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LAWS AND REGULATIONS IN RELATION TO SAFETY AND INSURANCE IN HONG KONG

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial sector. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, 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 work environment.

A proprietor who contravenes these duties commits an offence and is liable to a fine of HK\$500,000.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance establishes a no-fault and non-contributing 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 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 the Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years.

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LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION IN HONG KONG

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, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulation. The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise Control Ordinance

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

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Environmental Protection Department.

Water Pollution Control Ordinance

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater

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discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Environmental Protection Department.

All discharges, other than domestic sewage to a foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent and the general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person commits an offence who discharges any waste or polluting matter into the waters or discharges any matter into a communal sewer or communal drain in a water control zone and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Waste Disposal Ordinance

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (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, a main contractor who undertakes construction work with a value of HK\$1 million or above will be required to establish a billing account with the Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the 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

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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, 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, any waste producers involved in marine dumping and related loading operations are required to obtain permits from the Environmental Protection Department. Materials to be controlled by the permit under Dumping at Sea Ordinance are mostly large quantities of sediment arising from dredging works.

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 first conviction; and 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 exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) 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 six months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for six 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.

MACAU LICENSING AND REGISTRATION REGIME OF INTERIOR FITTING-OUT WORKS

In Macau, for the purpose of the applicability of licensing and registration system, interior fitting-out works are mainly divided into 4 categories: simple work for residential unit (家居簡單裝修工程), non-simple work for residential unit (家居非簡單裝修工程), simple

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work for non residential unit (非家居簡單裝修工程) and non-simple work for non residential unit (非家居非簡單裝修工程). To classify the work is simple or not, generally speaking, it depends on whether alteration of interior division or usage of the unit involved.

To conduct fitting-out works business in Macau, it is not required to obtain license or register with the Land, Public Works and Transport Bureau of Macau (澳門土地運輸工務局). However, to commence any fitting-out work project in Macau, it is required to give prior notice (for simple work) or obtain work license (for non-simple work) with respect to each project. As for fitting-out work taken place in non residential unit or fitting-out work which is not a simple one, such notification or application of work license has to be submitted together with a declaration of responsibility signed by an individual or company registered in the mentioned authority as a registered urban constructor to be responsible to all liability arising from such fitting-out work and purchase the required insurance of industry accident and occupational disease.

LAWS AND REGULATIONS IN RELATION TO LABOUR RELATED MATTERS IN MACAU

The legal regime in relation to labour matters in Macau is established mainly based on the following legislations:

- 18th of October – Decree Law No. 58/93/M (approval of social security regime);
- 14th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases);
- 22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);
- 18th of February – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);
- 27th of July – Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights);
- 2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion);
- 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work);
- 18th of August – Law No. 7/2008 (Labour Relation Law).

The legal regime of labour matters in Macau is developed based on 27th of July – Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights) which prescribed general principles and directions of labour legislations in different aspects.

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Besides of the mentioned legislation, 18th of August – Law No. 7/2008 (Labour Relation Law) plays an important role in labour legal regime which was entered into force since 1 January 2009 replacing the “old labour law” – 3rd of April – Decree-Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, excepted for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be prevailed by mutual agreement.

As an employer, the Company shall have to comply with the conditions required under 22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees. Otherwise, fine and cautious measures will be imposed on the Group according to 18th of February – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments).

As statutory requirements stipulated under 18th of October – Decree Law No. 58/93/M (approval of social security regime) and 4th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), the Company has to participate and contribute to the mandatory social security funds and has purchased compulsory industrial accident insurance for its Macau employees in accordance with the relevant applicable legislation, otherwise, a fine will be charged as legal sanction.

All employees of the Company have to be Macau residents, non-permanent or permanent, holders of working permits in case of foreign workers. Except for situations stated under 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) with a very limit scope, workers other than those abovementioned will consider as illegal workers in Macau and the employers will be criminally liable under 2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

In relation to the issue of illegal workers in Macau, if it is only the subcontractors of our Company who are engaged in the employment of illegal workers in Macau, it will not lead to any criminal or administrative liability on the part of our Company from the legal perspectives.

