

LAWS AND REGULATIONS

HONG KONG LAWS

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

Laws and Regulations in relation to Construction Labour, Health and Safety

Factories and Industrial Undertakings Ordinance

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 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 willfully 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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

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

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

Failure to comply with any of the above provisions constitutes an offence 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 6 months.

The Commission for Labour may also issue an improvement notice against non-compliance of this 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

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.

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According to Section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors' employees who are injured in the course of their employment to the sub-contractor. The principal contractor is, nonetheless, entitled to be indemnified by the sub-contractor 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). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with this Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for 2 years.

Employment Ordinance

A principal contractor shall be subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. According to Section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior sub-contractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the sub-contractor 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 sub-contractor (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 2 months (such months shall be the first 2 months of the period in respect of which the wages are due). An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor 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 sub-contractor to that sub-contractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior sub-contractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5.

Pursuant to Section 43F of the Employment Ordinance, if a principal contractor or superior sub-contractor pays to an employee any wages under Section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be. The principal contractor or superior sub-contractor may either (1) claim contribution from every superior sub-contractor to the employee's employer or from the principal

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contractor and every other such superior sub-contractor as the case may be, or (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

Occupiers Liability Ordinance

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

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

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.

Minimum Wage Ordinance

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$28 per hour) 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 this Ordinance is void.

Laws and Regulations in relation to Environmental Protection

Air Pollution Control Ordinance

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulations. The contractor responsible for a construction site shall devise, arrange methods of working and carry out

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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.

Noise Control Ordinance

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial 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 Director of the Environmental Protection Department 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 produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. 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 Director of 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 Director of the Environmental Protection Department.

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 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.

Water Pollution Control Ordinance

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, manufacturing, 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 Director of the Environmental Protection Department.

All discharges, other than domestic sewage to a communal 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. 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 of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is

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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

The Waste Disposal Ordinance controls the production, storage, collection, treatment, reprocessing, 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, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

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

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed waste 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 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 the 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 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

Dumping at Sea Ordinance

Under the Dumping at Sea Ordinance, anyone involved in marine dumping and related loading operations are required to obtain permits from the Director of the 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 6 months on a

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first conviction; and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

Environmental Impact Assessment Ordinance

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 of the Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

Contractor Licensing Regime

Under the current contractors registration system in Hong Kong, a contractor must be registered with the Buildings Department either as general building contractor or as specialist contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors.

Set out below are the requirements to register as a general building contractor, specialist contractor in foundation works, specialist contractor in site formation works and specialist contractor in ground investigation field works under the Buildings Department.

Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered general building contractor or registered specialist contractor must satisfy the Building Authority on the following aspects:

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plants and resources; and

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- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

In considering each application, the Building Authority is to have regard to the qualifications, competence and experience 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 an ‘Authorised Signatory’;
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as a ‘Technical Director’ who is authorised by the board to:
 - (i) have access to plant and resources;
 - (ii) provide technical and financial support for the execution of building works and street works; and
 - (iii) make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an ‘Other Officer’ authorised by the board of directors to assist the Technical Director.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

For registration as a registered specialist contractor, the applicant must satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties, e.g. competent person (logging) for ground investigation field works.

The Buildings Department imposes specific requirements on the directors of a contractor and the person appointed by the contractor to act for it for the purposes of the Buildings Ordinance.

Private Sector Foundation and Site Formation Projects

Private sector foundation and site formation projects cover projects launched by private developers as well as any other entities not being Hong Kong government departments and statutory bodies, including but not limited to utility companies, charity organisations, and private educational institutions.

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In order to undertake private sector foundation and site formation works as main contractor, a contractor must be registered with the Buildings Department as a registered specialist contractor under the categories of foundation works and site formation works, unless the main contractor subcontracts those works to a registered specialist contractor as described below.

Where the main contractor engages a registered specialist contractor under the categories of foundation works and site formation works to undertake foundation and site formation works, irrespective of whether such foundation and site formation works form the whole or part of the contract works, the main contractor itself would not be required to be a registered specialist contractor under the relevant category.

Subcontractors undertaking foundation and site formation works are required to be registered specialist contractors under the categories of foundation works and site formation works.

