



THE CONTRACTS GROUP LTD. Hong Kong Construction Market & Contract Update

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HONG KONG CONSTRUCTION
INDUSTRY STATISTICS

PROJECT NEWS

HKIS STANDARD FORM OF
BUILDING CONTRACTS

HONG KONG CONSTRUCTION INDUSTRY STATISTICS

Census & Statistics Department's construction output statistics for the first quarter of 2026 ('Q1') show:

- The gross value of construction works performed by main contractors in Q1 increased from a year earlier up 2.9% to HK\$72.7 billion. In real terms, there was a 1.0% increase for Q1 after removing the effect of price changes.
- Private sector sites were down 15.9% for Q1 of 2026 from a year earlier at HK\$16.5 billion. In real terms, the value decreased by 18.2%.
- Public sector sites increased by 17.8% for Q1 of 2026 to HK\$35.9 billion. In real terms, the value increased by 14.1%.
- Gross value of construction works at locations other than construction sites (maintenance, decoration, repair, electrical installations, etc.) was down by 1.3% for Q1 of 2026 at HK\$20.4 billion, though it showed a 1.8% increase in real terms.
- Residential building projects accounted for the largest share in gross value for Q1 of 2026 at HK\$22.5 billion (up by 7.6%), while transport projects decreased by 7.4% to HK\$8.1 billion compared to a year earlier.

PROJECT NEWS

CRBC-Maylon Joint Venture have been awarded a **HK\$2.27 billion** contract for San Tin Technopole Phase 1 Stage 1 (East), Contract 2: Site Formation and Engineering Infrastructure Works. The project involved site formation of lands, construction of roads connecting Lok Ma Chau Road, Castle Peak Road – Chau Tau and Kwu Tung Road; construction of a sewage pumping station and associated works including cycle tracks, footpaths, drainage, sewerage, water main, landscaping and slope works. The project commenced work in March 2026 and is scheduled for completion in 2031.

CR Construction have secured a **HK\$3.6 billion** contract by Chinachem and ESR Group for an advanced cold storage and logistics development in Kwai Chung. This will be the first of its kind and the largest to be built in Hong Kong in the last 20 years. The facility will be built according to the most stringent green standards and will include a 7-storey high specification building designed for cold storage and high value logistics covering 138,000 sq m. It will replace ageing infrastructure and will address high demand for such facilities driven by on-line shopping and pharmaceuticals. The project is scheduled to be complete in 2027.

HKIS Standard Form of Building Contracts (2025 Edition) - Three Core Updates and Practical Considerations for Quantity Surveyors

1. Executive Overview

The 2025 Edition of the Standard Form of Building Contracts, jointly published by the HKIA, HKIS, and HKICM on February 2026, represents the most significant update to Hong Kong's private sector construction contracts in two decades. Drafted by Pinsent Masons, this edition fundamentally restructures the contractual framework to reflect modern industry practices, technological advancements (such as Building Information Modelling), and critical legislative changes – most notably the Security of Payment

For Quantity Surveyors (QSs) and other related construction practitioners, these updates necessitate a shift from mechanical contract administration to proactive risk management and cash flow oversight. The core changes are categorized into three pillars: Pillar A – Alignment with the Security of Payment Ordinance (SOPO); Pillar B – The Coordinated Suite of Contracts; and Pillar C – Structural Merger of "With" and "Without" Bills of Quantities. This article serves to review these three critical updates (i.e., the three pillars).

2. Pillar A: Alignment with the Security of Payment Ordinance (SOPO) (Cap. 652)

The most critical update is the full incorporation of the Construction Industry Payment Security Ordinance (Cap. 652), which became effective on August 28, 2025 and applies to all new construction projects exceeding HK\$5m in value with the exception of (i) contracts for "domestic" works on a residential building (such as interior renovation or maintenance of a private house) and (ii) projects involving a main contract value of less than HK\$5 million or related sub-contracts with a value of less than HK\$0.5 million significantly, the application of SOPO also applies to all tiers of subcontracts under such new construction projects.