The regulatory authorities in charge of labour safety and insurance matters are the Labour Department of Macau (澳門勞工事務局) and Monetary Authority of Macau (澳門金融管理局) respectively.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTIONS IN MACAU

The fundamentals of the legal Regime of safety and environmental law of Macau, which are applicable to every individual and corporate entity, are the Basic Law of Macau, the Law No 2/91/M of 11th of March which is known as the organic environmental law of

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Macau (the “**Macau Environment Law**”), 14 of November– Decree Law 54/94/M regarding prevention and control of ambient noise (“**Law of Prevention and Control of Ambient Noise**”) and series of international conventions in related fields applicable in Macau.

Article 119 of the Basic Law of Macau states that “The Macau Special Administrative Region shall carry out the protection of environment in accordance with law”. To implement this article together with the Macau Environmental law, Law of Prevention and Control of Ambient Noise and other applicable international conventions, numbers of environmental legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc.

As a general rule prescribed in the Macau Environmental Law, any violation of the environmental legislations will, subject to civil liability, administrative fine or criminal punishment, depend on different violations and also administrative injunction is possible to be granted to cease environmental infringement.

Besides, according to the Law of Prevention and Control of Ambient Noise, any work which may produce annoying noise is forbidden to be conducted during whole day of Sunday and public day and between 20:00 ~ 08:00 (next day) of weekday.

The regulatory authority in charge of environmental protection matters is the Environmental Protection Bureau of Macau (澳門環境保護局).

LAWS AND REGULATIONS IN RELATION TO THE CONSTRUCTION INDUSTRY IN THE PRC

The Company develops most of its business in the PRC, covering various interior and outdoor decoration and decoration construction works, wholesales of construction materials, wooden doors, wooden flooring and furniture, provisions of after-sale services and technical advisory and technical services in accordance with the industrial policies, related laws and regulations of the PRC under the supervision of the PRC Government. The scope of activities under supervision of the regulations (including interior and outdoor decoration and etc.) in the construction industry in which the Company is engaged includes qualification, tendering and quality etc. In addition, all of our operations in the PRC should comply with laws and regulations in taxation, safety and environmental protection.

The Company is mainly supervised and regulated by the following authorities of the PRC Government:

- State Council (國務院), the highest administrative authority, which is responsible for the examination and approval of certain material investment projects recognised in the 2007 Catalogue for the Guidance of Foreign Investment Industries issued by the PRC Government;
- Ministry of Commerce (商務部), the ministry overseeing all foreign investment works in the PRC, which is responsible for macro-guidance of foreign investment works throughout the PRC, examination and approval of the establishment of

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foreign-funded enterprises and changes in corporate status, monitoring the execution of related laws and regulations, rules and contracts and articles by the foreign-funded enterprises; guiding and managing commerce and financing throughout the PRC, facilitating investment and examining and approving the foreign-funded enterprises and their imports and exports business;

- State Administration for Industry and Commerce (國家工商管理總局), which is responsible for the registration and supervision of participants in the market and maintaining operational order of the market;
- Ministry of Housing and Urban-Rural Development (住房和城鄉建設部), which is responsible for the supervision and administration of construction quality and administration of qualification of enterprises in the foreign-funded construction industry.

I. Legal governance of enterprises in the construction industry

Enterprises engaged in various interior and outdoor decoration and construction works are construction enterprises stipulated in the Provisions on the Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》), which refer to enterprises engaged in activities such as new, extended and converted works of civil engineering, construction, installation of lines, pipes and equipment and decoration construction.

(1) Establishment of the construction enterprise

On 16 December 1994, the Ministry of Construction (建設部) (renamed as “Ministry of Housing and Urban-Rural Development (住房和城鄉建設部)” after the re-organisation by the State Council on 15 March 2008) and the State Commission for Economic Restructuring (國家經濟體制改革委員會) issued the “Opinions on fully deepening the restructure of the construction market (《全面深化建築市場體制改革的意見》)”, which suggested that management of each construction segment should be well established. The owners of the construction projects will have the right to select contractors according to the laws and the market management regulations are strictly observed and the obligations agreed in the contracts are completely fulfilled.

