or maintenance of a drainage or sewerage system.

According to the Water Pollution Control Ordinance, unless being licensed thereunder, a person who discharges any waste or polluting matter into the waters or discharges any matter into a communal sewer or communal drain in a water control zone shall be liable on conviction to imprisonment for six months and shall be liable to a fine of HK\$200,000 on the first conviction and to a fine of HK\$400,000 on a second or subsequent conviction and in any case to an additional fine of HK\$10,000 for each day of the continuance of the offence.

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. The nuisances which are actionable summarily under Section 12 of the Public Health and Municipal Services Ordinance include, among other matters, (i) emission of dust from any building under construction or demolition in such manner as to be a nuisance, (ii) the emission of dust, fumes or effluvia from any premises in such a manner as to be a nuisance, (iii) any accumulation or deposit which is a nuisance or injurious or dangerous to health, and (iv) any premises in such a state as to be a nuisance or injurious or dangerous to health.

REGULATORY OVERVIEW

Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)

The Environmental Impact Assessment Ordinance seeks to avoid, minimise and control the adverse impact on the environment of designated projects, such as projects involving earthworks, dredging works and other building works, through the environmental impact assessment process and the environmental permit system. Under the Environmental Impact Assessment Ordinance, designated projects must, unless exempted by the Environmental Protection Department, follow the statutory environmental impact assessment process and/or obtain environmental permits for their construction and operation.

An application for an environmental permit may be made directly with the Environmental Protection Department for the approval of a designated project which will cause limited adverse impacts on the environment and the mitigation measures proposed meet the designated requirements. For other projects, an application for an environmental permit made to the Environmental Protection Department must be accompanied with an environmental impact assessment report.

Any person who constructs or operates a designated project or decommissions a designated project without an environmental permit for the project or contrary to the permit conditions, if any, could be held liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months, (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years, (iii) on a first summary conviction to a fine at HK\$100,000 (level 6) and to imprisonment for six months, (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, a fine of HK\$10,000 for each day on which the offence has continued.

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)

Pursuant to the Construction Industry Council Ordinance and the Construction Workers Registration Ordinance, an aggregate construction industry levy at 0.53% is to be imposed on construction operations carried out in Hong Kong with a total value exceeding HK\$3,000,000. “Construction operations” generally include (i) building works and street works as defined in Section 2(1) of the Buildings Ordinance, (ii) construction, alteration, repair, maintenance, extension, demolition or dismantling of buildings or structures, powers lines, telecommunications apparatus or pipelines, (iii) supply and installation of fittings or equipment in any buildings or structures including electrical and mechanical works, (iv) external or internal cleaning and painting of any buildings or structures, which is carried out in the course of construction or maintenance of such buildings or structures, (v) painting or decorating any external or internal surfaces or parts of any buildings or structures, and (vi) operations which form an integral part of, or are preparatory to any of the above operations.

REGULATORY OVERVIEW

Laws and regulations in relation to competition

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

The Competition Ordinance prohibits restrictions on competition in Hong Kong through three competition rules, namely, (i) the first conduct rule which prohibits anti-competitive agreements (the "**First Conduct Rule**"), (ii) the Second Conduct Rule which prohibits abuse of market power (the "**Second Conduct Rule**"), and (iii) the Merger Rule which prohibits anti-competitive mergers and acquisitions (the "**Merger Rule**"). The First Conduct Rule and the Second Conduct Rule apply to all sections of the Hong Kong economy. At present, the Merger Rule only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). Therefore, our Group is subject to the Competition Ordinance generally, save for the Merger Rule.

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 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 by 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 consists of 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.

Orders that the Competition Tribunal may impose for contraventions of the competition rule include, among other things, pecuniary penalties, disqualification order, injunctions, prohibiting a person from making or giving effect to an agreement or to declare an agreement to be void, and award damages. For pecuniary penalty, the maximum penalty in relation to a single contravention can be up to 10% of the turnover of the undertaking concerned for each year in which the contravention occurred, or if the contravention occurred in more than three years, 10% of the turnover of the undertaking concerned for the three years in which the contravention occurred that saw the highest, second highest and third highest turnover. The Competition Tribunal may also order the disqualification of responsible director who has contravened a competition rule for up to five years.