2.1 The Three Statutory Mechanisms

The New Contract embeds the following SOPO mechanisms directly into its terms:

- a) Payment Mechanism: Standardizes payment applications, due dates, and response periods.
- b) Adjudication Mechanism: Provides a rapid (55-working-day) resolution process for payment disputes during the progress of works.
- c) Enforcement and Suspension: Grants the payee the right to suspend or reduce the rate of work if an adjudication decision is not honoured, including the right to claim EOT and loss and expense for such suspension and / or reduced rate of work.

2.2 Prohibition of Conditional Payment

The New Contract explicitly prohibits "Pay-when-Paid" clauses. Main Contractors can no longer withhold payment to Sub-contractors on the basis of non-payment by the Employer. This places a higher burden on Main Contractors to manage their own working capital and liquidity.

3. Pillar B: The Coordinated Suite of Contracts

Another important feature of the 2025 Edition is that the update is not limited to the Main Contract. The whole "coordinated suite" is released together. In addition to the Main Contract (Private Edition), the Nominated Sub Contract and the Nominated Supply Contract are also updated. This reflects the reality that modern construction project contract management requires a systematic approach to the entire construction supply chain, rather than treating the main contract, sub contract and supply contract as independent documents.

3.1 Why a coordinated suite?

A coordinated suite ensures consistent risk allocation, avoids conflicting provisions and facilitates management of upstream and downstream contractual relationships.

3.1.1 Ensuring consistent risk allocation

As those of us in construction will be aware, a construction project involves multiple layers of contractual relationships: the employer engages the main contractor (main contract), the main contractor engages nominated sub contractors (nominated sub contract) or, at the employer's request, places orders for specific materials with nominated suppliers (nominated supply contract). If the main contract imposes a certain responsibility on the main contractor (e.g., the cost of correcting design errors) but the sub contract does not contain a corresponding provision requiring the sub contractor to bear a similar responsibility – for example, the main contractor ends up paying without being able to recover from the sub contractor. The purpose of the coordinated suite is to ensure that the key risk provisions are consistent from the main contract down to the sub contract, avoiding situations where "nobody is responsible" or "clauses contradict each other".

3.1.2 Avoiding conflicts or grey areas between contract provisions

In the past, because the main contract and nominated sub contract were not always updated in sync, contradictory provisions sometimes appeared. For example, arbitration as the dispute resolution method in the main contract, but litigation in the sub contract. Such inconsistencies not only increase management difficulty but also become the main battleground for litigation when disputes arise. The coordinated suite unifies the structure, definitions and key provisions across all contracts, greatly reducing the scope for such conflicts.

3.1.3 Facilitating management of upstream and downstream contractual relationships

For QSs and project management teams, managing a project often involves reviewing multiple contracts simultaneously. If each contract has a different structure, definitions and wording, the administrative burden increases significantly. The coordinated suite ensures uniform definitions, consistent clause structures and synchronised key procedures across all contracts. This standardisation allows QSs to manage upstream and downstream contracts more efficiently, reducing the time spent re learning the different contract formats and their related deadlines.

3.2 Benefits of a Unified Framework

- Consistent Risk Allocation:** Ensures that risks (e.g., design error costs) are passed down the supply chain consistently, avoiding "contractual gaps" where no party is held responsible.
- Administrative Efficiency:** Uniform definitions and clause structures across the suite reduce the learning curve for project teams and minimize interpretation errors.
- SOPO Synchronization:** Payment cycles and adjudication triggers are aligned across all tiers, ensuring the entire project remains compliant with statutory timelines.

4. Pillar C: Structural Merger of "With" and "Without" Bills of Quantities

The 2025 Edition merges the previously separate "With Bills of Quantities" (WQ) and "Without Bills of Quantities" (WOQ) versions into a single, flexible framework, refer to Appendix (Articles of Agreement) Recital (2).

