



CONSTRUCTION
INDUSTRY COUNCIL
建造業議會

Construction Industry Security of Payment Ordinance

(Cap. 652 of the Laws of Hong Kong)

Simple Guide



2025 February
Edition

Foreword

The Construction Industry Security of Payment Ordinance (the Ordinance) aims to improve the delay payment problems in the construction industry and provide better protection for the stakeholders in the supply chains of the construction industry to receive their entitled payment on time. The implementation of the Ordinance will create a fairer and more stable business environment, thus promoting the healthy and sustainable development of the construction industry.

The Ordinance improves contractual payment terms, prohibiting the use of unfair payment terms such as "pay when paid". It also introduces an adjudication mechanism to provide a speedy, cost-effective and binding resolution process for payment disputes in the interim.

- The Ordinance was gazetted on 27 December 2024
- Applicable to construction contracts entered into on or after 28 August 2025 (referring to the date of signing the main contract)

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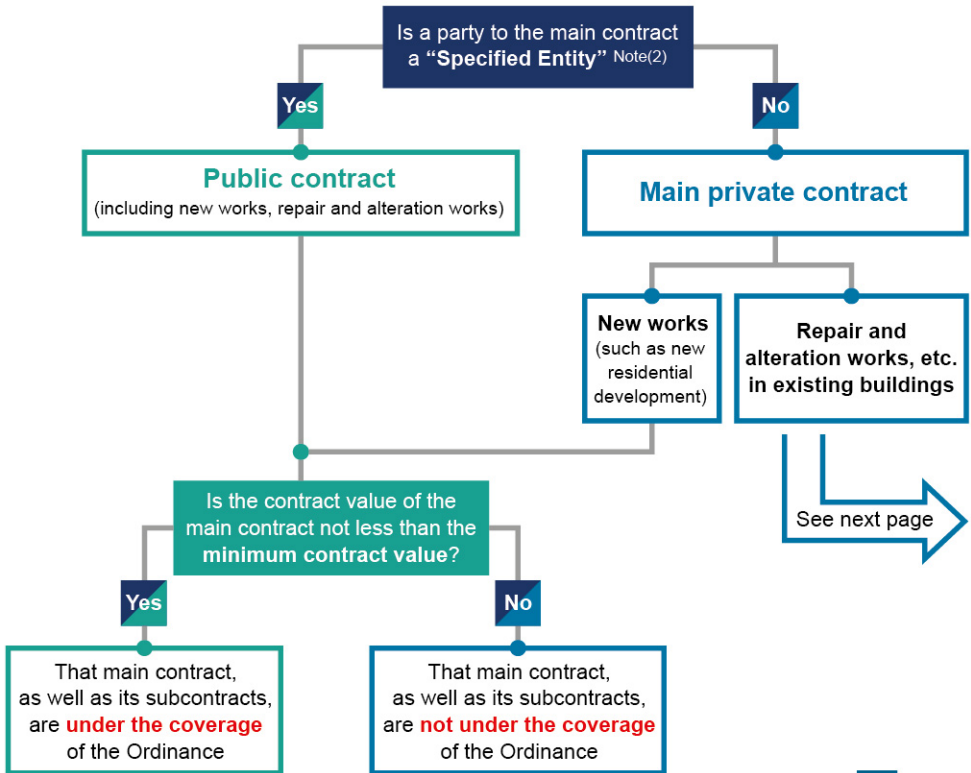
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01

Scope of Application

The Ordinance in general covers contracts for carrying out construction work, as well as contracts for the supply of related goods (e.g. materials and plant) and services related to the construction work (“construction contracts”) in Hong Kong, provided that the contract values of the main contracts are not less than the specified minimum contract value ^{Note(1)}. The Ordinance applies to both public and private projects, with a wider scope of application for the former. Details of the scope of application can be referenced in the chart below:

