REGULATORY OVERVIEW

OVERVIEW

The Group mainly provides (i) one-stop design and build solutions; and (ii) repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. This section sets out summaries of certain aspects of Hong Kong and PRC laws, rules and regulations which are material to the Group's operation and business.

I. THE LAWS AND REGULATIONS OF HONG KONG

THE LAWS AND REGULATIONS OF HONG KONG CONTRACTOR LICENSING REGIME AND OPERATION

Minor works Contractor

(i) ***Minor Works Control System***

Under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) ("**Buildings Ordinance**"), the carrying out of large-scale building works or works of a very simple nature are governed by the same set of controls, including the requirements to obtain prior approval and consent from the Buildings Department before commencement of works and to appoint authorised persons (i.e., architects, engineers and surveyors registered under the Buildings Ordinance), and registered professionals to design and supervise the works as well as registered contractors to carry out the works.

The requirements of the above system are too stringent for minor works which are of a smaller scale and pose a lower level of risk. This not only creates difficulties on control and enforcement, but also results in many unauthorised building works.

In view of the above, the Buildings Ordinance was amended in 2008 to provide for a minor works control system which has been fully implemented since 31 December 2010. The Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) ("**B(MW)R**") was passed by the Legislative Council in May 2009 to provide for a simplified control mechanism to facilitate the carrying out of minor works without prior approval of plans by the Buildings Department.

(ii) ***Classification of Minor Works***

A total of 126 items of building works have been included as minor works under the B(MW)R. Detailed specifications for these 126 items of minor works are set out in Part 3 of Schedule 1 of the B(MW)R. These 126 items of minor works are classified into three classes according to their nature, scale, complexity and risk to safety.

(1) Class I (total of 44 items) includes mainly those relatively more complicated minor works;

(2) Class II (total of 40 items) comprises those of comparatively lower complexity and risk to safety; and

(3) Class III (total of 42 items) mainly includes common household minor works.

All classes of minor works require the appointment of a prescribed registered contractor (including a registered minor works contractor) to carry out the minor works. However, as Class I minor works are relatively more complicated than those of the other two classes, they require a higher level of technical expertise and more stringent supervision. As a result, the appointment of prescribed building professionals, such as an authorised person(s) and, where structural and/or geotechnical elements are involved, a registered structural engineer and a registered geotechnical engineer respectively, are also required to provide design and supervision of the minor works. On the other hand, the involvement of a prescribed building professional is not required for Class II and Class III minor works, where the prescribed registered contractor will be responsible for the design and execution of the minor works.

Under each class of minor works, works are further classified into different types. There are 7 types of minor works corresponding to the specialisation of works in the industry:

(1) Type A: Alteration & Addition Works

(2) Type B: Repair Works

(3) Type C: Works relating to Signboards

(4) Type D: Drainage Works

(5) Type E: Works relating to Structures for Amenities

(6) Type F: Finishes Works

(7) Type G: Demolition Works

Details of the minor works items under each type of works are set out in Part 2 of Schedule 1 of the B(MW)R.

(iii) ***Register of Minor Works Contractors***

In order to ensure that only contractors who are able to perform their duties and responsibilities in a competent manner are allowed to carry out the respective items of minor works, they are required to be registered under the Buildings Ordinance.

Under Section 8A(1)(c) of the Buildings Ordinance, the Director of Buildings ("**Building Authority**") maintains a register of minor works contractors who are qualified to carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

There are two types of registered minor work contractors, namely Registered Minor Works Contractors (Individual) ("**RMWCs (Ind)**") and Registered Minor Works Contractors (Company) ("**RMWCs (Co)**"). RMWCs (Ind) are minor work contractors who are registered under Section

10(1)(a) of the B(MW)R in the name of an individual self-employed worker. RMWCs (Ind) is only allowed to carry out various items of class III minor works. RMWCs (Co) are minor work contractors who are registered under Section 10(1)(b) of the B(MW)R in the name of a company (including corporations, sole proprietorship and partnership) for carrying out various types and classes of minor works.

