
REGULATORY OVERVIEW

This section summarizes the principal PRC laws and regulations which are relevant to our business and operations. These include the laws and regulations relating to the cement and concrete business of our Group in the PRC, and the relevant mineral resources, environmental protection and labor issues. This section serves as a summary and is not an exhaustive analysis of PRC law surrounding our business and operations.

GENERAL

Our Company was established by China Resources Enterprise, Limited, a subsidiary controlled by China Resources Holdings, under the laws of the Cayman Islands on March 13, 2003. China Resources Holdings is a company with limited liability established in Hong Kong on July 8, 1983 by MOFCOM under the names of 12 companies which were wholly-owned by MOFCOM. China Resources Holdings is a major overseas PRC state-owned conglomerate under the administration of the PRC central government with SASAC as its current ultimate investor. Our Company was listed on the Hong Kong Stock Exchange on July 29, 2003 and withdrew its listing on July 26, 2006. Since our withdrawal from listing, China Resources Holdings, through Smooth Concept, has an indirect 99.99% interest in our Company.

According to Concord & Partners, 36 of our PRC subsidiaries (whose equity interest will be transferred as part of the Reorganization and have met the relevant restructuring requirements) have acquired necessary approvals/licenses under PRC law and regulations; one domestic company has submitted equity transfer applications to the relevant governmental authorities for approval. Concord & Partners is not aware of any material non-compliance with PRC law in respect of the said equity transfers, nor is aware of any legal barriers which might lead to the failure of acquiring the relevant governmental approvals.

Concord & Partners, our PRC counsel, confirmed that, save as disclosed in this document, each of our PRC subsidiaries has obtained the necessary permits, licenses and qualifications in all material aspects of their current operations, and such permits, licenses and qualifications are effective as at the Latest Practicable Date and our PRC subsidiaries which are engaged in mine exploitation operations and activities have obtained mining permits and safe production licenses and have duly paid resource taxes in all material respects of the current operations. Our Directors confirmed that, with the support of the PRC legal opinion from Concord & Partners, save as disclosed in this document, our PRC subsidiaries have complied with, in all material respects, the relevant regulatory requirements in the PRC for their operations as at the Latest Practicable Date. Our Directors are not aware of any material non-compliance of our PRC subsidiaries with any PRC laws and regulations regarding environmental protection, taxation, safe production, mineral resources and labor management. In addition, our Directors are of the view that the Rich Team Group has complied with, in all material respects, the relevant regulatory requirements and has adopted sufficient measures to ensure on-going compliance with the relevant regulatory requirements in Hong Kong.

THE CEMENT INDUSTRY

Industry Policy

The “Interim Provisions on Promoting Industrial Structure Adjustment” (促進產業結構調整暫行規定) was promulgated by the State Council and the “Guiding Catalogue of Industrial Structure Adjustment (2005)” (產業結構調整指導目錄(2005年本)) was promulgated by the NDRC on December 2, 2005. Both measures included the following in the “encouraged” category of industries: the development of the NSP technology, the equipment and ancillary materials for the production of cement and clinker with a daily production capacity of 4,000 tons or more (daily production capacity of 2,000 tons in the western part of the PRC) and the construction of cement grinding stations with annual production capacity of 1 million tons or more. Vertical kilns, dry hollow kilns, Lepol kilns, wet process kilns, and newly-built new dry process clinker production lines with a daily

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production capacity of 1,500 tons or below belong to the "restricted" category of industries. Mechanical vertical kiln cement production lines of 2.2 meters in diameter or less, dry hollow kiln cement production lines of 2.5 meters in diameter or less (except for those that produce special cement), cement grinding equipment of 1.83 meters in diameter or less, earthen (egg-shaped) kilns, ordinary vertical kilns and other outdated kilns belong to the "eliminated" category of industries.

Investments in the eliminated category are prohibited. All regions, departments and enterprises concerned shall adopt strong measures to eliminate the prescribed production technology, equipment and products within a prescribed timeframe. For enterprises which fail to do so, the local people's governments at all levels and the competent authorities shall order suspension or closure in accordance with relevant PRC laws and regulations. If the products of such enterprises are regulated under the production permit system, the competent authorities shall revoke the production permits in accordance with the law. The industry and commerce administration shall supervise and urge the enterprises to undergo procedures for modification or cancellation of their registration in accordance with the law. The environmental protection and management authorities shall revoke the discharge licenses of such enterprises. If the relevant requirement is not fulfilled, the person with direct responsibilities and the related leadership shall be pursued for liability.