On 1 November 1997, the Construction Law of the People’s Republic of China (《中華人民共和國建築法》) was issued and became effective from 1 March 1998. According to that law, construction quality and safety of construction activities should be ensured and comply with construction safety standard of the PRC; construction enterprises, surveying units, design units and construction supervision units engaged in construction activities should meet the following criteria: (1) with registered capital in accordance with regulations in the PRC; (2) with professional technical staff who possess respective statutory licenses of the construction activities they are engaged; (3) with the technology and equipment required by the related construction activities; and (4) other conditions required by laws and administrative regulations. Construction enterprises, surveying units, design units and construction supervision units engaged in construction activities are classified into different qualification levels according to

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qualification conditions such as their registered capital, professional technical staff, technology and equipment and performance records of their completed construction works, etc. and they shall engage in construction activities within the scope permitted by their qualification levels after passing the qualification examination and obtaining qualification certificates for their respective levels.

On 31 October 2001, the General Office of the State Council (國務院辦公廳) issued the Notice on Further Rectification and Regulation of Order in the Construction Market (《關於進一步整頓和規範建築市場秩序的通知》) and requested for further rectification and regulation of order in the construction market.

(2) Foreign-funded Construction Enterprises

On 18 September 1995, the Ministry of Construction and the Ministry of Foreign Trade and Economic Co-operation (對外貿易經濟合作部) (revoked by the Meeting of the Tenth National People's Congress in March 2003 and the Ministry of Commerce was established) issued Certain Regulations on Establishment of Foreign-funded Construction Enterprises (《關於設立外商投資建築業企業的若干規定》) and the establishment of wholly foreign-owned construction enterprises were not allowed for the time being.

On 11 February 2002, the State Council issued the Provisions Guiding the Direction of Foreign Investment (《指導外商投資方向規定》), which was effective from 1 April 2002. According to the provisions, foreign investment projects were classified into four categories, namely encouraged, permitted, restricted and prohibited. Foreign investment projects in the encouraged, restricted and prohibited categories were listed in the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》). Foreign investment projects not belonging to encouraged, restricted and prohibited categories were in the permitted category. Foreign investment projects in the permitted category were not listed in the Catalogue for the Guidance of Foreign Investment Industries.

The construction industry is a foreign investment industry in the permitted category according to the Category for the Guidance of Foreign Investment Industries approved by the State Council on 4 March 2002 and effective from 1 April 2002.

On 27 September 2002, the Ministry of Construction and the Ministry of Foreign Trade and Economic Co-operation issued the Provisions on Management of Foreign-funded Construction Enterprises (《外商投資建築業企業管理規定》), stipulating that the Administrative Department of the Foreign Trade and Economic Co-operation of the State Council should be responsible for administration of the establishment of foreign-funded construction enterprises; the Construction Administrative Department of the State Council is responsible for administration of corporate qualification of foreign-funded construction enterprises. According to the provisions, foreign investors were allowed to establish wholly foreign-owned construction enterprises in Mainland China from 1 December 2002. The provisions also stipulated that foreign-funded construction enterprises were only allowed to contract the following works within the scope permitted by their qualification level: (1) all foreign-invested, foreign-donated,

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foreign-invested and donated construction works; (2) construction projects granted by international tender which was funded by international financial institutions and under terms of borrowings; (3) Sino-foreign joint construction projects with foreign funding equal to or over 50%; and Sino-foreign joint construction projects approved by construction administrative department of the people's government of provinces, autonomous regions and municipalities with less than 50% foreign funding but could not be carried out independently by the PRC construction enterprises due to technical difficulties; (4) construction projects invested by the PRC but could not be carried out independently by the PRC construction enterprises due to technical difficulties, and which were approved by construction administrative department of the people's government of provinces, autonomous regions and municipalities to be jointly undertaken by the PRC and foreign construction enterprises.

On 31 October 2007, National Development and Reform Commission (國家發展和改革委員會) and Ministry of Commerce amended the Catalogue for the Guidance of Foreign Investment Industries, which was effective from 1 December 2007. According to the amended Catalogue for the Guidance of Foreign Investment Industries, foreign-funded enterprises were still permitted to undertake construction projects. Foreign-funded construction enterprises should obtain approval from the relevant department of commerce prior to applying for registration with the relevant administration of industrial and commerce and collect the Certificate of Approval for Establishment of Enterprises with Foreign Investment (《外商投資企業批准證書》) or Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese (《台港澳僑投資企業批准證書》).