(iv) ***Requirements for registration as RMWC (Co)***

Under Section 12(5) of the B(MW)R, an applicant for registration as an RMWC (Co) must satisfy the Building Authority on the following aspects:

(a) the appropriate qualifications and experience of its key personnel;

(b) it has access to plants and resources;

(c) if it is a corporation, its management structure is adequate;

(d) the ability of the persons appointed to act for the applicant for the purposes of the Buildings Ordinance to understand the minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and

(e) the applicant is suitable for registration in the register of minor works contractors.

Pursuant to Section 12(6) of the B(MW)R, in deciding whether the applicant is suitable for registration in the register of minor works contractors, the Building Authority will take into account the following factors:

(a) whether the applicant has any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works; and

(b) whether any disciplinary order has been made against the applicant.

(v) ***Authorised Signatory and Technical Director of RMWC (Co)***

In considering each application for registration as an RMWC (Co), the Building Authority will give regard to the qualifications, experience and suitability of the following key personnel of the applicant:

(a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance hereinafter referred to as the Authorised Signatory ("**AS**"); and

(b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director ("**TD**"), who is authorised by the board to:

(i) have access to plants and resources;

(ii) provide technical and financial support for the execution of minor works; and

(iii) make decisions for the company and supervise the AS and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.

(vi) ***Persons Eligible to be the AS or TD of RMWC (Co)***

The following persons are eligible to become the AS and the TD of the applicant:

(a) if the applicant is a sole proprietorship, the sole proprietor is the only person eligible to act as the AS;

(b) if the applicant is a partnership, any partner appointed by all the other partners is eligible to act as the AS; or

(c) if the applicant is a corporation, a suitable person appointed by the board of directors is eligible to act as the AS, whereas the TD must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of TD.

The Building Authority imposes specific requirements on the qualifications and experience of the key personnel of a registered minor works contractor. The following table summarises the said specific requirements for registered minor works contractor imposed by the Building Authority:

Key personnel	**Specific requirements on the key personnel**
Authorised Signatory	Must have: 1. at least 3 years' relevant experience in building industry, 1 year of which should be gained locally; and 2. been involved in 7 relevant items of minor works in Hong Kong in which 1 of them must be completed within the 3 years preceding the date of application for registration; and 3. at least a certificate, diploma or equivalent in the field of construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering or in other fields of studies which the Building Authority accepts.
Technical Director	Must have: 1. at least 5 years' relevant experience in building industry in which 1, 3 or 5 years should be in managing a building contractor company in Hong Kong depending on the class of application; or 2. 3 years' relevant experience in building industry, 1 year of which should be gained locally; and

3. at least a certificate, diploma or equivalent in the field of construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering or in other fields of studies which the Building Authority accepts.

A person is allowed to take up the role of the AS as well as the role of the TD of a corporation at the same time provided that he meets the requirements of both AS and TD.

To ensure that adequate supervision and proper management are provided for the carrying out of minor works and to avoid possible situations of conflict of interest, persons who have been accepted as the AS/TD for an RMWC (Co) cannot act as a key personnel for another contractor firm simultaneously.

(vii) ***Validity Period of Registration and Renewal of Registration***

Pursuant to Section 13 of the B(MW)R, the registration as RMWC (Co) is valid for a period of three years commencing from the date of entry of the name in the register of minor works contractors maintained by the Building Authority. Under Section 14(1) and (2) of B(MW)R, an RMWC (Co) may apply to the Building Authority for renewal of registration within a period not earlier than 4 months and not later than 28 days prior to the expiry of the registration. A renewed registration will expire on the third anniversary of the expiry date of the previous registration.

The Subcontracting Registration Scheme

The Construction Industry Council has introduced the Subcontracting Registration Scheme, a registration scheme for trade subcontractors taking part in building and engineering works in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics.

Subcontractors may apply for registration in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services.

