

---

## REGULATORY OVERVIEW

---

This section summarises the principal PRC laws and regulations which are relevant to our business and operations. As this is a summary, it does not contain the detailed analysis of the PRC laws which are relevant to our business and operations.

### QUALIFICATIONS

The Construction Law of the PRC (中華人民共和國建築法, the “**Construction Law**”) promulgated by the SCNPC on 1 November 1997 which came into effect on 1 March 1998 and last amended on 23 April 2019, the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry\* (建築業企業資質管理規定) promulgated by the MOHURD on 22 January 2015 which came into effect on 1 March 2015 and last amended on 22 December 2018, the Notice on Issuance of Qualification Standards of Enterprises in the Construction Industry\* (住房和城鄉建設部關於印發《建築業企業資質標準》的通知) promulgated by the MOHURD on 6 November 2014, implemented on 1 January 2015 and amended on 14 October 2016, the Notice on Issuance of the Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards\* (住房和城鄉建設部關於印發《建築業企業資質管理規定和資質標準實施意見》的通知) promulgated by the MOHURD on 31 January 2015 which came into effect on 1 March 2015 and last amended on 16 January 2020, together with other regulations, stipulate the application requirements and the scope of activities of contracting construction enterprises.

Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications to engage in the construction contracting business. The general construction contracting qualification has 12 categories and is generally divided into four grades, namely, the premium-grade, the first-grade, the second-grade and the third-grade. The specialised subcontracting qualification has 36 categories and is generally divided into three grades, namely, the first-grade, the second-grade and the third-grade. The Qualification Standards of Construction Enterprises\* (建築業企業資質標準) sets forth detailed provisions on the application requirements for each type and grade of qualification mentioned above.

Enterprises holding the qualification for general construction contracting work may undertake construction project management services in accordance with the scope of their qualification. Such enterprises may undertake all aspects of the construction works themselves, or subcontract specialised construction works to subcontracting enterprises. Such enterprises may also hire labour subcontracting agents to carry out the construction work. Construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labour work should be subcontracted to labour subcontracting agents with relevant qualifications.

Enterprises holding specialised subcontracting certificates may undertake specialised projects subcontracted from a general construction contractor or contracted by construction units in compliance with relevant regulations. An enterprise that has obtained subcontracting certifications should undertake the entire subcontracting project itself but a subcontracting enterprise may subcontract any labour work to labour subcontracting agents with relevant qualifications in accordance with relevant PRC laws and regulations.

---

## **REGULATORY OVERVIEW**

---

If the construction enterprise needs to continue to use qualification certificates after the period of validity expires, an application for renewal shall be made within three months before the expiration.

Pursuant to the notice issued by the State Council regarding Deepening the Reform of Separating Permits from Business Licenses and Further Increasing the Development Vitality of Market Participants\* (國務院關於深化“證照分離”改革進一步激發市場主體發展活力的通知) on 19 May 2021, the qualifications for enterprises undertaking construction are adjusted from three classes to two classes, the third class is revoked, and the conditions for the second class are correspondingly adjusted. As at the Latest Practicable Date, the MOHURD has not officially issued the new Qualification Standards of Enterprises in the Construction Industry (建築業企業資質標準) with respect to such reform matters.

### **ADMINISTRATION OF TENDER AND BID**

According to the Law on Bid Invitation and Bidding of the PRC (中華人民共和國招標投標法) promulgated by the SCNPC on 30 August 1999 and amended on 27 December 2017, a tender is required for the survey, design, construction and consultancy of projects in China, including projects involving large-scale infrastructure and public utility relating to public interest and safety, projects entirely or partially financed by state-owned funds or loans by the State and projects financed by loans and financial aid from international organisations or foreign governments.

The Provisions on Engineering Projects which must be Subject to Bidding\* (必須招標的工程項目規定) promulgated by the NDRC on 27 March 2018 and effective on 1 June 2018 and the Administrative Measures of Bidding for Construction of the House Building and Municipal Infrastructure Projects\* (房屋建築和市政基礎設施工程施工招標投標管理辦法) promulgated by the MOHURD on 1 June 2001 and last amended on 13 March 2019 set out the scope of construction projects which shall be subject to bidding and provide for the specific requirements for bidding. The Provisions on Tender and Bidding of Construction Projects\* (工程建設項目施工招標投標辦法) promulgated by the NDRC on 8 March 2003 and amended on 11 March 2013 and the Regulations on the Implementation of the Law on Bid Invitation and Bidding of the PRC\* (中華人民共和國招標投標法實施條例) promulgated by the State Council on 20 December 2011 and last amended on 2 March 2019 specify the requirements and procedures for bidding.