(3) Qualification of Construction Enterprises

On 15 April 1997, the Home Decoration Management Pilot Scheme (《家庭居室裝飾裝修管理試行辦法》) was issued and implemented by the Ministry of Construction. According to the Scheme, all units which have undertaken home decoration works should possess the Construction Enterprise Qualification Certificate (《建築業企業資質證書》) with subcontracting scope of the construction and decoration works issued by the relevant construction administrative department. Except for decoration work to be performed by their own, the residents should select and appoint construction units possessing the Construction Enterprise Qualification Certificate or persons with Induction Certificate for Individual Decoration Practitioners (《個體裝飾從業者上崗證書》) for home decoration works.

On 5 March 2002, the Ministry of Construction issued the Administrative Measures for Residential Interior Decoration (《住宅室內裝飾裝修管理辦法》) (“**Decoration Measures**”) which was effective from 1 May 2002. According to the Decoration Measures, decoration enterprises undertaking residential interior decoration should have their qualification examined by the relevant construction administrative department, obtain relevant qualification certificate for construction enterprises and undertake works within the scope permitted by their qualification levels.

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On 26 June 2007, the Ministry of Construction issued the Provisions on Administration of Qualifications of Construction Enterprises (“**Provisions**”) which was effective from 1 September 2007. According to the Provisions, the PRC would implement qualification management for domestic construction enterprises, which means that enterprises engaged in activities such as new, extended and converted works of civil engineering, construction, installation of lines, pipes and equipment and decoration construction could engage in construction activities within the scope permitted by their qualification after obtaining the qualification certificate for construction enterprises. The term of the qualification certificate for construction enterprises is five years. The qualification of construction enterprises was divided into three sequences, namely full contracting of construction, professional contracting and labour subcontracting; enterprises with qualification of full contracting of construction (“**Enterprises with Full Contracting of Construction**”) could undertake works with full contracting of construction. Enterprises with Full Contracting of Construction can perform all professional works on their own within the works with full contracting of construction undertaken by them, and can also subcontract the professional works or labour operations to professional subcontracting enterprises or labour subcontracting enterprises with respective qualification in accordance with the laws. Enterprises with professional subcontracting qualification (“**Professional Subcontracting Enterprises**”) can undertake professional works subcontracted by Enterprises with Full Contracting of Construction and professional works subcontracted by construction units in accordance with the laws. Professional Subcontracting Enterprises can perform all professional works undertaken on their own and can subcontract labour operations to labour subcontracting enterprises with respective qualification in accordance with the laws. Enterprises with labour subcontracting qualification (“**Labour Subcontracting Enterprises**”) can undertake labour operations subcontracted by Enterprises with Full Contracting of Construction or Professional Subcontracting Enterprises. The sequence of qualification for full contracting of construction, qualification for professional subcontracting and qualification for labour subcontracting is divided into certain categories of qualification according to the nature of works and technological characteristics. Each category of qualification is further divided into certain qualification levels in accordance with the required conditions.

The Ministry of Construction issued the Implementation Opinions Concerning Provisions on Administration of Qualification of Construction Enterprises (《建築業企業資質管理規定實施意見》) on 18 October 2007, setting out requirements for the transition period in respect of the qualification of construction enterprises. According to such requirements, for construction enterprises which have obtained qualification of construction enterprises prior to the Provisions, their qualification certificates will not be replaced generally upon implementation of the Provisions for the time being. The Ministry of Construction together with relevant authorities will promptly revise the class standards for qualification of construction enterprises other than those for special classes, while original qualification certificates will remain valid until the promulgation of new standards.

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(4) Operations of Construction Enterprises

(i) Quality

On 30 January 2000, the State Council issued the Construction Quality Management Regulations (《建設工程質量管理條例》) (“**Regulations**”) which stipulated that those engaged in related activities such as new, extended construction and conversion works in the PRC and implemented quality supervision and management for construction works should comply with the Regulations. It also stipulated that construction units which jerry-build, use unqualified building materials, building accessories and equipment or involve in other misconducts such as not following the construction design blueprint or construction technical standards should make correction and be penalised from 2% to 4% of the construction contract price. Those with construction quality not complying with required quality standard should be responsible for rework, repair and compensation for loss resulted. Those with serious infringement should have their business rectified with lowered qualification level or revocation of qualification certificates. Construction units infringing the Regulations, not inspecting the building materials, building accessories, equipment and mixed concrete or not sampling the test block, specimen and related materials should rectify themselves and be penalised from RMB100,000 to RMB200,000. Those with serious infringement would have their business rectified with lowered qualification level or revocation of qualification certificates. Those causing loss should be liable for compensation in accordance with the laws.