Applications for registration under the Subcontractor Registration Scheme 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 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 sub-contractors (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' 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.

An approved registration under the Subcontractor Registration Scheme shall be valid for two years from the approval date. 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 in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee of the Construction Industry Council. If some of the entry requirements covered in an application can no longer be satisfied, the management committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met.

LAWS AND REGULATIONS IN RELATION TO 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 the industrial undertakings. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking, including construction work, to ensure, 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:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations, include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK$200,000 and imprisonment up to 12 months.

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 as far as reasonably practicable ensure the safety and health in their workplaces by:

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

An employer who fails 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 comply with any of the above provision intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for 6 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 hazard to the employees. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK$200,000 and imprisonment of up to 12 months and HK$500,000 and imprisonment of up to 12 months respectively.

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 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

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

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 and to imprisonment for 2 years.

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

Pursuant to Section 43C of the Employment Ordinance, if any wages become due to the 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. However, such payment of wages is recoverable from the subcontractor pursuant to Section 43F of the Employment Ordinance.

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 injury resulting to persons or damage caused to goods or other property lawfully on the land.

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

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

Under section 38A of the Immigration Ordinance, the principal or main contractor 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.

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

The Mandatory Provident Fund Schemes Ordinance requires the Group to provide retirement benefits to the employees. Under the said Ordinance, except for exempted persons, employees (full-time and part-time) and self-employed persons who are between 18 to 65 years of age are required to join a Mandatory Provident Fund Scheme.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (HK$30 per hour (applicable for the period from 1 May 2013 to 30 April 2015), HK$32.5 per hour (applicable for the period from 1 May 2015 to 30 April 2017) and HK$34.5 per hour currently) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

REGULATORY OVERVIEW

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 regulates the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other sources of pollution. Its subsidiary regulations 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, Air Pollution Control (Construction Dust) Regulation and Air Pollution Control (Smoke) Regulation. For instance, a contractor responsible for a construction site shall devise and arrange methods of carrying out the works in a manner that minimises the impact of dust on the surrounding environment of the construction site, 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 building works involving asbestos to be conducted only by registered qualified personnel under the supervision of a registered consultant.

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

The Noise Control Ordinance regulates, amongst others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. 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 Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Schedule 1 of the Noise Control (Hand Held Percussive Breakers) Regulations (Chapter 400D of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different masses of the hand-held percussive breakers. Similarly, Schedule 1 of the Noise Control (Air Compressors) Regulations (Chapter 400C of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different air flows of the air compressors.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK$100,000 and on a second or subsequent convictions 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.

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 is HK$10,000 (level 3) 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 HK$50,000 (level 5) 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 HK$25,000 (level 4) upon conviction and a daily fine of HK$450.

Any accumulation of refuse which is a nuisance or injurious to health or 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 HK$10,000 (level 3) upon conviction and a daily fine of HK$200.

OTHERS

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

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anticompetitive conduct which prevents, restricts or distorts competition in Hong Kong. The Competition Ordinance establishes three competition rules, namely the First Conduct Rule, Second Conduct Rule and Merger Rule which prohibit anti-competitive agreements, abuse of market power and anti-competitive mergers and acquisitions respectively.

The First Conduct Rule prohibits businesses from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the agreement concerned has the object or effect to harm competition in Hong Kong. The Second Conduct Rule prohibits businesses with a substantial degree of market power from abusing its power through engaging in conduct that has the object or effect to harm competition in Hong Kong. The Merger Rule forbids mergers between businesses that substantially lessen competition in Hong Kong. The scope of application of the Merger Rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Serious Anti-competitive Conduct is defined under section 2(1) of the Competition Ordinance as any conduct that comprises any one or a 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;

(iv) bid-rigging.

It is stated in section 82 of the Competition Ordinance that if the Competition Commission has any reasonable cause to believe that a contravention of the First Conduct Rule has occurred and the contravention does not involve Serious Anti-competitive Conduct, it must issue a warning notice to the undertaking, before bringing proceedings in the Competition Tribunal against the undertaking.