Pursuant to the "Policies on the Development of Cement Industry" (水泥工業產業發展政策), promulgated by the NDRC and effective on October 17, 2006, the State encourages local governments and enterprises to eliminate technology that has low production capacity and to promote the development of cement production using the NSP technology. The government supports projects for the construction of cement production plants with a daily production capacity of 4,000 tons or more using the NSP technology in areas with appropriate resources, the construction of large-scale clinker production bases and the construction of large-scale cement grinding stations at locations near the relevant markets. By the end of 2008, every production enterprise shall discontinue using production technology and equipment that have low production capacity (such as the dry hollow kilns and wet process), further reduce the production capacity vertical kilns, and where possible, eliminate all vertical kilns.

Production License

Pursuant to the "Regulations of the People's Republic of China on the Administration of Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例)" or the "Production License Regulations", promulgated by the State Council and effective on September 1, 2005, and the "Measures for the Implementation of the Regulations of the People's Republic of China on the Administration of Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例實施辦法)", promulgated by the General Administration of Quality Supervision, Inspection and Quarantine and effective on November 1, 2005, the State adopted a production license system for the administration of major industrial products which affect public safety, human health, life and property. The catalogue of industrial products in respect of which the State adopts the production license system shall be formulated by the authorities in charge of industrial product production licenses under the State Council and the relevant authorities of the State Council, and shall be subject to approval by the State Council. Any enterprise without a production license shall not produce any product governed under the production license system, and any unit or individual shall not sell or use such products in operating activities that are within these categories, and any unit or individual shall not sell or use any products in operating activities which are without production licenses. Pursuant to the prevailing "Catalogue of Production Licenses for Industrial Products" (工業產品生產許可證目錄), cement is one of the industrial products which requires a production license.

The General Administration of Quality Supervision, Inspection and Quarantine is responsible for the centralized administration of the production licenses of industrial products across China. Authorities at the county level and above in charge of production licenses for industrial products are responsible for the

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administration of production licenses for industrial products within their own jurisdictions, and they are empowered to impose penalties pursuant to the relevant provisions for acts that violate the stipulations of production licenses.

Bulk Cement

Pursuant to the “Administrative Measures of Bulk Cement” (散裝水泥管理辦法) jointly promulgated by the MOFCOM, Ministry of Finance, Ministry of Construction, Ministry of Railways, Ministry of Transportation, General Administration of Quality Supervision, Inspection and Quarantine, and SAEP on March 29, 2004, the authorities designated by the local people’s government at the county level and above are responsible for the supervision and administration of bulk cement production within their own jurisdictions. Cement production enterprises shall produce bulk cement only after obtaining relevant production licenses. Entities and individuals engaged in the production, operation and utilization of bulk cement shall adopt measures to ensure that the facilities and sites for production, loading and unloading, delivery, storage and utilization are in compliance with safety and environmental protection requirements.

Residual Heat Power Generation

Pursuant to the “Guiding Catalogue of Industrial Structure Adjustment (2005)” (產業結構調整指導目錄(2005年本)), the production of clinker with a daily production capacity of 2,000 tons or above using the new dry process employing residual heat power generation technology belongs to the “encouraged” category of industries.

THE CONCRETE INDUSTRY

Pursuant to the “Provisions on the Administration of Qualifications of Construction Enterprises” (建築業企業資質管理規定), promulgated by the Ministry of Construction on September 1, 2007, and the “Provisions on the Administration of Foreign-funded Construction Enterprises” (外商投資建築業企業管理規定), promulgated by the Ministry of Construction and MOFCOM on December 1, 2002, every foreign investment enterprise established in China by foreign investors and engaging in the production and sale of concrete shall obtain a qualification certificate of construction enterprise from the construction administration.