Pursuant to the Decoration Measures, decoration enterprises should perform their works in accordance with the mandatory standards of construction and other technical standards without jerry-building and ensure the quality of decoration works.

(ii) Safety production

Pursuant to the Decoration Measures, the following conducts are prohibited for residential interior decoration activities: (1) changes of main bodies of buildings or load-bearing structures without design solutions from original designing units or designing units with relevant qualification levels; (2) turning rooms without waterproof requirements or balconies into toilets and kitchens; (3) extending original size of doors and windows on load-bearing walls and removing bricks and concrete walls connecting the balconies; (4) damaging the original energy reduction facilities in the house and lowering the effect of energy reduction; (5) other conducts affecting the structure of the building and safety. Decoration staff engaged in residential interior decoration activities should not have the following conducts without approval: (1) construction of buildings and structures; (2) changing the exterior of the residential and adding doors and windows on non-load-bearing walls; (3) removing or altering heat pipes and facilities; (4) removing or altering gas pipes and facilities. Decoration enterprises should perform their works in accordance with the mandatory standards of construction and other technical standards without jerry-building and ensure the

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quality of decoration works. Decoration enterprises engaged in residential interior decoration activities should comply with the operation safety rules, adopt necessary safety protection and fire measures in accordance with the rules and should not use open flame and perform welding without authorisation, so as to ensure the safety of operating staff and the surrounding housing and property. Decoration staff and decoration enterprises engaged in residential interior decoration activities should not occupy public space or damage public areas or facilities. Decoration enterprises infringing related safety production requirements and technical rules of safety production of the PRC, not adopting necessary safety protection and fire measures in accordance with the rules, using open flame and perform welding without authorisation or not adopting measures in resolving hidden problems causing construction safety incidents should be rectified by the relevant construction administrative department and penalised from RMB1,000 to RMB10,000. Those with serious infringement should have their business rectified and should be penalised from RMB10,000 to RMB30,000. Those causing major safety incidents should have their qualification level lowered or qualification certificates revoked.

The State Council issued the Safety Production Permit Regulations (《安全生產許可證條例》) on 13 January 2004, which stipulated that the PRC should implement the safety production permission system on construction enterprises. Enterprises without safety production permit should not engage in production activities.

On 5 July 2004, the Ministry of Construction issued the Provisions for Safety Production Permit Management on Construction Enterprises (《建築施工企業安全生產許可證管理規定》) and applied the safety production permit for construction enterprises on construction enterprises engaged in related activities such as new, extended and conversed works of civil engineering, construction, installation of lines, pipes and equipment and decoration construction in the PRC. Construction enterprises should apply for safety production permit with construction administrative departments on or above the provincial level at the place of corporate registration according to the principles of graded and territory management before engaging in construction activities. The term of the safety production permit for construction enterprises is three years. For extension of the safety production permit after expiry, enterprises should apply for extension with original safety production permit issuing authorities three months before expiry.

On 19 March 2008, the Beijing Municipal Construction Committee (北京市建設委員會) issued the Standardised Safety Manual for Construction Sites (《北京市建築施工現場安全標準化手冊》) (“**Manual**”) in Beijing which was effective from the same day. The Manual provides detail requirements for practical safety regulations for construction sites.

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(iii) Tendering

Major construction projects in the PRC have to comply with the requirements of the Tender Law of the People's Republic of China (《中華人民共和國招標投標法》) (“**Tender Law**”). Pursuant to the said Tender Law, the following construction projects in the PRC which include surveying, design, construction, supervision and purchase of important equipment and materials related to construction of the projects should proceed with tendering: (1) projects in relation to the social and public interest and public safety such as large basic infrastructures and utilities; (2) projects invested with state-owned funding or financed by the PRC in full or in part; (3) projects utilising loans and assistance from international organisations or foreign governments. The scope and standards of projects listed above are formulated by the development planning department of the State Council and related departments of the State Council and approved by the State Council. The scope of other projects required for tendering by the laws or the State Council should be followed.

