HONG KONG LAWS AND REGULATIONS

This section sets forth a summary of the principal laws and regulations applicable to our business in Hong Kong.

LAWS AND REGULATIONS IN RELATION TO THE BUSINESS OF OUR GROUP IN HONG KONG

Labour, health and safety

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 an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it shall be the duty of every proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking 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 and transport of articles and substances;
- providing such information, instruction, training, and supervision as is necessary to ensure the health and safety at work of all persons employed by him at the industrial undertaking;
- maintaining any part of the industrial undertaking under the proprietor’s control in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks; and
- providing and maintaining a working environment for all persons employed by him at the industrial undertaking that is safe, and without risks to health.

A proprietor who contravenes these duties commits an offence and is liable to a fine of HK$500,000. A proprietor who contravenes these duties wilfully and without reasonable excuse commits an offence and is liable to a fine of HK$500,000 and to imprisonment for six months.

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides that on and after the appointed day (as defined in the Factories and Industrial Undertakings Ordinance), a proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. A proprietor who contravenes this section commits an offence and is liable to a fine at level 5 (currently at HK$50,000).
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.

Employers must, so far as reasonably practicable, ensure the safety and health at work of all their employees 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;

• providing necessary information, instruction, training, and supervision to ensure the safety and health at work of their employees;

• as regards any workplace under the employer’s control:
  – maintaining the workspace in a condition that is safe and without risks to health; or
  – providing and maintaining means of access to and egress from the workplace that are safe and without any such risks; and

• providing and maintaining a working environment for their employees that is safe and without risks to health.

Failure to comply with any of the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months.

The Commissioner 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 or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK$200,000 and HK$500,000 respectively and imprisonment of up to 12 months.
Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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 of the Employees’ Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident (within 14 days for general work accidents and within seven days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days respectively then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Pursuant 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.

According to section 40 of the Employees’ Compensation Ordinance, all employers (including principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). 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 its 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 at level 6 (currently at HK$100,000) and to imprisonment for two years.
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, (i) a principal contractor is; or (ii) a principal contractor and every superior subcontractor are jointly and severally, 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 (a) to 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) to the wages due to such an employee for two months without any deductions (such months shall be the first two months of the period in respect of which the wages are due).

According to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from a 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 every superior subcontractor 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 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.
Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal contractor, and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should 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.

Where it is proved that (i) an illegal immigrant was on a construction site; or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK$350,000.

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

The Construction Workers Registration Ordinance (“CWRO”) was enacted on 2 July 2004 to provide, among others, for registration and regulation of construction workers. The principal object of the CWRO is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

Employment of registered construction workers

Under sections 3(1) and 5 of the CWRO, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites.

Keeping and submission of site daily attendance report

Under the CWRO, a principal contractor/controller of a construction site is required to:

1. establish and maintain a daily record in the specified form that contains information on registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller (section 58(7)(a) of the CWRO); and

2. furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record

   i. for the period of seven days after any construction work begins on the site; and

   ii. for each successive period of seven days, within two Business Days following the last day of the period concerned (section 58(7)(b) of the CWRO).
Builders’ Lifts and Tower Working Platforms (Safety) Ordinance (Chapter 470 of the Laws of Hong Kong)

The Builders’ Lifts and Tower Working Platforms (Safety) Ordinance provides for the design, construction, installation and maintenance in safe working order of builders’ lifts and tower working platforms, for the examination and testing of such lifts and platforms and for other related matters. The owner of a builder lift or tower working platform shall ensure the requirements under the Builders’ Lifts and Tower Working Platforms (Safety) Ordinance, such as maintenance and support, are complied with.

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

Pursuant to the Dangerous Goods Ordinance, storage and usage of any dangerous goods in excess of the prescribed exempted quantity shall require a dangerous goods licence.

Under section 3 of the Dangerous Goods Ordinance, “dangerous goods” include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature.

Under section 6 of the Dangerous Goods Ordinance, no person shall manufacture, store, convey or use any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department. Pursuant to Regulation 77 of the Dangerous Goods (General) Regulations, every application for any licence to manufacture or store in bulk any permanent gas or liquefied gas shall be made in writing addressed to the director of the Fire Services Department.

Under section 14 of the Dangerous Goods Ordinance, any person who contravenes section 6 of the Dangerous Goods Ordinance shall be guilty of an offence and shall be liable to a fine of HK$25,000 and to imprisonment for six months.

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, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C 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. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

Under the Air Pollution Control (Construction Dust) Regulation, “construction work” includes but not limited to the construction, demolition, reconstruction, maintenance or repair of the whole or any part of any bridge, building, tunnel, wall or other structure and site formation. 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.

Under section 4 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where a notifiable work is being carried out shall ensure that the work is carried out in accordance with the Schedule of the Air Pollution Control (Construction Dust) Regulation.

**Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)**

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (“NRMMs”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.
Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department’s approval is liable to a fine of up to HK$200,000 and to imprisonment for up to six months; and (ii) a proper label is liable to a fine of up to HK$50,000 and to imprisonment for up to three months.

On 8 February 2015, the Works Branch of Development Bureau issued Technical Circular (Works) No. 1/2015 (the “Technical Circular”), pursuant to which the Hong Kong Government has promulgated an implemental plan to phase out progressively the use of exempted NRMM for four types of exempted NRMM, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public, including design and build contracts, with an estimated contract value exceeding HK$200 million and tenders invited on or after 1 June 2015. Notwithstanding the aforesaid phase out plan, exempted NRMM may still be permitted at the discretion of the architect or engineer of public contracts if there is no feasible alternative. Under phase out plan of the Technical Circular, the contractors being invited to tender or to participate in all new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK$200 million on or after 1 June 2015 shall allow no exempted generator and air compressor to be used on site after 1 June 2015 and the quantity of exempted excavators and crawler cranes used on site not to exceed 50%, 20% and 0% of the total number of exempted NRMMs being used on site since 1 June 2015, 1 June 2017 and 1 June 2019, respectively.
As at the Latest Practicable Date, our Group has 21 regulated machines and out of which 16 machines and the remaining five machines were exempted and approved, respectively, by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Set out below is the table showing the details of the approved and exempted NRMMs owned by our Group as at the Latest Practicable Date:

<table>
<thead>
<tr>
<th></th>
<th>Approved</th>
<th>Exempted</th>
<th>Carrying Amount as at 31 December 2016 HK$’000 (approximate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air compressor</td>
<td>3</td>
<td>2</td>
<td>32 (Note 1)</td>
</tr>
<tr>
<td>Concrete pump</td>
<td>0</td>
<td>2</td>
<td>113</td>
</tr>
<tr>
<td>Excavator</td>
<td>2</td>
<td>4</td>
<td>1,641 (Note 2)</td>
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<tr>
<td>Generator</td>
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</tr>
<tr>
<td>Loader</td>
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<td>1</td>
<td>152</td>
</tr>
<tr>
<td>Platform</td>
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<td>4</td>
<td>419</td>
</tr>
<tr>
<td>Roller</td>
<td>0</td>
<td>1</td>
<td>77</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
<td><strong>16</strong></td>
<td><strong>2,733</strong></td>
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</tbody>
</table>

Notes:

1. The carrying amount of approved and exempted air compressor amounted to HK$6,000 and HK$26,000, respectively.

2. The carrying amount of approved and exempted excavator amounted to HK$1,237,000 and HK$404,000, respectively.

Of the 16 exempted machines, there are eight exempted machines (two air compressors, four excavators and two generators) to be phased out under the phase out plan detailed in the Technical Circular. Our Directors confirm that none of the public projects which we participate in as at the Latest Practicable Date are subject to phase out plan detailed in the Technical Circular. In addition, our Directors consider that we will remain able to participate in or tender for public contract with an estimated contract value exceeding HK$200 million by leasing sufficient approved NRMMs and factoring such additional costs into our tender applications. Thus, our Directors are of the view that the implementation of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation and the exempted NRMM phase out plan as detailed in the Technical Circular has no significant impact or adverse effect on our Group’s operation and financial results.
Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between seven p.m. and seven a.m. on normal weekdays and at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the Construction Noise Permit System. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a Construction Noise Permit from the Environmental Protection Department. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of HK$100,000; (b) on second or subsequent conviction, to a fine of HK$200,000, and in any case to a fine of HK$20,000 for each day during which the offence continues.

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

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

All discharges, other than domestic sewage to a foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent and the general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.
According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, 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 commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK$200,000; (b) for a second or subsequent offence, a fine of HK$400,000, and in addition, if the offence is a continuing offence, to a fine of HK$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

The Waste Disposal Ordinance controls and regulates the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Chemical Waste) (General) Regulation, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste must be packaged, labelled and stored properly before disposal. Only a licensed collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of the Environmental Protection Department.

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 Department. 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 commits an offence and is liable to a fine of HK$200,000 and to imprisonment for six months for the first offence; and to a fine of HK$500,000 and to imprisonment for six months for a second or subsequent offence; and in addition, if the offence is continuing offence, to a fine of HK$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)

Under the Dumping at Sea Ordinance, anyone involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection Department.
Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months on a first conviction; and to a fine of HK$500,000 and to imprisonment for two years on a second or subsequent conviction; and in addition, to a further fine of HK$10,000 for each day that the court is satisfied that the operation has continued.

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

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty of section 127 as mentioned above is at level 3 (currently at HK$10,000) upon conviction with a daily fine of HK$200.