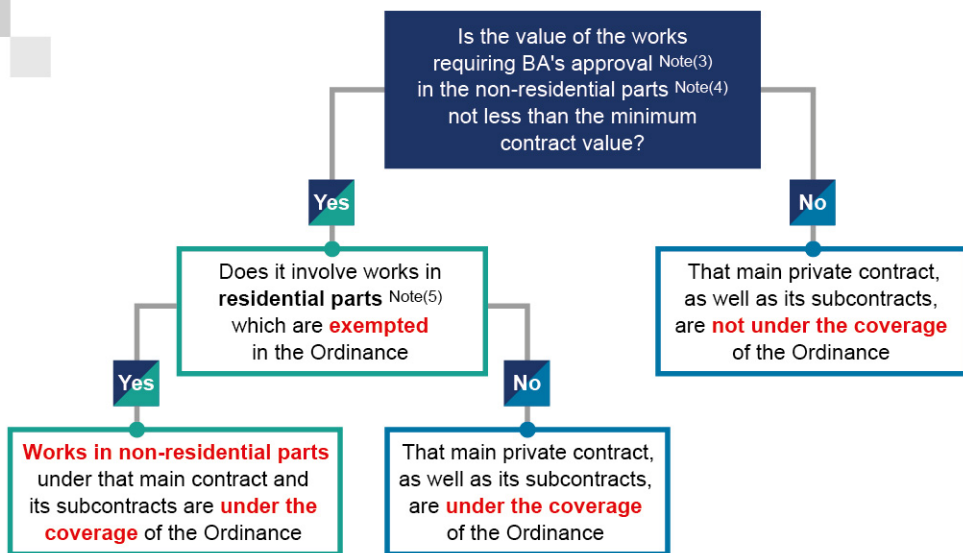


Although the Ordinance applies to oral contracts, to better protect the rights and interests of both contractual parties, written contracts should be used whenever possible.

Note : (1) If the main contract is a contract for the carrying out of construction work, the minimum contract value is HK\$5 million. If the main contract is a contract for the supply of related goods or services only, the minimum contract value is HK\$500,000.

(2) "Specified entity" means the government, a body specified in Schedule 3 of the Ordinance (such as Airport Authority, Hong Kong Housing Authority, Hospital Authority, MTR Corporation Limited, electricity or gas supply companies, etc.) or its subsidiary undertaking.

Main private contract for Repair and alteration works, etc. in existing buildings



Example

Repair and Alteration Works, etc. in a Private Composite Building

The **contract value** of the "main private contract" only include the value of the works requiring BA's approval in **non-residential parts**.

If the **contract value** is not less than HK\$ 5 million, the Ordinance applies to the works in **non-residential parts** under the main private contract and its subcontracts.

In short, the Ordinance does not apply to:

- (1) construction contracts for works on existing private residential buildings, such as interior renovation, building maintenance, etc.
- (2) construction contracts for relatively minor works not requiring BA's approval, on existing private non-residential buildings, such as maintenance and repair of building services installation, shop renovation, etc.

Note : (3) BA's approval means the approval and consent of the Building Authority (BA) under the Building Ordinance (Cap. 123) for works to commence or be carried out.

(4) The non-residential parts include shops, offices, hotels, student hostels, staff quarters, etc.

(5) Residential parts include residential unit(s) and the "common areas" of the building.



To observe the following key points of the Ordinance:

- **Prohibiting the use of unfair payment terms such as “pay when paid”;** and
- **Imposing time limits for the paying party to give response and make payment after a valid payment claim is made**

The days contained in the calendar below are based on the time limits set in the Ordinance for making payment response and payment. If the contractual parties agree on shorter time limits in the contract, the time limits stipulated in the contract will prevail.

0th day

You serve payment claim

- (1) If the contract specifies a date to serve the payment claim, you should follow the contractual date to serve the payment claim.
- (2) If a contractual date is not specified, you can serve the payment claim on the last day of the calendar month.



Please ensure that your payment claim:

- is in writing;
- identifies the construction work or related goods and services to which the payment relates; and
- states the claimed amount and how it is calculated.

[Note: If the contract provides for a claim handling procedure for a claim for any additional payment (e.g. variation orders), the claim handling procedure must be completed before you serve the payment claim for the additional payment. If the contract does not specify a period within which the claim handling procedure is to be completed, and the paying party does not complete it within a reasonable time, you can serve a payment claim and initiate adjudication where appropriate, in accordance with the Ordinance.]