Pursuant to the Management Measures for Tendering of Construction Designs (《建築工程設計招標投標管理辦法》) issued by the Ministry of Construction on 8 October 2000, the tendering of construction designs could be open or by invitation in accordance with the laws. Construction administrative department of the local people's government of counties and above is responsible for supervision and management of tendering of construction designs within the administrative regions.

(iv) Environment

On 29 October 1996, Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》) was issued and was effective from 1 March 1997. It stipulated that those who produce noise from construction to the surrounding living environment within the cities should comply with the noise production standards of construction sites stipulated in the PRC. Construction works which produce pollution from environmental noise at night time were prohibited in urban areas with concentrated noise sensitive buildings except for emergency repair, rescue operations and necessary continuing operations required technically or specifically.

To prevent and control the interior environmental pollution of new, expanded and converted civil construction works, the Ministry of Construction issued the Control Measures for Interior Environmental Pollution of Civil Construction Works (《民用建築工程室內環境污染控制規範》) (the “**Measures**”) on 26 November 2001 and regulated the controlling standards of the amount of interior radon, formaldehyde, benzene, ammonia and total volatile organic compounds (TVOC). This is the first mandatory standard for construction which controls the interior environmental pollution in the PRC and became effective from 1 January 2002. On 20 April 2006, the Ministry of Construction partly revised the Measures and the revised Measures took effect on 1 August 2006. Upon completion of the

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construction works, the construction units should examine the interior environmental quality according to the requirement of the Measures and appoint recognised examination authorities to perform tests on the amount of interior radon, formaldehyde, benzene, ammonia and TVOC of the construction works. Buildings with standard of amount of interior harmful materials not complying with the requirement in the Measures would not be allowed for use.

The Decoration Measures have provided further requirements on construction, residential decoration and interior environmental pollution. Decoration enterprises engaged in residential interior decoration activities should comply with required schedule for decoration works strictly, lower noise from construction works and reduce environmental pollution. Owners or users of houses appointing enterprises to perform residential interior decoration works should ensure the air quality to be within related standard of the PRC after completion of the decoration works. The owners or users of houses could appoint qualified examination units to perform tests on air quality. The decoration enterprises should rework if the tests could not meet the standard and the respective loss should be borne by the responsible person.

(v) Fire Prevention

The revised Fire Control Law of the People's Republic of China (《中華人民共和國消防法》) is effective from 1 May 2009. According to its provisions, fire control design and construction of construction works must comply with the state technical standards on fire control for construction projects. The fire resistance of building and decoration materials must also comply with state standards, or industry standards if there is no state standard.

The revised Supervision and Administration Provisions on Fire Control for Construction Projects (《建設工程消防監督管理規定》) is effective from 1 May 2009. It specifically sets out provisions applicable for the supervision and administration of fire control for construction works such as new and extension construction and reconstruction (including internal decoration and changing usages). It requires that units such as constructing, designing, building and construction supervising units to comply with fire control laws and regulations, and state technical standards on fire control and be responsible for the design, construction quality and safety for fire control of construction works.

II. Supervision on wholesale and general service industry

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries amended in 2007, the delivery of general products in the wholesale and retail industry belongs to industries encouraging foreign investment while general service industry belongs to industries permitting foreign investment. For legal supervision of the above industries, general company laws should be complied with, which include but not limited to, the Company Law of the People's Republic of China (《中華人民共和國公司法》) amended on 27 October 2005 and effective from 1 January 2006, Wholly Foreign-owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》) amended and implemented

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on 31 October 2000 and the Implementation Rules for Wholly Foreign-owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法實施細則》) amended and implemented on 12 April 2001.