However, under section 67 of the Competition Ordinance, where a contravention of the First Conduct Rule has occurred and such contravention involves Serious Anti-competitive Conduct or a contravention of the Second Conduct Rule has occurred, the Competition Commission may, instead of commencing proceedings against the person concerned, issue an infringement notice offering not to bring proceedings on condition that the person commits to comply with the requirements of the infringement notice.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including, amongst others:

(i) imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule;

(ii) disqualifying a person from acting as a director of a company or taking part in the management of a company;

(iii) prohibiting an entity from making or giving effect to an agreement;

(iv) modifying or terminating an agreement; and

(v) requiring the payment of damages to a person who has suffered loss or damage.

LAWS EXPECTED TO COME INTO FORCE WHICH MAY IMPACT THE BUSINESS OF THE GROUP

Security of Payment Legislation ("SOPL") for the Construction Industry

The Hong Kong Government is currently formulating the SOPL to address unfair payment terms, payment delays and disputes in the construction industry. The SOPL purports to encourage fair payment, promote rapid dispute resolution and increase cash flow in the contractual chain.

The Hong Kong Government initiated the SOPL to cover written and oral contracts that involve the supply of construction works, plant and materials in Hong Kong. All construction contracts in the public sector will be covered by the legislation, whereas only construction and supply contracts relating to a ''new building'' (as defined in the Buildings Ordinance) with a value exceeding HK$5 million in the private sector will fall under the scope of the SOPL. Where the SOPL is applicable to a main contract, it will automatically apply to all related subcontracts.

It is proposed that the SOPL, after it comes into effect, will:

(i) prohibit ''pay when paid'' terms and other similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;

(ii) prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;

(iii) enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process); and

(iv) grant parties who have not been paid amounts admitted as due the right to suspend the performance of works until such payment is made.

As at the Latest Practicable Date, the implement date of the SOPL has not been announced.

It is probable that some of the contracts of the Group will be caught by the new SOPL legislation and where such contracts are subject to SOPL, the Group will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual chain to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where SOPL applies, this will have a positive impact on ensuring that the Group get paid in a timely manner. On the other hand, as the Group generally pay the subcontractors within 30 to 60 days, the Directors consider that the payment pattern does not deviate from the SOPL and the payment practice and cash management will not be materially affected by the SOPL if it becomes effective.

II. THE LAWS AND REGULATIONS OF THE PRC

The relevant laws and regulations applicable to the operations and business of the Group's subsidiary in the PRC are set out below:

Laws and Regulations Relating to Company Establishment and Foreign Investment

Incorporation, operation and management of wholly foreign owned enterprise ("WFOEs")

The establishment, operation and management of a company in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**PRC Company Law**") which was promulgated by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) (the "**SCNPC**") on 29 December 1993 and became effective on 1 July 1994. It was last amended on 28 December 2013 and took effect on 1 March 2014. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing

the statutory minimum registered capital requirements and the statutory timeframe for the capital contribution. The PRC Company Law also governs foreign-invested limited liability companies and joint stock limited companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

The PRC Laws on Wholly Foreign Owned Enterprises (《中華人民共和國外資企業法》) promulgated on 12 April 1986 by the National People's Congress (the "**NPC**") and last amended on 3 September 2016 by the SCNPC and the Implementation Rules of the Wholly Foreign Owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) promulgated by the State Council of the PRC (the "**State Council**") on 12 December 1990 and last amended on 19 February 2014, govern the establishment procedures, approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, employment and all other relevant matters of WFOEs . According to the latest amendment to Wholly Foreign Owned Enterprise Law of the PRC on 3 September 2016, foreign-invested enterprise which do not fall within the scope of special administrative measures for foreign investment admission stipulated by the State, approval procedures stipulated in Article 6, Article 10 and Article 20 of the Wholly Foreign Owned Enterprise Law of the PRC shall be changed to the filing procedures.