### **ADMINISTRATION OF QUALITY OF CONSTRUCTION PROJECTS**

Pursuant to the Administrative Regulations on Construction Project Quality\* (建設工程質量管理條例) promulgated by the State Council on 30 January 2000 and last amended on 23 April 2019, construction enterprises, survey firms, designers and project supervisory enterprises shall be responsible for the quality of construction works. For construction projects, where all of the construction works are governed by a main contract, the general contractor of the construction project shall be responsible for the quality of the whole project. Whereas if the general contractor subcontracts the construction works to a subcontractor, the subcontractor shall be liable to the main

---

## REGULATORY OVERVIEW

---

contractor when the quality of the subcontracted works fails to meet the standard provided by the contract between them, and the general contractor and subcontractor shall be jointly and severally responsible for the quality of the subcontracted works.

### CONSTRUCTION SAFETY

The Work Safety Law of the PRC (中華人民共和國安全生產法) which was issued on 29 June 2002, last amended on 10 June 2021 and came into effective on 1 September 2021, provides that a production enterprise must meet the national standards or industry standards on work safety and provide the required work conditions as set out in the relevant laws, administrative rules and national or industry standards. An entity that cannot provide required work conditions shall not engage in production activities.

According to the Regulations on the Administration of Work Safety of Construction Projects\* (建設工程安全生產管理條例) issued on 24 November 2003 and came into effect on 1 February 2004, the general contractor will be liable for the general work safety of the construction site and assume joint and several liabilities for the sub-contracted portions of the project together with the sub-contractors.

#### Work safety licences

Pursuant to the Work Safety Law of PRC, the Regulation on the Administration of Work Safety of Construction Projects, the Regulation on the Work Safety Licenses\* (安全生產許可證條例) issued by the State Council on 13 January 2004 and last amended on 29 July 2014, and the Provisions on the Administration Regulation on Work Safety License of Construction Enterprise\* (建築施工企業安全生產許可證管理規定) promulgated by the MOC on 5 July 2004, implemented on the same date and further amended by the MOHURD on 22 January 2015, construction enterprises shall be subject to the work safety licence system implemented by the PRC Government and apply for a work safety licence (安全生產許可證). Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at or above the provincial level for obtaining a work safety licence. Without work safety licences, construction enterprises shall not engage in construction activities.

The competent department of construction shall, when making examination and issuing a construction license, examine whether the construction enterprise has obtained a work safety license. If the enterprise failed to obtain a work safety license, it shall not be issued a construction license.

---

## REGULATORY OVERVIEW

---

### Work safety accidents regulations

Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents\* (生產安全事故報告和調查處理條例), issued by the State Council on 9 April 2007 and effective on 1 June 2007, work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorised as follows:

- (i) particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million;
- (ii) significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million;
- (iii) relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and
- (iv) general accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million.

### REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

In accordance with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated on 26 December 1989 and last amended on 24 April 2014 by the SCNPC, the Law on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) promulgated on 30 October 1995 and last amended on 29 April 2020 by the SCNPC, and the Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國噪聲污染防治法) promulgated by the SCNPC on 24 December 2021 and came into effect on 5 June 2022, the construction of any project that causes pollution shall adopt measures to control environmental pollution and harm resulting from dust, solid waste materials, noise and vibration at construction sites. The State Environmental Protection Administration and local governmental authorities in charge of environmental protection are responsible for the supervision and administration of environmental protection during the course of construction.

The sanctions imposed for entities in breach of environmental protection laws vary in accordance with the extent of the pollution and the circumstances of the breach. These sanctions include warnings, fines, and remedial actions within prescribed timelines, suspension or cessation of operations. Entities in breach will also be liable to indemnify entities who have suffered losses as a result of the pollution.

---

## REGULATORY OVERVIEW

---

### TAXES

#### Enterprise income tax

Pursuant to the Enterprises Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) which was promulgated by the National People’s Congress on 16 March 2007 and last amended on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC\* (中華人民共和國企業所得稅法實施條例) which was promulgated by the State Council on 6 December 2007 with effect from 1 January 2008, and was last amended on 23 April 2019 with effect from the same date, a uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such incomes are obtained outside the PRC but have an actual connection with the set-up institutions or sites. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, as well as the income incurred outside the PRC but with an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up in the PRC but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall only pay enterprise income tax in relation to the income originating from the PRC.

#### Withholding income tax

In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, last amended on 31 December 2019, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds 25% or more of equity interest in each of such PRC subsidiary at the time of the distribution, or a rate of 10% if it holds less than 25% equity interest in that subsidiary.