30th day

(or an earlier day as specified in the contract)

Payment Response Deadline

Scenario (1): The paying party does not serve payment response

Scenario (2): The paying party serves payment response but the admitted amount is less than the claimed amount

31st to 58th day

You can refer the payment dispute arising from Scenario (1) and Scenario (2) to adjudication (within 28 days)



The occurrence of Scenario (1) or Scenario (2) indicates arising of payment dispute only. You are not entitled to suspend or reduce the rate of progress.

Scenario (3): The paying party admits an amount payable in the payment response

60th day

You check if the paying party has made full payment of the amount admitted in the payment response

(or an earlier day as specified in the contract)

If not paid in full

61st to 88th day

You can refer the payment dispute arising from Scenario (3) to adjudication (within 28 days)

You are also **entitled to suspend or reduce** the rate of progress for carrying out of work or supply (Refer to 05 - Right to Suspend or Reduce the Rate of Progress for details)

03

Info for Paying Party



To observe the following key points of the Ordinance:

- Prohibiting the use of unfair payment terms such as “pay when paid”; and
- Imposing time limits for the paying party to give response and make payment after a valid payment claim is made

The days contained in the calendar below are based on the time limits set in the Ordinance for making payment response and payment. If the contractual parties agree on shorter time limits in the contract, the time limits stipulated in the contract will prevail.



You receive payment claim



- (1) If the contract specified a timeline for making the payment response (but not exceeding 30 days limit as provided in the Ordinance), you should follow the contractual timeline to serve the payment response.
- (2) If a contractual timeline is not specified, you should serve the payment response within 30 days from the date the payment claim is served.

You should issue a payment response whether you dispute the claim or not.

Please ensure your payment response:

- (a) is in writing;
- (b) identifies the related payment claim ; and
- (c) states the admitted amount, the difference between the admitted amount and the claimed amount and how the admitted amount is calculated.

[Note: If the payment claim involves additional payment (e.g. variation order), and the claim handling procedure provided under the contract for handling such additional payment has not been completed, you may request the claimant to submit the relevant portion of payment claim after the claim handling procedure has been completed. If the contract does not specify a period within which the claim handling procedure is to be completed, you should complete it within a reasonable time. Otherwise, the claiming party can serve a payment claim and initiate adjudication where appropriate, under the Ordinance.



(or an earlier day as specified in the contract)

Payment Response Deadline

- Scenario (1): You do not serve payment response
- Scenario (2): You serve payment response but the admitted amount is less than the claimed amount



Claiming party can refer the payment dispute arising from Scenario (1) and Scenario (2) to adjudication (within 28 days)



Scenario (1): If you fail to serve payment response before the deadline, you are not permitted to raise any set off (e.g. deduction for liquidated damages) in the adjudication proceedings in relation to the payment claim.

- Scenario (3): You admit an amount payable in the payment response



You should make full payment of the amount admitted in the payment response by the payment deadline

(or an earlier day as specified in the contract)

If not paid in full



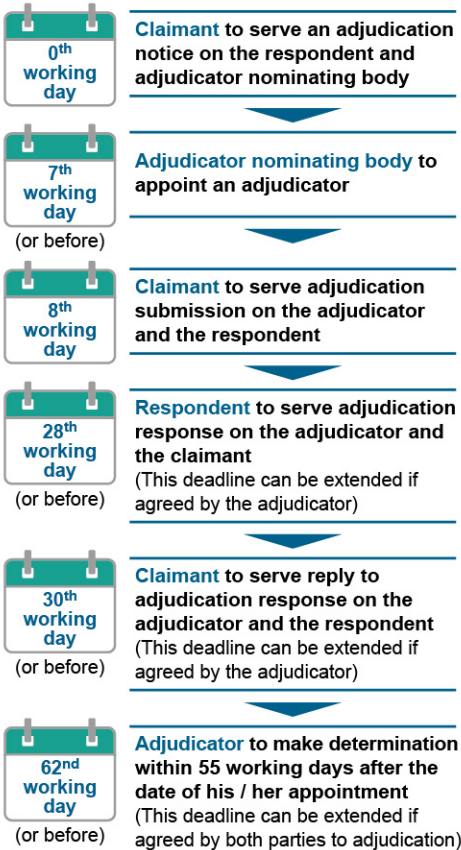
Claiming party can refer the payment dispute arising from Scenario (3) to adjudication (within 28 days)

Claiming party is also entitled to suspend or reduce the rate of progress for carrying out of work or supply (Refer to 05 - Right to Suspend or Reduce the Rate of Progress for details)

Adjudication Proceedings

When a payment dispute arises under Scenarios (1) to (3) as outlined in Sections 02 - Info for Claiming Party and 03 - Info for Paying Party, the claiming party may refer the payment dispute to adjudication.