Pursuant to the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which was promulgated by the Ministry of Commerce on 8 October 2016 and became effective on the same date, Where establishments and changes to a foreign-invested enterprise do not fall within the scope of special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through filling procedures instead of the procedures for approvals. However, where establishments and changes to a foreign-invested enterprise fall within the scope of the special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through procedures for approvals according to the relevant laws and regulations governing foreign investment.

Laws and Regulations Relating to the Catalogue of Industries for Guiding Foreign Investment

Pursuant to the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, any investment conducted by foreign investors and foreign enterprises in the PRC is subject to the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "**Guidance Catalogue**"), the latest version of which was promulgated by the Ministry of Commerce of the PRC (the "**MOFCOM**") and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 10 March 2015 and came into effect on 10 April 2015. The Guidance Catalogue provides guidance for market access of foreign capital by categorizing industries into encouraged industries for foreign investment, restricted industries for foreign investment and prohibited industries for foreign investment. Those industries which are not stipulated in the Guidance Catalogue are deemed as "permitted industries for foreign investment". According to the Guidance Catalogue, the industry in which the Group's PRC subsidiary engages are categorised as "permitted industries for foreign investment".

REGULATORY OVERVIEW

Laws and Regulations Relating to Foreign trade, custom and Anti-unfair competition

Foreign trade

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the "**Foreign Trade Law**") was latest amended on 7 November 2016 and took effect on the same day. Foreign trade mentioned in the Foreign Trade Law refers to the import and export of goods, technologies and international trade in services. According to the Foreign Trade Law, such unfair competition activities as selling the products at unreasonable low prices, colluding with each other in a tender, producing and releasing false advertisements and conducting commercial bribery and others alike are not allowed in foreign trade activities.

Custom

According to the Administrative Provisions of the PRC on Registration of the Customs Declaring Entities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated by the General Administration of Customs of the PRC on 13 March 2014, a declaring entity shall go through the registration procedures at the customs in accordance with these provisions. Registration of declaring entities shall be divided into the registration of declaring enterprises and the registration of consignees or consignors of imported or exported goods.

Anti-unfair competition

The Law of the PRC for Anti-Unfair Competition (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**") was promulgated on 2 September 1993 and took effect from 1 December 1993. According to the Anti-Unfair Competition Law, when trading on the market, operators shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. And acts of operators which contravene the provisions of the Anti-Unfair Competition Law, with a result of damaging the lawful rights and interests of other operators, and disturbing the socio-economic order shall constitute unfair competition. Operators shall not use money or properties or the other methods to bribe others in order to sell or purchase commodities. It shall be guilty of giving bribe if operators give a secret commission to the other organisations or individuals without the normal accounting records. It shall be guilty of taking bribe, if the organisations or individuals accept the secret discount without normal accounting records. Operators may offer a discount to the others in public, or may pay commission to the middle man in selling or purchasing commodities. However, operators who give discount to the others or pay commission to the middle man, or the others who take the discount or commission shall make accounting records strictly according to the facts.

Where an operator commits unfair competition in contravention of the provisions of the Anti-Unfair Competition Law and causes damage to another operator, it or he shall bear the responsibility for compensating for the damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages shall be the profit gained by the infringer during the period of infringement through the infringing act. The infringer shall also bear all reasonable costs paid by the injured operator in investigating the acts of unfair competition committed by the operator suspected of infringing its or his lawful rights and interests.

REGULATORY OVERVIEW

Laws and Regulations Relating to Employment and Social Security

Labour law

Companies in the PRC are subject to the PRC Labour Law (《中華人民共和國勞動法》) (the "**PRC Labour Law**") which was promulgated by the SCNPC on 5 July 1994, became effective on 1 January 1995 and was further amended on 27 August 2009, the PRC Labour Contract Law (《中華人民共和國勞動合同法》) (the "**PRC Labour Contract Law**") which was promulgated by the SCNPC on 29 June 2007, became effective on 1 January 2008 and was further amended by the SCNPC on 28 December 2012, and the Implementation Regulations of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council on 18 September 2008 and became effective on the same date, as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time. Compared to previous PRC Laws and regulations, the PRC Labour Contract Law imposes stricter requirements in such respects as signing of labour contracts with employees, stipulation of probation period and violation penalties, termination of labour contracts, payment of remuneration and economic compensation, use of labour dispatches as well as social security premiums.