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is at level 5 (currently at HK$50,000) upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is at level 4 (currently at HK$25,000) upon conviction and a daily fine of HK$450.

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is at level 3 (currently at HK$10,000) upon conviction and a daily fine of HK$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is at level 3 (currently at HK$10,000) upon conviction and a daily fine of HK$200.

Construction services

Subcontractor Registration Scheme

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme (the “SRS”) managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007. GMEHK is currently registered as a registered subcontractor under the SRS in respect of various trades including concreting formwork, reinforcement bar fixing, concreting, scaffolding, structural steelwork, general civil works (earthwork, road drainage and sewer, geotechnical works, ground investigation and others (tunnel works)), finishing wet trades and painting. Such registration will expire on 4 January 2019. For details of the registration, please refer to the paragraph headed “Licences and permits” of the section headed “Business” of this prospectus.
The SRS was formerly known as the Voluntary Subcontractor Registration Scheme ("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.

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) 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 2 of the VSRS in January 2013. VSRS was also then renamed SRS. All subcontractors registered under the VSRS have automatically become registered subcontractors under the SRS.

Subcontractors may apply for registration on the SRS in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into around 94 specialities, including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation etc.

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 Subcontractor Registration Scheme) of the SRS, he shall engage subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the SRS for the purposes of execution of such part of the public works. Should the subcontractors further subcontract (irrespective of any tier) any part of the part of the public works subcontracted to them involving trades available under the Primary Register of the SRS, the contractor shall ensure that subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the SRS for the purposes of execution of such part of the part of the public works.

Applications for registration under the Primary Register of the SRS are subject to the following entry requirements:

(a) completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialties for which registration is applied; or comparable experience acquired by the applicant or its proprietors, partners or directors within the last five years;
(b) listings on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong Government relevant to the trades and specialties for which registration is sought;

(c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for subcontractors (or equivalent) conducted by the Construction Industry Council; or

(d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years of experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council. An application for renewal shall be subject to approval by the management committee of the Construction Industry Council which oversees the SRS (the “Management Committee”). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for two years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the “Codes of Conduct”). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee.

The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

1. supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;

2. failure to give timely notification of changes to the registration particulars;

3. serious violations of the registration rules and procedures;
4. convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);

5. convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;

6. wilful misconducts that may bring the SRS into serious disrepute;

7. civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;

8. convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequences:
   
i. loss of life; or
   
ii. serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;

9. conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the registered subcontractor at each of a construction site under a contract;

10. convictions for employment of illegal worker under the Immigration Ordinance; or

11. late payment of workers’ wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over ten days with solid proof of such late payment of wages and/or contribution.

The Management Committee may instigate regulatory actions by directing that:

(a) written strong direction and/or warning be given to a registered subcontractor;

(b) a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;

(c) a registered subcontractor be suspended from registration for a specified duration; or

(d) the registration of a registered subcontractor be revoked.
The Hong Kong Government is currently consulting on new legislation for the construction industry to address unfair payment terms, payment delays and disputes. The SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain.

When it comes into force, all public sector construction contracts will be caught by the legislation, whereas in the private sector, only certain contracts relating to a “new building” (as defined by the Buildings Ordinance) which has an original value in excess of HK$5 million for construction contracts and HK$500,000 for consultancy appointments and supply only contracts will be caught by the SOPL. However, where the SOPL applies to a main contract, it will automatically apply to all subcontracts in the contractual chain.

The new legislation will, among others:

• prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in court, arbitration or adjudication;

• prohibit payment periods of more than 60 calendar days for interim payments or 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 up to 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

• give 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.

It is possible that some of our contracts will be caught by the new SOPL and where such contracts are subject to the SOPL, we will have to ensure that their terms comply with the legislation. As the SOPL is designed to assist contractors throughout the contractual chain, including us, to ensure cash-flow and access to a swift dispute resolution process, our Directors do not expect the SOPL to have any negative implication or significant impact on our business operation and liquidity management. In fact, with the new right to suspend or reduce the rate of progress of work on non-payment of fees admitted as due to us by our customers, the SOPL provides us with greater protection and strengthens our liquidity management.

As at the Latest Practicable Date, the date of implementation of SOPL has not been announced.
Compliance with the relevant requirements

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary permits/licenses/registrations required for our existing business and operations in Hong Kong, and all of them are in force as at the Latest Practicable Date.

Approval for Reorganisation and Listing

No regulatory approval is required for the Reorganisation.

Save for the approval from the Stock Exchange, no other regulatory approval is required for the Listing.

For Shareholders’ approval, please refer to the paragraph headed “1. Further information about our Company – (iv) Written resolutions of our Shareholders passed on 10 February 2017” in Appendix V to this prospectus.