According to the Notice on the Issues Concerning the Application of the Dividends Clauses of Tax Treaties issued by SAT on 20 February 2009, the proportion of equity owned by the tax resident of the other side shall, at any time within the successive 12 months before receiving dividends, comply with the specific proportion provided in the tax agreement.

#### VAT

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax\* (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the “**Circular 36**”), promulgated on

---

## REGULATORY OVERVIEW

---

23 March 2016 and last amended on 20 March 2019, provides that upon approval by the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be implemented nationwide with effect from 1 May 2016 and all business tax payers in the construction industry, property industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot programme and pay VAT in lieu of business tax.

According to Circular 36 and the Interim Regulation of PRC on Value-added Tax\* (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and last revised on 19 November 2017, the VAT rate to be imposed on construction services shall be 11%. According to the Notice of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates\* (財政部、稅務總局關於調整增值稅稅率的通知) promulgated on 4 April 2018, the tax rate of 11% applicable to any taxpayer’s VAT taxable construction services shall be adjusted to 10%. According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform\* (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告) promulgated on 20 March 2019 and came into effect on 1 April 2019, the tax rate of 10.0% applicable to any taxpayer’s VAT taxable construction services shall be adjusted to 9.0%.

According to the Announcement of the SAT on Promulgating the Provisional Measures for the Administration of Levying Value-added Tax on Construction Services Provided across Counties (Cities or Districts) by Taxpayers\* (國家稅務總局關於發佈《納稅人跨縣(市、區)提供建築服務增值稅徵收管理暫行辦法》的公告) issued on 31 March 2016 and revised on 15 June 2018, the tax pre-payable on the construction services that are provided across counties (cities or districts) by a general taxpayer and subject to taxation under the simple tax computation method shall be calculated at a pre-payment rate of 3% based on the balance of the obtained total consideration and other charges less the paid subcontract price.

## LABOUR PROTECTION AND SOCIAL SECURITY

On 5 July 1994, the SCNPC promulgated the Labour Law of the PRC (中華人民共和國勞動法), which was implemented since 1 January 1995 and last amended on 29 December 2018. On 29 June 2007, the SCNPC promulgated Labour Contract Law of the PRC (中華人民共和國勞動合同法), which was implemented since 1 January 2008 and last amended on 28 December 2012. In addition, the State Council promulgated the Implementation Regulations on Labour Contract Law of the PRC\* (中華人民共和國勞動合同法實施條例) on 18 September 2008. Pursuant to the above-mentioned laws and regulations when an employer hires an employee, it should sign a written labour contract with the employee and the employees’ salary must not be lower than the local minimum wage.

As required under the Social Insurance Law of the PRC\* (中華人民共和國社會保險法) issued by the SCNPC on 28 October 2010 and last amended on 29 December 2018 and the Provisions for Implementation of the Social Insurance Law of the PRC\* (實施《中華人民共和國社會保險法》若干規定) issued on 29 June 2011 and effective on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. When an employer fails to

---

## REGULATORY OVERVIEW

---

process social insurance registration, the social insurance administrative authority shall order the employer to make rectification within a prescribed period. Where an employer fails to make rectification within the prescribed period, it shall be liable for a fine of one to three times its assessed social insurance contribution. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within the prescribed period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such prescribed period, the relevant administrative authority may impose a fine equivalent to one to three times the overdue amount.

According to the Regulations concerning the Administration of Housing Provident Fund\* (住房公積金管理條例) promulgated by the State Council on 3 April 1999 and last amended on 24 March 2019, enterprises must register with the competent managing centre for housing provident funds and complete procedures for opening an account for the deposit of employees' housing provident funds. For enterprises which fails to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative centre shall order the relevant enterprises to make corrections within a designated period and if the relevant enterprises still fail to make corrections within the designated period, they shall be subject to a fine ranging from RMB10,000 to RMB50,000. Employers are required to contribute, on behalf of their employees, to housing provident funds. The employer shall make full contribution to the housing provident fund on time and no delay or under-contribution is allowed. Where an employer fails to pay or fully pay the housing provident fund, the housing provident fund management centre shall order it to make payment within the prescribed period; if it fails to make payment within such prescribed period, the centre may apply to the people's court for enforcement.

## REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in PRC is governed by the Company Law of the PRC. A foreign-invested company is also subject to the Company Law of the PRC unless otherwise provided by the foreign investment laws.