According to the PRC Labour Law and the PRC Labour Contract Law, a written labour contract shall be concluded when a labour relationship is to be established between an employer and an employee. An employer must pay an employee two times his salary for each month in circumstance where it fails to enter into a written labour contract with the employee for more than a month but less than a year; where such period exceeds one year, the parties are deemed to have entered into an unfixed-term labour contract. Companies must pay wages that are not lower than the local minimum wage standards to the employees. Companies are also required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees.

According to the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) which was promulgated by the State Council on 1 October 2002 and came into effect on 1 December 2002, the employers must verify the identification cards of the personnel to be employed and shall not employ any minor under 16 years old.

Social insurance and housing provident funds

The PRC social insurance system is mainly governed by the Social Insurance Law of the PRC (the "**Social Insurance Law**") (《中華人民共和國社會保險法》). The Social Insurance Law was promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011. According to Social Insurance Law, employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the five basic types of social insurance for their employees, namely, basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

According to the Social Insurance Law, if an employing entity does not pay the full amount of social insurance fund contributions on time, the social insurance authority shall order it to pay the outstanding social insurance fund contributions within a prescribed time and impose a daily fine equivalent to 0.05% of the outstanding amount from the date on which the payment is overdue. If the payment is not made within the prescribed time, the social insurance authority shall impose a fine ranging from one to three times of the outstanding social insurance fund contributions.

According to the Regulations on Management of Housing Provident Funds (《住房公積金管理條例》) which was promulgated by the State Council and came into effect on 3 April 1999 and was amended on 24 March 2002, all business entities (including foreign invested enterprises) are required to register with the local administrative centre of housing provident funds and then maintain housing fund accounts with designated banks and pay the related funds for their employees. In addition, for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised if the employer desires.

Laws and Regulations Relating to Foreign Exchange

Foreign exchange

Foreign exchange control in the PRC is mainly regulated by the Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and was last amended on 5 August 2008. According to the aforesaid regulations, RMB can be freely exchanged into foreign currency for payments under current accounts (such as foreign exchange transactions in relation to trade and service and dividends payment), but approval from the relevant foreign exchange administration shall be obtained before the exchange of RMB into foreign currency under the foreign exchange accounts (such as direct investment, loan or stock investment outside the PRC).

Pursuant to the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capitals Settlement of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), which was promulgated on 30 March 2015 by the State Administration of Foreign Exchange (the "**SAFE**") and became effective on 1 June 2015, foreign-invested enterprises in the PRC may, according to their business demands, settle with a bank the portion of foreign exchange capital in their capitals account for which the local foreign exchange bureau has confirmed capital contribution rights and interests, and the portion allowed to be settled by a foreign-invested enterprise is tentatively 100%. Furthermore, where foreign-invested enterprises are engaging in equity investment in the PRC, they shall comply with the regulations on reinvestment within the territory of the PRC.

REGULATORY OVERVIEW

Laws and Regulations Relating to Taxation

Enterprise income tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the NPC on 16 March 2007 and came into effect on 1 January 2008, and the Enterprise Income Tax Implementation Regulations of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) (the "**EITIR**") which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, the income tax rate for both domestic and foreign invested enterprises is 25%.

Pursuant to the EIT Law and the EITIR, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered as "resident enterprises" and are subject to the uniform 25% enterprise income tax rate for their global income.

The EIT Law and the EITIR also provide that the enterprise income tax should be levied at the reduced rate of 20% for qualified "small and thin-profit enterprises", and the enterprise income tax should be levied at the reduced rate of 15% for "High and New Technology Enterprises" in need of special support by the PRC.