MINERAL RESOURCES

Acquisition of Mining Rights

Pursuant to the “Mineral Resources Law of the People’s Republic of China” (中華人民共和國礦產資源法) promulgated on March 19, 1986 and amended on August 29, 1996 by the Standing Committee of the National People’s Congress and the “Implementation Rules of the Mineral Resources Law of the People’s Republic of China” (中華人民共和國礦產資源法實施細則) promulgated on March 26, 1994 by the State Council, mineral resources in China are owned by the State. For any exploration and exploitation of mineral resources, an application shall be made respectively in accordance with the law, and, upon approval, exploration rights shall be obtained and registration procedures shall be completed, except for exploration carried out by a mining enterprise in its prescribed mining area and for the purpose of its production activities, provided that the mining enterprise has obtained exploitation rights through an application made in accordance with the law. An entity engaging in the exploration and exploitation of mineral resources must meet certain qualifications.

A system whereby the exploration rights and mining rights shall be obtained with compensation has been adopted by the State; however, the State may, in light of specific conditions, prescribe reduction of, or exemption

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from, the compensation for acquiring the exploration rights and mining rights. The specific measures and implementation procedures shall be prescribed by the State Council. Any party that mines mineral resources must pay resource taxes and resource compensation in accordance with the relevant regulations of the State.

The geology and mineral resources administration under the State Council shall be in charge of the supervision and administration of the exploration and exploitation of mineral resources across China. The geology and mineral resources administration of the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government shall be in charge of the supervision and administration of the exploration and exploitation of mineral resources in their own jurisdictions. The State has adopted a unified block registration system of mineral resources exploration. The geology and mineral resources administration of the State Council shall be in charge of the registration of mineral resources exploration. The State Council may authorize relevant authorities to take charge of the registration of exploration of specific mineral species.

An applicant seeking to establish a new mining enterprise must meet certain qualification requirements set forth by the State, and shall obtain government approval. An applicant must provide details on the boundaries of the mine and of the mining area, mineral products exploration particulars, the mine design, mining plan, production technology, safety and environmental protection measures and so forth, and the relevant supporting documents.

Transfer of Mining Rights

Pursuant to the "Administrative Measures of the Transfer of Exploration and Exploitation Rights" (探礦權採礦權轉讓管理辦法), promulgated by the State Council on February 12, 1998 and the "Interim Provisions on the Administration of the Transfer of Mineral Property Rights" (礦業權出讓轉讓管理暫行規定), promulgated by the Ministry of Land and Resources on November 1, 2000, exploration rights and exploitation rights are property rights. The owner of mining rights shall have the right to the possession, use, income and disposal of its mining rights in accordance with the law. The entity with exploration rights has priority in obtaining exploitation rights in the area it explores. The entity with exploration rights, after a minimum amount of investment in the exploration, may transfer its exploration rights upon approval by relevant authorities. If a mining enterprise which has obtained exploitation rights needs to change the owner of the exploitation rights as a result of merger or separation, establishment of an equity or co-operative joint venture with others, sale of enterprise assets, or other circumstances leading to a change of the ownership of enterprise assets, the mining enterprise may transfer its exploitation rights upon approval in accordance with the law. Except for the above restrictions, the entity of exploitation rights may transfer its rights through sale, contribution to capital upon valuation, cooperation, and restructuring and system reform. The geology and mineral resources administration under the State Council and of the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government are the examination and approval authorities with respect to transfer of exploration rights and exploitation rights.

Mining Safety

Pursuant to the "Mining Safety Law of the People's Republic of China" (中華人民共和國礦山安全法), promulgated by the Standing Committee of the National People's Congress and effective on May 1, 1993, and the "Regulation for the Implementation of the Mining Safety Law of the People's Republic of China" (中華人民共和國礦山安全法實施條例), promulgated and effective on October 30, 1996, mining enterprises shall install facilities to ensure safe production, establish and enhance safety management systems, and take effective measures to improve the work conditions of staff and workers and to strengthen the safety administration of mines. The mining enterprises administrations of the people's governments at the county level and above shall be responsible for the administration of safety measures in mines. The design of mine construction engineering work shall comply with the safety rules for mines and technological standards for the mining industry, and shall

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be subject to approval by the mining enterprises administration prescribed by the State. Before commencement of operation or use, mine construction engineering work shall go through safety facilities pre-approval inspection in accordance with the provisions of the relevant laws and regulations, and shall not be put into operation or use until the inspection is passed. Any breach of the above provisions may result in fines, revocation of exploitation license or operation license or other penalties.