The registration requirements mentioned above are the basic requirements for undertaking private sector foundation and site formation construction projects. Other additional requirements on the main contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

Public Sector Foundation and Site Formation Projects

Registration with the Buildings Department as a registered specialist contractor under the categories of foundation works and site formation works is one of the minimum requirements for contractors undertaking foundation and site formation works in the public sector under the Development Bureau and the Housing Authority.

Set out below are the further requirements for a registered specialist contractor under the categories of foundation works and site formation works to undertake foundation work and site formation work projects of the Development Bureau and the Housing Authority:

Development Bureau projects

If a contractor wishes to carry out public land piling works of the Development Bureau, it must be included in either “Group I” or “Group II” of the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (the Specialist List) which is administered by the Works Branch of the bureau under the category of “Land Piling” in respect of the relevant piling system. The scope of work in this category covers design, supply and installation of registered piling systems on land. Specialist List Group I Land Piling contractors can undertake foundation contracts/subcontracts of a value up to HK\$3.4 million while Specialist List Group II Land Piling contractors can undertake foundation contracts/subcontracts of unlimited value.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group.

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In granting a registration/approval to a foundation contractor, the Works Branch takes into consideration, among others, (i) the contractor's financial strength; (ii) the contractor's technical experience and management capability; (iii) the machinery and equipment maintained by the contractor; and (iv) the job references from customers.

All Specialist List Group II Land Piling contractors are required to obtain Quality Management System certificates issued under the rules of the HKCAS operated by the Hong Kong Accreditation Service; i.e. bearing the HKCAS Accreditation Mark, and Quality Management System certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Works Branch. The scope of certification shall be relevant to the piling system under application. Furthermore, all Specialist List Group II Land Piling contractors are required to have at least one member of the resident top management with a minimum of five years local experience in managing a construction firm obtained in the past eight years and at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works. The contractors must also have completed at least 3 medium/large size local projects (over HK\$3 million each) within the past five years and experience as a main contractor.

Pursuant to a technical circular issued by Works Branch on 14 June 2004, all capital works and maintenance works contracts of the government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Primary Register of the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry Co-ordination Board (臨時建造業統籌委員會) whose work was taken over by the Construction Industry Council (建造業議會) in February 2007.

Housing Authority projects

In addition to being registered as a specialist contractor — foundation category under the Buildings Ordinance, it is a prerequisite that a contractor is included in the “Housing Authority List of Piling Contractors” in order to tender for a Housing Authority piling project. The Housing Authority List of Piling Contractors is divided into two categories:

- (i) Large Diameter Bored Piling Category; and
- (ii) Percussive Piling Category.

A contractor may be included in one or both of the above categories and is eligible to tender for contracts of unlimited values using the pile type belonging to that category provided such pile type is an acceptable pile type for the contracts. Contractors of each of the above categories are also eligible to tender for contracts of unlimited values using a pile type not belonging to Percussive Pile Category and Large Diameter Bored Pile Category provided such pile type is an acceptable pile type for the contracts.

A contractor shall possess ISO 9001, ISO 14001 and OHSAS 18001 certificates with respect to its own category. The minimum scopes of certification for (i) Large Diameter Bored Piling Category is to carry out the construction of large diameter bored piles; and (ii) Percussive Piling Category is to carry out the construction of percussive piles. A contractor shall also meet the

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minimum requirements set out by the Housing Authority regarding, among others, (i) work experience; (ii) financial capability; (iii) number, qualifications and experience of full-time staff to be employed for admission/retention on the Housing Authority List of Piling Contractors; and (iv) plant and machinery.

Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements set out in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of a renewal application fee.

Regulatory actions against contractors by the Development Bureau and the Housing Authority

The Development Bureau and the Housing Authority may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and Employment Ordinance and employment of illegal works etc.

For instance, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor’s qualification to a lower status or class in all or any specified category) of the contractor’s licence, depending on the seriousness of the incident triggering the regulatory actions.

Compliance with Relevant Requirements

Our Directors confirm that our Group has obtained all relevant permits/registrations for its existing operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

In addition, each of Sunley and Sunnic has complied with the requirements for retention on the Specialist List during the Track Record Period and up to the Latest Practicable Date.