Pursuant to the Provisions for Management of Foreign-invested Business Domains (《外商投資商業領域管理辦法》) issued by the Ministry of Commerce on 16 April 2004, wholesale means the sales of products and related services to retailers and industrial, commercial and institutional customers or other wholesalers; retail means the sales of goods for individual or group consumption or related services at fixed location or through television, telephone, post, the internet and auto vending machines. Pursuant to the above provisions, foreign investors who wish to engage in wholesale and retail operating activities in the PRC could establish foreign-invested commercial enterprises. Pursuant to the Notice of the Ministry of Commerce on Matters Relating to Additions to Distribution Business Scope of Foreign Invested Non-commercial Enterprises (《關於外商投資非商業企業增加分銷經營範圍有關問題的通知》) issued by the Ministry of Commerce on 2 April 2005, foreign-invested non-commercial enterprises who wish to engage in wholesale and retail operating activities should apply for the additions to distribution business scope, report to the authority according to the related legal procedures of the extended business scope of the enterprise and apply for approval certificate for foreign-invested enterprises. The foreign-invested non-commercial enterprises should clearly detail their distribution methods (wholesale, retail and commission agent) for the additions to distribution business scope and submit their list of products upon application.

LAWS AND REGULATIONS IN RELATION TO FOREIGN INVESTMENT IN THE STATE OF QATAR

The creation of, or investing in, a company in the State of Qatar by a foreign investor is primarily governed by the Foreign Investment Law No.(13) of 2000 (the “**Foreign Investment Law**”).

The general rule under Article (2)1 of the Foreign Investment Law is that non-Qataris, whether natural or legal persons, may invest in all sectors of the national economy BUT only through the medium of a company incorporated in Qatar in which one or more Qatari individuals and/or 100% Qatari entities hold not less than fifty one per cent. (51%) of the share capital. Other than in very special cases, the form of company must be a Limited Liability Company.

Notwithstanding the above, Article (2)2 of the Foreign Investment Law does indeed provide that non-Qataris may, subject to an exemption from the Minister of Business and Trade, own up to 100% of the share capital of projects in the fields of agriculture, industry, health, education, tourism, development and utilisation of natural resources, energy and mining. Preference is to be given to projects, which would achieve optimum utilisation of locally-available raw materials, and industries intended for the export of products, for introducing new products or employing modern technologies, as well as projects which are aimed at localising world-famous industries and projects which train and improve the qualifications of Qatari nationals.

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A new draft foreign investment law is currently in circulation. Under its current form, the draft law provides for the opening of all economic activities to foreign investments, with the possibility for foreign investors to acquire up to 100 per cent of any project or business in Qatar. This remains, however, subject to the prior formal approval of the Minister of Business and Trade. An application process is established for this purpose.

LAWS AND REGULATIONS IN RELATION TO LABOUR RELATED MATTERS IN THE STATE OF QATAR

Labour matters in the State of Qatar are governed by the labour law No. (14) of 2004 (the “**Labour Law**”).

Article (4) of the Labour Law provides that the entitlements prescribed by the Labour Law represent the minimum entitlements of the employees and any stipulation contradicting the provisions of the Labour Law shall be void even if it was made prior to the date of application of the Labour Law unless the said stipulation is more advantageous to the employees and any release, compromise or waiver of the entitlements prescribed for the employees by the Labour Law shall be deemed void.

All employees of the company have to be Qatari or Qatari residents. Employees other than those mentioned above will be considered as illegal workers in the State of Qatar and the employers will be criminally liable.

Priority in employment shall be given to Qatari nationals. Non-Qataris may be employed if necessary. Foreign investors must note that Article (26) of the Labour Law provides that the percentage of non-Qatari to Qatari workers in every sector of work shall be defined by a Ministerial decision.

The Qatari Council of Ministers Resolution No. (11) of 1997 dealt with “Qatarisation” and provided that across all sectors of the economy, including the private sector, a minimum of 20 per cent. of the work force must be Qatari nationals. To date, only a few companies have complied with the target set by the Qatari Council of Ministers Resolution.

Article (73) of the Labour Law provides that the maximum working hours are 48 hours per week or eight hours per day during all months of the year, except during the Holy Month of Ramadan, during which it will be reduced to 36 hours per week or six hours daily.

In addition to any amounts due to the employee, the employer shall pay an end of service benefits, in cases where the employee has worked for a period of one year or more. Such end of service benefits have to be agreed upon by the employee and the employer and should not be lower than three weeks salary for every one year worked and shall be paid according to the period of work. The end of service benefit will also include any number of months for which the employee has worked, after completing one year.