The days contained in the calendar below are based on the maximum time limits set in the Ordinance, and it is assumed that only 1 adjudicator nominating body is specified in the contract.



If the contract does not specify an adjudicator nominating body, or specifies more than 1 nominating body, the claimant must nominate 2 nominating bodies for the respondent to select from. This will take an addition of 8 working days (i.e. the adjudicator is to be appointed by the 15th working day at the latest).

Working day for the adjudication proceedings mean a day that is not:

- a general holiday;
- a Saturday; or
- a black rainstorm warning day or gale warning day

The Development Bureau (DEVB) will establish a register of adjudicator nominating bodies. The DEVB will also formulate the main content of the adjudication rules, practice notes and code of conduct for adjudicators, as well as a unified guideline on conflicts of interest to ensure the quality of adjudication.

Adjudicators are qualified professionals such as engineers, architects, surveyors and lawyers with experience in handling construction-related cases.

Parties are jointly and severally liable to pay adjudication cost in the proportion as determined by the adjudicator.

The adjudication mechanism is not yet applicable to payment disputes involving **extension of time** under main private contracts and their subcontracts.

Post - Adjudication

Respondent

- (1) must pay the adjudicated amount by the deadline specified by the adjudicator.
- (2) can apply to set aside the adjudication determination pursuant to Section 48 of the Ordinance.

Claimant

- If not receiving the adjudicated amount in full by the deadline specified by the adjudicator:
- (1) can exercise the right to suspend or reduce the rate of progress for carrying out work or supply (refer to 05 - Right to Suspend or Reduce the Rate of Progress for details)
 - (2) can apply for enforcement of the adjudication determination pursuant to Section 49 of the Ordinance.

Right to Suspend or Reduce the Rate of Progress

Pursuant to the Ordinance, if fulfilling either of the following 2 specified circumstances:

- (a) the paying party admits an amount payable but fails to pay the claiming party the admitted amount in full by the payment deadline;
- (b) the adjudicator has made a determination on the payment dispute, but the respondent fails to pay the claimant the adjudicated amount in full by the deadline specified by the adjudicator,

The unpaid party has the right to suspend or reduce the rate of progress for carrying out work or supply.

Claiming Party / Claimant to serve notice of intention on paying party / respondent and notify the owner

At least 5 working days before



Starting day to suspend or reduce the rate of progress



Claiming Party / Claimant receives the outstanding payment in full

Within 5 working days



Claiming Party / Claimant to resume works



Please ensure that your notice of intention to the paying party / respondent:

- (a) is in writing;
- (b) states that it is served under this Ordinance; and
- (c) indicates your intention to suspend or reduce the rate of progress.

A claiming party / claimant exercising this right under the Ordinance:

- (a) is NOT to be regarded as in breach of the contract;
- (b) is NOT liable for any loss or damage suffered by the paying party / respondent;
- (c) is entitled to an extension of time to complete the contract; and
- (d) is entitled to recover from the paying party / respondent any loss and expenses reasonably incurred

Working day in the flowchart on the left means a day that is NOT:

- (a) a general holiday; or
- (b) a black rainstorm warning day or gale warning day.

Example

If the notice of intention is served on the paying party / respondent by the claiming party / claimant on 8 September (Monday), the claiming party / claimant can suspend or reduce the rate of progress on 13 September (Saturday) at the earliest.



Disclaimer

This simple guide outlines the scope of application and some rights and obligations under the Construction Industry Security of Payment Ordinance (Cap. 652 of the Laws of Hong Kong). It does not go into details of the Ordinance or does not cover all situation. For a full appreciation of scope of application and relevant rights and obligations, the reader should refer to the Ordinance as well as seek independent legal advice. This guide is for reference only and the Construction Industry Council (including its members and employees) will not accept any responsibility for its use.