Pursuant to the “Regulations on Safety Production Licenses” (安全生產許可證條例), promulgated by the State Council and effective on January 13, 2004, the State adopts a safety license system in respect of mining enterprises, and a mining enterprise which fails to obtain a safety license shall not engage in production activities.

We have obtained safety permits for our limestone quarries from the Guangxi Department of Safe Production Supervision Administration. All permits are renewable and specify “open-pit cement mining” for their permitted scope. Additional details for these permits are as follows:

Name of Quarry	Location	Mining Right Owner	Safe Production Permit	Expiration Date
Hejing Limestone Quarry 河景石灰石礦	Pingnan, Guangxi	Pingnan Cement	(Gui) FM An Xu Zheng Zi [2006] 00-04117	The license expired in August 2009 ⁽¹⁾
Dingxiangshan (North) Limestone Quarry 定祥山石灰石礦北區	Guigang, Guangxi	Guigang Cement	(Gui) FM An Xu Zheng Zi [2009] ZY-0073	June 25, 2012
Dingxiangshan (South) Limestone Quarry 定祥山石灰石礦南區	Guigang, Guangxi	Guigang Cement	(Gui) FM An Xu Zheng Zi [2008] 00-00212	June 28, 2011
Fenghuangshan Limestone Quarry 鳳凰山石灰石礦	Binyang, Guangxi	Hongshuihe Cement	(Gui) FM An Xu Zheng Zi [2006] 00-1848	April 20, 2012
Longling Limestone Quarry 龍嶺石灰石礦 . . .	Binyang, Guangxi	Hongshuihe Cement	(Gui) FM An Xu Zheng Zi [2006] 00-1849	April 20, 2012
Goutoushan Limestone Quarry 狗頭山灰岩礦 . . .	Nanning, Guangxi	Nanning Cement	(Gui) FM An Xu Zheng Zi [2008] 00-0155	May 11, 2011

⁽¹⁾ The operation of Pingnan Cement is not affected by the expiration of the license, as it is currently undertaking the procedure to renew such safe production permit in accordance with applicable regulations our Directors anticipate that such procedure will be completed by about October 2009. Concord & Partners, our PRC legal adviser, has opined that there is no legal impediment for our Group to renew such permit or potential penalty for our current operation in Pingnan Cement.

Geological Environmental Protection of Mines

Pursuant to the “Provision on the Geological Environmental Protection of Mines” (礦山地質環境保護規定) promulgated by the Ministry of Land and Resources on March 2, 2009, the applicant for exploitation rights is required to work out a plan for geological environmental protection and recovery, and to submit the plan to the administrative departments of state land and resources for approval. Furthermore, the owner of exploitation rights shall pay cash deposits for geological environmental recovery.

Taxation Relating to the Mining Industry

Pursuant to the “Interim Regulations on Resource Tax of the People’s Republic of China” (中華人民共和國資源稅暫行條例), promulgated by the State Council and effective on January 1, 1994, enterprises and individuals engaging in the mining of mineral resources in the People’s Republic of China shall pay resource taxes. The resource tax applicable to non-metal ores shall be RMB0.5 - 20 per ton or square meter.

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Pursuant to the “Notice on Adjustments to the Applicable Resource Tax Rates of Limestone, Marble and Granite” (關於調整石灰石、大理石和花崗石資源適用稅率的通知), promulgated by the Ministry of Finance and the State Administration of Taxation and effective on July 1, 2003, the applicable rate of limestone resource tax has been adjusted from RMB2 per ton to RMB0.5 - 3.0 per ton.

Pursuant to the “Provisions on the Administration of the Levying of Mineral Resource Compensation Charges” (礦產資源稅補償費徵收管理規定), promulgated by the State Council on February 27, 1994 and amended on July 3, 1997, mineral resource compensation charges shall be levied based on a certain proportion of the sale revenue of mineral products. The resource compensation charges shall be calculated based on the sale revenue of mineral products, the rate of compensation charges and the mining recovery coefficient.