Income tax on share transfer

Pursuant to the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprises (《國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知》) (the "**Notice 698**") promulgated by the State Administration of Taxation (中華人民共和國國家税務總局) (the "**SAT**") on 10 December 2009 and came into effect from 1 January 2008, and the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "**Announcement No. 7**") promulgated by the SAT and came into effect on 3 February 2015, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT Law. Indirect transfer of Chinese taxable properties shall mean transactions of non-resident enterprises which are carried out through transfer of equity of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including the Chinese resident enterprises registered abroad, hereinafter referred to as "enterprises abroad") and other similar equities (hereinafter referred to as "equity") and cause the concrete results same as or similar to that of direct transfer of Chinese taxable properties, including the circumstance that the restructuring of non-resident enterprises causes changes of shareholders of enterprises abroad. Non-resident enterprises that indirectly transfer Chinese taxable properties are referred to as equity transferor.

According to the Announcement No. 7, indirect transfer of Chinese taxable properties that meets all of the following conditions shall be deemed as having a reasonable commercial purpose: (1) the equity relationship of the parties involved in the transfer falls under one of the following

circumstances: (i) equity transferor directly or indirectly owns more than 80% of the equity of the equity transferee; (ii) equity transferee directly or indirectly owns more than 80% of the equity of the equity transferor; or (iii) more than 80% of the equity of both equity transferor and equity transferee is owned by the same party. If more than 50% (not including 50%) of the value of the equity of an enterprise abroad is directly or indirectly from the real estate in the territory of China, the proportion in items (i), (ii) and (iii) of Paragraph 1 of this article shall be 100%. The aforesaid equity indirectly held shall be calculated based on the product of the shareholding ratios of all enterprises in the shareholding chain; (2) compared with the same or similar indirect transfer occurred without this indirect transfer, the burden of taxation in China will not be reduced on the indirect transfer that may occur again after this indirect transfer; and (3) equity transferee pays all the equity transfer consideration with its equity or equity of enterprises controlled by it (not including equity of listed enterprises).

Value-added tax ("VAT")

According to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》) promulgated by the State Council on 13 December 1993, and taking effect on 1 January 1994, which was last amended on 6 February 2016, and the Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例實施細則》), which was promulgated by the Ministry of Finance of the PRC on 25 December 1993, became effective on 1 January 1994 and was last amended on 28 October 2011 and became effective on 1 November 2011, all entities and individuals engaging in the sales of goods, the provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC are subject to VAT, and shall pay VAT in accordance with these regulations. The applicable VAT rate for taxpayers selling or importing various goods, providing processing, repairs and replacement services shall be 17 percent, and that for taxpayers exporting goods shall be nil, unless otherwise stipulated.

According to the Measures for the Exemption of Value-Added Tax on Cross-Border Taxable Acts during the Replacement of Business Tax with Value-Added Tax (for Trial Implementation) (《營業税改徵增值税跨境應税行為增值税免税管理辦法(試行)》) which was promulgated by the State Administration of Taxation on 6 May 2016, certain taxable acts which comply with the zero tax rate policies but to which the simple tax computation method applies, or for which a declaration has been made for waiving the zero tax rate and choosing tax exemption shall be exempt from VAT, such as research and development services and design services provided to overseas entities and consumed completely abroad.