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LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTIONS IN THE STATE OF QATAR

Qatar's Environment Department was created within the Ministry of Municipal Affairs in 1994, with the objective of integrating environmental considerations in decision making at all levels.

Qatar is a signatory to international environmental conventions including the UN convention on the law of the sea, the Kuwait regional agreement of co-operation for protecting the marine environment from pollution and the Brussels conventions of 1969 and 1971.

A Supreme Council for the Environment and Natural Reserves ("SCENR") replaced the previous Environmental Protection Committee in 2000.

The Environment Protection Law (Decree Law No. 30 of the Year 2002) contains an administrative framework and sets out licensing and operational requirements including restrictions on hazardous waste, air, noise and marine pollution.

Of particular note is the requirement for both Governmental and private bodies to include a clause dealing with environmental protection issues and undertakings to pay clean-up costs in all contracts which could have a harmful effect on the environment.

Project licences will not be issued until the plans have been submitted to the SCENR for approval and an environmental impact assessment has been carried out. Once a project is up and running the operator must comply with all relevant environmental measures, take all necessary precautions to prevent environmental damage and maintain ongoing environmental impact records. If environmental damage does occur all necessary steps must be taken to minimise the impact.

The most significant changes introduced by the Environmental Protection Law are the SCENR's powers of enforcement and sanctions.

The SCENR may enter sites to assess compliance with the environmental protection regulations and may suspend or impose conditions on any activities which may damage the environment. Environmental damage is a criminal offence.

Breaches of the various articles of the Environmental Protection Law will result in fines on a sliding scale between QAR1,000 and QAR200,000 and imprisonment for a period of up to 10 years for more serious offences. Sanctions are doubled for repeat offences.

In addition, the court may close the project, seize tools and equipment and deport foreign nationals. There are also provisions to cover crimes committed on behalf of another or in the name of another legal body, with defences where the crime was committed, among others, without knowledge, where responsibility had been delegated to another person, or that reasonable steps had been taken to prevent unintentional damage.

Environmental regulations are also featured in other laws. In particular, the Foreign Investment Law obliges foreign companies to protect the environment from pollution under the Foreign Investment Law.

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LAWS AND REGULATIONS IN RELATION TO SAFETY AND INSURANCE IN THE STATE OF QATAR

While there are no specific insurances (such as workers' compensation or equivalent) required to be maintained by the employer, the Labour Law does provide disability and death compensation.

Article (109) of the Labour Law provides that the employee who sustains a work injury shall be entitled to receive medical treatment appropriate to his condition at the cost of the employer in accordance with the decision of the competent medical authority.

Article (110) of the Labour Law provides that the heirs of the employee who dies because of work and the employee who sustains a work injury resulting in a partial or total permanent disability shall be entitled to receive compensation. The amount of compensation in case of death of the employee shall be calculated in accordance with the provisions of the Islamic Sharia.

The employer shall pay the compensation for the disability within a period not exceeding fifteen days from the date of proof of the disability of the worker or from the date of announcement of the result of the inquiries supporting the occurrence of the disability because of work.

In addition to the matters mentioned above, the Labour Law contains limited provisions relating to health and safety at work. Its Part Ten entitled "Safety, Vocational Health and Welfare" contains provisions which are generally applicable to health and safety of employees.

According to the Labour Law, every employer shall take care of the safety and health at work of all persons employed by it by notifying every employee about the work related risks involved and acquainting him with the safety measures.

Furthermore, the employer shall take the necessary precautionary measures to protect employees while at work from any injury or disease that could occur from the work done in his company.

The employer shall not hold its employees' responsibility by deducting their wages any amounts for the provision of these safety measures.

If the employer refuses to take the prescribed safety measures or in case of any possible hazard that threatens the employees' health and safety, the Ministry of Labour can issue a decision on the partial or complete closure of the workplace. In this case the employer shall be committed to pay the employees' full wages during the period of closure or termination of operations.

An employer who contravenes these duties, commits an offence and is liable to a fine of not less than QAR2,000 and not more than QAR6,000, and shall be penalised with imprisonment for a period not exceeding one month.

Responsibility for issuing decisions for the organisation of agencies concerned with health and safety, defining and organising services and precautionary measures to protect employees lies with the Ministry of Labour.