In order to ensure the ongoing compliance with the applicable requirements, laws and regulations, our administration department shall be responsible for the followings:

- (i) to identify and review any approvals, permits, licenses and certificates required for our Group’s operations and to ensure compliance with relevant laws and regulations periodically;
- (ii) to check relevant requirements and to make necessary submission to upkeep our Group’s licensing status;
- (iii) to identify any information shall be provided for application/submission such as company profile, job experience, resources, financial information, management systems and certificates, technical proposal, schedule, customer satisfaction etc;

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- (iv) to designate suitable personnel/department to follow up the submission of the financial information to Development Bureau and Housing Authority within the time stipulated under the prevailing laws and regulations;
- (v) to keep update those information to our clients when necessary;
- (vi) to identify the new requirements, operation and control procedures under statutory and regulations; and
- (vii) to brief the senior management for the news/update/revised requirements to ensure senior management keep update of the industry characteristic.

In addition, Mr. Cheng and Mr. Ho, our executive Directors, are responsible for the supervision of the ongoing compliance with the applicable requirements, laws and regulations of our Group and we may also seek consultation from our legal advisers as when required and necessary.

Apart from preparation of financial statements on a yearly basis for submission to the Works Branch to demonstrate that each of Sunley and Sunnic has sufficient employed capital and working capital for retention on the Specialist List, the financial controller of our Group will also assess its level of employed capital and working capital every time prior to the submission of a tender for new project.

MACAU LAWS

Non-resident Workers

Subject to Law No. 21/2009 “Law for the employment of non-resident workers”, a prior authorisation of non-resident worker permit shall be obtained and the respective application shall be filed to Human Resources Office of Macau if an employer needs to hire non-resident worker to work in Macau. Upon approval of the application, the hired non-resident worker shall also apply for a worker’s stay permit at Public Security Police Force and a “non-resident worker’s identification card” before working in Macau.

The main contractor of the Macau Studio City project will apply for the authorisation of non-resident worker permit for the non-resident workers in Macau.

Legal framework of Macau in relation to the employment of non-resident workers is mainly established by the following laws:

- (i) Law No. 21/2009 Law for the employment of non-resident workers;
- (ii) Administrative Regulation No. 8/2010 Regulation of the Law for the employment of non-resident workers;
- (iii) Administrative Regulation No. 13/2010 Regulation of the conditions or responsibilities to be established in the employment permit for non-resident workers;
- (iv) Chief Executive Dispatch No. 88/2010 Approval of the compliance of non-resident workers’ lodging with minimum hygienic and living condition, and the cash settlement of which for this purpose;

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- (v) Chief Executive Dispatch No. 89/2010 Approval of the monthly employment fee each employer shall pay for each non-resident worker effectively employed; and
- (vi) Decree-Law No. 40/95/M Approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases.

The principle of autonomy is particularly reflected on the freedom of contracts being recognised by the laws, including the freedom to enter into the contract or complete the contract and the freedom to stipulate the terms of the contract.

With respect to the contractual arrangement of Sunley in the Studio City project, the rights and obligations of both parties to the contract arising therefrom, such as to take out employee insurance policy and apply for permit certification documents required by the sub-contractors, shall be governed by the contract and shall be legal and valid.

With respect to the damages arising from work accidents and occupational diseases to the employees, they are primarily governed by the Decree-Law No. 40/95/M.

There are two ways of claiming the compensation, that is, reimbursement of medical expenses and pecuniary payments. Reimbursement of medical expenses refers to the recovery of the injured's capacities in terms of health, the ability to work or the ability to make a living, which shall include medical and surgical treatment under general practice or specialists, pharmaceutical therapy and admission to hospitals etc. Pecuniary payments include the damages for permanent or temporary incapacities, the loss of ability to work in the long term and in respect of death.

Through the aforesaid contractual arrangement for the Studio City project, the grantee of the land for the Studio City project or its sub-contractor(s) shall enter into a labour contract with the employees assigned by Sunley to work in Macau, so that these employees can obtain the permit to legally work in Macau. Pursuant to Article 62(1) of the Decree-Law No. 40/95/M, the grantee of the land or its sub-contractor(s) being in the capacity of the employer shall transfer the obligation of indemnity as required under such decree, such as the abovementioned reimbursement of medical expenses and pecuniary payments, to the insurance companies authorised to engage in providing work accidents insurance in Macau.