Withholding tax on dividends

According to the EIT Law and the EITIR, non-resident enterprises which have not set up institutions or premises in the PRC, or which have set up institutions or premises in the PRC but whose income has no actual relationship with such institutions or premises shall be subject to the withholding tax of 10% on their income derived from the PRC. According to the Arrangements between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), promulgated by the SAT and Hong Kong Special

Administrative Region on 21 August 2006, dividends paid by a PRC enterprise to a Hong Kong resident may be taxed in the PRC according to the applicable PRC tax laws, and vice versa. Where the beneficial owner of the dividends is a resident of the other side (e.g. dividends of a PRC company paid to a Hong Kong resident), the tax charged shall not exceed: (a) where the beneficial owner is a company directly owing at least 25% of the equity interest of the company which pays the dividends, 5% of the gross amount of the dividends; and (b) in any other case, 10% of the gross amount of the dividends.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied for a taxpayer to be entitled to the tax rate specified in the tax agreement for dividends paid to it by a PRC resident company: (i) the tax fiscal resident of the other side who obtains dividends shall be a company as provided in the tax agreement; (ii) the proportions of the owner's equity interests and voting shares of the PRC resident company directly owned by such tax resident shall comply with the prescribed proportions; and (iii) the proportions of the equity interests directly owned by such tax resident in the PRC resident company shall, at any time within the successive twelve months before obtaining of the dividends, comply with the proportions specified in the tax agreement.

According to the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatments under Tax Treaties (《非居民納税人享受税收協定待遇管理辦法》) (the "**Administrative Measures**"), which was promulgated by the SAT on 27 August 2015 and came into effect on 1 November 2015, if non-resident taxpayers are eligible for the favorable tax treatment under the tax arrangements, they could enjoy such treatment when making tax declarations by themselves or through withholding agents. Under the Administrative Measures, when the non-resident taxpayers or their withholding agents make declarations to the relevant tax authority, they should deliver the relevant reports and materials to the tax authority and such non-resident tax payers and withholding agents will be subject to the follow-up management of the tax authority.

Laws and Regulations Relating to the Intellectual Property Rights

Trademark and Patent

The products in the PRC shall be subject to intellectual property laws, which mainly include the Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**"), the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**") and the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**").

According to the Trademark Law, which was promulgated by the SCNPC on 23 August 1982 and last amended on 30 August 2013 and took effect on 1 May 2014, any of the following acts is an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark which is identical with a registered trademark on the same kind of commodities without a license from the registrant of that trademark; (ii) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark which is identical with or similar to the registered trademark on the similar commodities and mislead the public without a license from the registrant of

that trademark, which is likely to cause confusion; (iii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iv) forging or manufacturing without authorisation the marks of a registered trademark, or selling the marks of a registered trademark forged or manufactured without authorisation; (v) changing a registered trademark and putting the commodities bearing the changed trademark into the market without the consent of the registrant of that trademark; and (vi) deliberately providing convenience for and helping with the acts infringing upon the exclusive right to use a registered trademark; (vii) causing other damages to the exclusive right to use a registered trademark of another person.

The Patent Law was promulgated by the SCNPC on 12 March 1984, became effective on 1 April 1985, and was last amended on 27 December 2008, with the latest amendment taking effect on 1 October 2009. According to the Patent Law, patent is divided into three categories: invention patent, utility model patent and design patent. Invention patent is intended to protect new technical solutions proposed for a product, a process or the improvement thereof. Utility model patent is intended to protect new technical solutions proposed for the shape and structure of a product or the combination thereof, which are fit for practical application. Design patent is intended to protect new designs of a product's shape, pattern, the combination thereof, or the combination of colour with shape and pattern, which create an aesthetic feeling and are fit for industrial application. According to the Patent Law, any exploitation of a patent without the authorisation of the patentee constitutes an infringement on the patent right.

Domain Names

The Measures on the Administration of Internet Domain Names of China (《中國互聯網絡域名管理辦法》) was promulgated by the Ministry of Information Industry (now renamed as the Ministry of Industry and Information Technology) on 5 November 2004 and became effective on 20 December 2004. The aforementioned measures regulate the registration of domain names in China with the internet country code of ".cn". The Measures on Domain Names Dispute Resolution (《中國互聯網絡信息中心域名爭議解決辦法》) was promulgated by the China Internet Network Information Infrastructure Centre and became effective on 1 September 2014. The aforementioned measures require domain name disputes to be submitted to the institutions authorised by the China Internet Network Information Centre for resolution.