Land Rehabilitation and Reforestation

Under the “Land Administration Law of the People’s Republic of China” (中國人民共和國土地管理法), promulgated by the Standing Committee of the National People’s Congress on June 25, 1986 and amended on December 29, 1988, August 29, 1998 and August 28, 2004, and the “Land Rehabilitation Provisions” (土地復墾規定) promulgated by the State Council and effective on January 1, 1989, if mining activities result in damage to land as a result of improper excavation, collapse or other reasons, the entity and individual using the land must take measures to rehabilitate the land to a usable status in accordance with the relevant provisions of the State. If conditions for rehabilitation do not exist or the rehabilitation does not meet the requirements, a land rehabilitation fee shall be paid, and such fee shall be earmarked for land rehabilitation. The rehabilitated land must meet the rehabilitation standards, and may only be delivered for use upon examination and approval by the land administration and the relevant industry administration. Any enterprise or individual that fails to fulfill its rehabilitation obligations or fails to fulfill its rehabilitation obligations in accordance with provisions shall be ordered by the land administration to take rectification measures within a prescribed time frame, and if no rectification is made upon expiry of the timeframe, the land administration will impose a fine.

In addition, mining enterprises using forest areas in their operations are required to pay reforestation fees to relevant authorities pursuant to the “Forest Law of the People’s Republic of China” (中華人民共和國森林法), the “Regulations for the Implementation of the Forest Law of the People’s Republic of China” (中華人民共和國森林法實施條例) and the “Interim Measures Regarding Payment of Reforestation Fees” (森林植被恢復費徵收使用管理暫行辦法).

ENVIRONMENTAL PROTECTION

General Regulations

Pursuant to the “Environmental Protection Law of the People’s Republic of China” (中華人民共和國環境保護法), promulgated by the Standing Committee of the National People’s Congress and effective on December 26, 1989, the SAEP is empowered to formulate national environmental quality standards. The environmental protection administration of the people’s governments at the county level and above are responsible for monitoring, on a unified basis, the environmental protection work within their jurisdictions. For items which are not governed by any national pollutant discharge standards, the people’s governments of provinces, autonomous regions, and municipalities directly under the Central Government may formulate local standards; for items which are governed by national pollutant discharge standards, the people’s governments of provinces, autonomous regions, and municipalities directly under the Central Government may formulate stricter local standards. Local pollutant discharge standards shall be filed with SAEP for the records.

According to the “Opinion on the Enforcement of the Environmental Protection Laws and Prevention of Credit Risk” (關於落實環保政策法規防範信貸風險的意見) promulgated by SAEP, the People’s Bank of China, and the China Banking Regulatory Commission (中國銀行業監督管理委員會) on July 12, 2007, the following

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irregularities will be addressed in accordance with the law: commencement of construction without approval or without approval by an authority at an appropriate level, failure to complete any environmental protection facilities at the same time as the production facility is completed, and commencement of operations without permit and without passing environmental examination and approval. The above irregularities will be reported to the local people's banks, banking regulatory department and financial institutions. The financial institutions shall, on the basis of the administrative provisions of the State on environmental protection in respect of construction projects and the information disclosed by the environmental protection authority, conduct their examination and approval, disbursement, and supervision and administration of loans stringently. No credit in whatever form shall be granted to any project which has not passed the environmental assessment examination, or the environmental protection facilities of which have not passed the pre-approval inspection. Environmental authorities at all levels shall sanction enterprises in accordance with the law if they have conducted any of the following: excessive discharge of pollutants, excessive total discharge level, discharge of pollutants without obtaining the necessary permits in accordance with the law, discharges in breach of the levels allowed by the license or failure to restore the damaged environment within a prescribed timeframe. These breaches will be reported to the local people's banks, banking regulatory department and financial institutions. The financial institutions at all levels, when examining enterprises' application for working capital loans, shall act on the information provided by the environmental protection departments, strengthen the management of credit and take measures to control stringently any lending of loans to enterprises which are in violation of the environmental laws, so as to safeguard against credit risks.