The grantee of the land for the Studio City project in Macau has taken out the mandatory insurance to cover compensation obligations arising from injuries in work accidents and occupational diseases pursuant to the Decree-Law No. 40/95/M. On 16 July 2012, the grantee of the land has taken out third-party liabilities and wrap-up employees' compensation insurance policy with respect to the said project from an insurance company in Macau engaging in providing work accident insurance. The insured persons of such insurance policy included the main contractor, all sub-contractors and relevant parties of the construction project, which included the employees of such parties as mentioned above. As Sunley is contractually considered as a sub-sub-contractor in the said project, Sunley and its employees are among those insured persons under the insurance policy and therefore there does not exist any liabilities over the risk assumed by Sunley in the Studio City project.

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License Issuance System of Project Monitoring in Macau

Decree-Law No. 79/85/M stipulates the administrative regulations of project review, filing of approval, and license issuance and inspection in conducting civil engineering. No construction of new building, reconstruction, repair, maintenance, alteration or expansion to the existing buildings, demolition of building, and any project or work resulting in topographical change shall be conducted without the approval of the Land, Public Work and Transport Bureau (the “Bureau”) approval on the related project and its issuance of relevant license.

In order to conduct the aforementioned projects, interested parties shall notify the Bureau the proposed project and the expected commencement and completion dates of the construction, by filling out the specific form provided by the Bureau accompanied by the signed declaration of construction company or builder who has registered at the Bureau, and submitting other project-related documents required by the Bureau.

Upon inspecting the aforementioned documents submitted by the interested parties, the Bureau shall affix a specific seal on the form and shall send it back to the interested parties. The interested parties shall post the form conspicuously at the project site when conducting the project.

The principal structure of “Administrative Procedure Code” is mainly consisted of the administrative authority and the interested party. An interested party means an individual, either a natural person or a legal person, who is actually or potentially subjected to the legal consequences of administrative act and who is entitled to the rights of submitting declaration under the aforementioned beneficial administration.

The Bureau has the authority to monitor the compliance of the aforementioned Decree-Law and its supplementary law. Only legal persons who are locally registered in Macau shall be approved of the related project plan and shall be issued project license by the Bureau.

The project plan for the approval of the Bureau, or project draft and project amendment, shall be pre-signed by a technician who is registered with the Bureau. The project guidance of the approved plan shall be conducted by a qualified technician who is registered with the Bureau. The project implementation of the approved plan shall only be conducted by construction company or constructor who is registered with the Bureau. During the implementation, it is permitted to conduct specified project items according to the approved content in project plan through contract employment or outsourcing to third party.

The accreditation of qualification to a construction company or a constructor is conducted according to the application submitted to the Bureau, accompanied with a tabulated list of all technical tools possessed and a list of completed projects.

LAWS AND REGULATIONS

Legal framework of Macau in relation to construction project is mainly established by the following laws:

- (i) Decree-Law No. 79/85/M — General Regulation of Urban Construction;
- (ii) Administrative Regulation No. 24/2009 — Amendments of General Regulation of Urban Construction;
- (iii) Decree-Law No. 44/91/M — Regulation on Construction Safety and Hygiene;
- (iv) Decree-Law No. 34/93/M — Applicable Legal Regime of Noise at Work;
- (v) Decree-Law No. 54/94/M — Rules on Prevention and Control of Ambient Noise;
- (vi) Decree-Law No. 24/95/M — Approval of Regulation on Fire Safety;
- (vii) Decree-Law No. 40/95/M — legal regime of reparation of damages caused by industrial accidents and occupational diseases;
- (viii) Decree-Law No. 46/96/M — Regulations on Water Drainage System;
- (ix) Decree-Law No. 47/96/M — Regulations on Land Technology (Regulations on Geotechnical Engineering);
- (x) Decree-Law No. 56/96/M — Regulations on Safety and Loading of Building Structure and Bridge Structure;
- (xi) Decree-Law No. 60/96/M — Regulations on the Structure of Reinforced Concrete and Pre-stressed Concrete;
- (xii) Decree-Law No. 63/96/M — Standards of Cement;
- (xiii) Decree-Law No. 64/96/M — Standards of Using Hot Rolled Bars in Reinforced Concrete;
- (xiv) Decree-Law No. 32/97/M — Regulations on Soil Retaining and Earthwork Project; and
- (xv) Decree-Law No. 42/97/M — Standards of Concrete.

It is the opinion of the Macau Legal Adviser that the operation mode of the construction project to be carried out by Sunley in Macau is valid and complies with the laws in Macau.