



POLICY AGAINST ARREARS OF WAGES

BACKGROUND OF THE POLICY

During the past two years, our Group suffered from paying arrears of wages as a result of subcontractors' contract repudiation or their own financial problems. Undoubtedly, these arrear cases, which are attributable to:-

1. Run away of a sub-contractor in a lower tier of a vertical sub-letting chain leaving workers unpaid;
2. An apparent conspiracy between few workers and his employer (a sub-contractor) to establish alleged arrears; will have very far reaching impact to both our financial results and corporate image.

As such, this anomaly within the M&E industry must be prohibited from dispersion immediately along with the following proactive measures.

STATUTORY OBLIGATION TOWARDS ARREARS OF WAGES

A nominated sub-contractor or a direct domestic sub-contractor is liable to pay the first two months wages in arrear claimed under the Employment Ordinance.

NEW POLICY AGAINST ARREARS OF WAGES

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| 1. STRINGENT CONTROL ON SUB-CONTRACTOR SELECTION: | Function Host |
| All sub-contractors to whom we enter into direct installation sub-contract shall be registered under VSRS (Voluntary sub-contractor registration scheme) | Sub-letting Department |
| 2. IDENTIFICATION OF WORKERS | |
| All workers employed by each sub-contractor shall fill in and sign off the standard declaration forms while applying for work-permits. Without doing so, they are not admitted into the construction site. | Project / Sub-letting Department |



3. MAINTENANCE OF DETAILED ATTENDANCE RECORD

Other than the site entrance record maintained by Main Contractor, an attendance log-book on which every worker must sign off shall be kept by our project team at each site office/ workshop. This condition shall form part of the installation sub-contract.

Project /
Sub-letting
Department

4. SAFETY TRAINING AS A PRE-REQUISITE FOR WORK-PERMIT APPLICATION

Project department shall arrange and ensure all workers, before applying for work-permits, to receive a basic safety training conducted by safety department. Only trained workers shall be admitted into construction site. The training shall be organized on a weekly basis.

Project / Safety
Department

5. STRICT COMPLIANCE ON “DECLARATION OF NO ARREARS OF WAGES” SYSTEM

It is a conditional precedent to pay sub-contractor if and only if the sub-contractor is able to present the “Declaration of no arrears of wages” signed by every worker in the attendance log-book mentioned in item (3) above.

Project / Accounts /
Sub-letting
Department

6. PERSONAL GUARANTEE BY OWNER OF SUB-CONTRACTOR

Each owner/director of our sub-contractor shall provide a personal guarantee warranting that he/ she is personally liable to our loss due to their default including but not limited to payment by us of arrears of wages. Unless the original of this guarantee is presented to us, the payment shall not be released.

Project / Accounts /
Sub-letting
Department

7. SAFETY AND CONSTRUCTION AUDIT AS A TOOL TO EVALUATE THE COMPLIANCE OF THIS POLICY

A tailor-made measurement for the captioned compliance shall be included under construction audit and safety evaluation. These shall form one of the key performance indicators to evaluate the performance of the project team or even individual project staff.

John Cheung/
Contracts Manager



NWS ENGINEERING GROUP LTD

新創機電工程集團有限公司

This policy shall come into effect from the date of issuance

Approved by:

NWS Engineering Group Ltd.

Rocky Poon Lock Kee

Director and General Manager

Date of issuance: September 30, 2004