Environmental Impact Assessment

Pursuant to the "Administrative Regulations for the Environmental Protection of Construction Projects" (建設項目環境保護管理條例) promulgated on November 29, 1998, and "Administrative Measures for the Examination and Approval of Environmental Protection Facilities of Construction Projects" (建設項目竣工環境保護驗收管理辦法) promulgated by SAEP on December 27, 2001, and "Environmental Impact Assessment Law of the People's Republic of China" (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the National People's Congress on October 28, 2002, enterprises are required to engage institutions with corresponding environmental impact assessment qualifications to provide environmental impact assessment services and reports for submission to the competent environmental protection approval administration. Construction work may only be commenced after such an assessment is submitted to and approved by the environmental protection administrative authority. The construction of pollution prevention and control facilities in a construction project must be designed and commenced simultaneously with the main facility. Pollution prevention and control facilities shall not be put to use until the approval, upon inspection, by the original environmental protection authority which had approved the environmental impact assessment report. An enterprise which fails to submit assessment documents on the environmental impact of a construction project in accordance with the law or which commences construction work without permission will be ordered to cease construction and go through formalities retrospectively within a prescribed timeframe. If the enterprise fails to go through the formalities retrospectively, the enterprise and the person with direct responsibilities are subject to fines or administrative penalties.

Pursuant to the "Classification of Construction Project Lists for Environmental Impact Assessments" (建設項目環境影響評價分類管理名錄) promulgated by the MEP on September 2, 2008, cement manufacturers shall prepare an environmental impact report to fully evaluate the relevant impacts its operations have on the environment, as cement manufacturing may cause significant impacts to the environment.

Pollutant Discharge

Pursuant to the "Environmental Protection Law of the People's Republic of China" (中華人民共和國環境保護法), promulgated by the Standing Committee of the National People's Congress and effective on December 26, 1989, the "Law of the People's Republic of China on the Prevention and Control of

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Water Pollution" (中華人民共和國水污染防治法), promulgated by the Standing Committee of the National People's Congress on May 11, 1984 and amended on May 15, 1996 and February 28, 2008, the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" (中華人民共和國大氣污染防治法), promulgated by the Standing Committee of the National People's Congress on September 5, 1987 and amended on August 29, 1995 and April 29, 2000, the "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution" (中華人民共和國固體廢物污染防治法), promulgated by the Standing Committee of the National People's Congress on October 30, 1995 and amended on December 29, 2004, and local provisions on pollutant discharge, any entity that produces pollutants or other publicly hazardous materials is required to adopt environmental protection measures in its operations and to establish an environmental protection responsibility system. Effective measures must be adopted to prevent and control the pollution and hazards of waste gases, waste water, waste residue, dust or other waste materials. The State adopts a license system for discharge of waste water, waste gases and other major pollutants. Any enterprise or institution which discharges pollutants must obtain a pollutant discharge license and pay a discharge fee. If an entity discharges more than what is permitted by the national or local standards, it shall pay a fee for excessive discharge. If an enterprise has caused severe environmental pollution and has failed to reach the required standards within a prescribed timeframe, a fine may be imposed, or the enterprise may be ordered to suspend or close down its operations.

Concord & Partners, our PRC legal advisers, confirms that under PRC law, in the event that any entity's production facilities discharge contaminants, such entity is required to apply for, and obtain, a contamination discharge license issued by MEP or the relevant local environmental protection authority. However, the entity's production facilities are not subject to the registration requirement with MEP or the relevant local environmental protection authorities. Concord & Partners also confirms that besides Shenzhen Concrete, each of our PRC subsidiaries that discharges contaminants has obtained the appropriate contamination discharge licenses. Shenzhen Concrete is in the process of applying for the appropriate contamination discharge license.

Labor Protection

Pursuant to the "Employment Contracts Law of the People's Republic of China" (《中華人民共和國勞動合同法》) ("ECL") promulgated by the Standing Committee of the National People's Congress on January 1, 2008 and the "Implementing Regulations of the PRC Employment Contracts Law" (《中華人民共和國勞動合同法實施條例》) promulgated and effective on September 3, 2008, an employer establishes an employment relationship with an employee from the date when the employee is put to work, and a written employment contract shall be entered into on this same day. If an employment relationship has already been established with an employee but no written employment contract has been entered into simultaneously, a written employment contract shall be entered into within one month from the date the employee commences work. If an employer fails to enter into a written employment contract with an employee for more than one month but less than one year as of the date on which the employment commences, it shall pay the employee twice his/her salary for each month of that period and rectify the situation by subsequently entering into a written employment contract with the employee. If the employee refuses to enter into the written contract with the employer, the employer shall issue a written notice to the employee to rescind the employment relationship, and pay severance to the employee in accordance with relevant provisions of the ECL.