4.1 Rationale for the Merger

The traditional binary distinction between WQ and WOQ has been blurred by the widespread adoption of Building Information Modelling (BIM) and digital quantity take-off. The industry now requires a more nuanced approach to risk allocation based on design maturity rather than just the presence of a Bill of Quantities (BQ).

4.2 Implications for Quantity Surveying Practice

- Contract Administration:** In the past, the choice between WQ and WOQ was a one-off decision made before tender by the employer after taking the QS's advice. Under the new contract, because both options coexist in the same framework, the QS must engage with the employer, design team and legal advisers to discuss design completeness, document sufficiency and market conditions in a timely manner. The choice is no longer mechanical but project-specific.
- Pricing Model:** The traditional risk split remains: WQ leaves quantity uncertainty with the employer, while WOQ transfers that risk to the contractor. However, the choice is now more nuanced. If the design is 100% complete with clear drawings, the WQ option gives the employer greater cost certainty. If the design is still developing or the project allows design flexibility, the WOQ option may be more suitable to avoid numerous variations.

- Streamline Documentation:** Having a single form reduces the administrative burden of maintaining and understanding two separate contract documents. This can simplify contract preparation and review processes.
- Preparation of Bills of Quantities – Whether WQ or WOQ is chosen,** the QS must ensure that the structure, item descriptions and measurement rules clearly reflect the intended risk allocation. This is especially important for provisional quantities or provisional sums, where the New Contract demands more precise wording to avoid future disputes.
- Contractors will need to be more adaptable in their tendering strategies,** potentially preparing for both scenarios or clearly understanding the chosen option for each project. Employers will also need to be precise in their tender documents regarding the quantity management approach.

The merger turns a binary choice into a flexible, within-contract decision. QSs can now mix WQ and WOQ approaches in the same contract to create a tailor-made risk allocation.

5. Base Date

In construction contracts, the Base Date serves as the critical reference point for allocating risks between the Employer and the Contractor. It functions as a "cut-off point" to determine which site conditions, legislative requirements and market prices are assumed to have been factored into the Contractor's tender price.

Under the 2025 Edition of the Standard Form of Building Contracts, the Base Date remains the primary risk-allocation tool, establishing the cut-off point for pricing assumptions. Any entitlement to contract sum adjustments arising from post-Base Date events must be formally quantified in Payment Claims and addressed by the Employer within the statutory Payment Response window, ensuring that risk-related costs are settled progressively rather than deferred.

6. Recommendations for Quantity Surveyors

To effectively manage projects under the 2025 Edition, Quantity Surveyors should adopt the following strategies:

- Strict Payment Administration:** Adhere strictly to the new timelines for Payment Response Notices. Failure to respond within the statutory/contractual timeframe can lead to automatic liability for the claimed amount under SOPO.
- Adjudication Readiness:** Maintain contemporaneous records (correspondence, site diaries and cost data) to support or defend claims in the accelerated 55-day adjudication window.
- Supply Chain Due Diligence:** Monitor the financial health of sub-contractors more closely, as the removal of "pay-when-paid" protection changes the cash flow dynamics for the entire project.
- Proactive Procurement Advice:** Evaluate the maturity of the design at the tender stage to advise whether the WQ or WOQ option provides the best value and risk protection for the Client.

7. Conclusion

The 2025 Edition is a major industry milestone. QSs should familiarise themselves with it as soon as possible to prepare for future projects.

The release of the 2025 Edition of the Standard Form of Building Contracts marks an important milestone in the development of private sector construction contracts in Hong Kong. From merging the "with / without bills of quantities" versions, to fully aligning with the Construction Industry Payment Security Ordinance, to the coordinated suite update – every change responds to the practical needs of the industry and future directions.

For QSs, this is not merely a technical update in contract administration. It is an opportunity to re examine risk allocation, cash flow management and project compliance. QSs must also master these changes to safeguard their clients' interests and ensure project commercial success in this new regulatory landscape. Construction practitioners are encouraged to understand the details of the new contract as soon as possible and prepare accordingly for future projects.