Pursuant to the "Production Safety Law of the People's Republic of China" (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress and effective on November 1, 2002, all mining enterprises and production or operation entities with more than 300 workers shall establish an administrative department for production safety or be staffed with full-time personnel for the administration of production safety, and those entities with workers less than 300 workers shall be staffed with full-time or part-time personnel for the administration of production safety.

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THE CONCRETE INDUSTRY IN HONG KONG

Regulatory Requirement for Concrete Producers in Hong Kong

Concrete producers in Hong Kong are subject to, among other things, general laws governing the operation of any plant facilities including Building Ordinance (Cap. 123 of the Laws of Hong Kong), Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354 of Laws of Hong Kong), Air Pollution Control Ordinance (Cap. 311 of Laws of Hong Kong) and Factories and Industries Undertaking Ordinance (Cap. 59 of Laws of Hong Kong).

Building Ordinance (Cap. 123)

The Building Ordinance sets forth the regulations on the planning, design and construction of buildings and associated works. It also provides for the rendering safe of dangerous buildings and land in Hong Kong. Specifically, the Building (Construction) Regulations require all materials used in any building works or street works to be (a) of a suitable nature and quality for the purposes for which they are used, (b) adequately mixed or prepared and (c) applied, used or fixed so as to adequately perform the functions for which they are designed. In addition, the Building (Construction) Regulations also set forth, among others, (a) the strength, the application and the maximum chloride content for designed mix concrete, (b) the minimum cement content of finished concrete, (c) the thickness requirement of concrete cover to reinforcement, and (d) other guidance regarding the quality standards for concrete to be used in Hong Kong. Failure to comply with the Building Ordinance may lead to a fine or, in serious cases, imprisonment.

Water Pollution Control Ordinance (Cap. 358)

The Water Pollution Control Ordinance is the main legislation which seeks to control and regulate the pollution of the waters of Hong Kong by ensuring the discharge of sewage and industrial wastewater in an environmentally acceptable manner. To achieve and maintain these water quality objectives, the control of sewage and industrial wastewater discharges is regulated primarily through a licensing system. Failure to comply with the Water Pollution Control Ordinance may lead to a fine or, in serious cases, imprisonment.

Waste Disposal Ordinance (Cap. 354)

The Waste Disposal Ordinance seeks to control and regulate the production, storage, collection and disposal (including the treatment, reprocessing and recycling) of waste of any class or description (such as construction waste and concrete), the licensing and registration of places and persons connected with any such activity as well as the protection and safety of the public in relation to any such activity. Failure to comply with the Waste Disposal Ordinance may lead to a fine or, in serious cases, imprisonment.

Air Pollution Control Ordinance (Cap. 311)

The Air Pollution Control Ordinance empowers the Hong Kong Environmental Protection Department to control air pollution arising from industrial, commercial operations and construction work. In general, any firm engaged in carrying out “notifiable” construction work (such as the construction of the foundation or superstructure of a building) is required to notify the air pollution control authority before commencing any such construction work. In addition, the Air Pollution Control Ordinance sets out the dust control requirement for concrete production process in Hong Kong. Failure to comply with the Air Pollution Ordinance may lead to a fine or, in serious cases, imprisonment.

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Factories and Industries Undertaking Ordinance (Cap. 59)

The Factories and Industries Undertaking Ordinance imposes general duties on proprietors and persons employed at industrial undertakings (such as factories, construction sites and other industrial workplaces) to ensure safety and health standards are met at work.

For example, every proprietor should seek to ensure the safety and health at work of all persons employed by him at an industrial undertaking by, among others, (a) providing and maintaining plant and work systems that do not endanger safety or health, (b) making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances, (c) providing all necessary information, instruction, training, and supervision for ensuring safety and health, (d) providing and maintaining safe access to and exit from these workplaces, and (e) providing and maintaining a safe and healthy work environment. Specifically, the Factories and Industries Undertaking Ordinance requires eye protections to be provided to employees that are engaged in breaking, cutting, dressing, carving or drilling of concrete by means of hand tools. Failure to comply with the Factories and Industries Undertaking Ordinance may lead to a fine or, in serious cases, imprisonment.