Pursuant to the Foreign Investment Law of the PRC (中華人民共和國外商投資法) promulgated on 15 March 2019 and came into effect on 1 January 2020, and the Implementation Regulations for the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) promulgated by the State Council on 26 December 2019 and came into effect on 1 January 2020, the State implements a management system of national treatment before the entry of foreign investment plus a negative list. Foreign investors shall not invest in areas where investment is prohibited under the negative list for the admission of foreign investment. Foreign investors shall meet the conditions set forth in the negative list for the admission of foreign investment to invest in the areas where investment is restricted under the negative list. Management of foreign investment in the areas beyond the negative list shall be implemented in accordance with the principle of equality between domestic and foreign investment. The relevant provisions of the Foreign Investment Law and its implementation regulations shall apply to investments within the territory of

---

## REGULATORY OVERVIEW

---

the PRC by foreign investment enterprises. If the investment conducted by investors from Hong Kong Special Administrative Region and Macau Special Administrative Region, the Foreign Investment Law and the Implementation Regulations for the Foreign Investment Law shall apply.

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)), which was promulgated by the MOFCOM and the NDRC on 27 December 2021 and became effective on 1 January 2022, our Group’s current business which involves construction contracting does not fall within the scope of the Negative List.

On 30 December 2019, the MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Reporting of Foreign Investment Information\* (外商投資信息報告辦法) (the “**Foreign Investment Information Measures**”), which came into effect on 1 January 2020. Since 1 January 2020, where foreign investors carry out investment activities directly or indirectly in the PRC, foreign investors or foreign-invested enterprises shall submit investment information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the State Administration for Market Regulation. Foreign investors or foreign-invested enterprises shall report investment information by submitting reports for their establishments, modifications and cancellations and their annual reports in accordance with the Foreign Investment Information Measures.

In Accordance with the M&A Rules promulgated by the MOFCOM and other five authorities on 8 August 2006 and amended on 22 June 2009, a foreign investor is required to abide by the M&A Rules when he/she (i) establishes a foreign-funded enterprise either by acquiring equity in a domestic non-foreign invested enterprise, or subscribing for new equity in a domestic enterprise via an increase of registered capital; or (ii) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. Approval from the MOFCOM is required if a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him.

### FOREIGN CURRENCY EXCHANGE

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administrative Regulations (外匯管理條例) (the “**SAFE Regulations**”) which was promulgated by the State Council on 29 January 1996 and last amended on 5 August 2008. Under the SAFE Regulations, RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the State Administration of Foreign Exchange (the “**SAFE**”) is obtained.



---

## REGULATORY OVERVIEW

---

Pursuant to the Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles\* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (promulgated and implemented on 4 July 2014), offshore enterprise directly established or indirectly controlled by the domestic residents (including domestic organisations and natural persons) with their legally owned onshore or offshore assets and equity, for the purposes of investment and financing shall be subject to foreign exchange registration for offshore investment with SAFE. In the event of any change of basic information of the registered overseas special purpose companies such as the individual shareholder, name, operation term, or if there is a capital increase/decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment with SAFE in a timely manner. Foreign-invested enterprises established in return investments shall be subject to completion of relevant foreign exchange registration formality in accordance with the effective provisions on the foreign exchange administration of direct investment of foreign investors, and shall disclose the de facto controller and other relevant information of the shareholders. After a special purpose company has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies\* (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (promulgated on 13 February 2015 and implemented on 1 June 2015 and last amended and implemented on 30 December 2019), the SAFE decided to further simplify and improve policies for the foreign exchange administration of direct investment around the entire nation, by cancelling two administrative approval items: confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment and, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks and simplifying the procedures for some foreign exchange transactions under direct investment.

## INTELLECTUAL PROPERTY

### Patent

The SCNPC adopted the Patent Law of the PRC (中華人民共和國專利法) in 1984, as most recently amended on 17 October 2020. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. A patent is valid for a twenty-year term in the case of an invention and a ten-year term in the case of a utility model, starting

---

## REGULATORY OVERVIEW

---

from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

### Trademark

In accordance with the Trademark Law of the PRC (中華人民共和國商標法), which was promulgated on 23 August 1982, and newly amended by the SCNPC on 23 April 2019, the Trademark Office of the administrative department for industry and commerce under the State Council shall be responsible for the registration and administration of trademarks in China. The administrative department for industry and commerce under the State Council has established a Trademark Review and Adjudication Board to be responsible for handling trademark disputes. Any individual, legal person or other entity that needs to acquire the right to exclusive use of a trademark for the commodities produced, manufactured, processed, selected or marketed shall apply to the Trademark Office for trademark registration. The period of validity of a registered trademark shall be ten years, starting from the day the registration is approved. When it is necessary to continue using the registered trademark upon expiration of period of validity, an application for renewal shall be made within 12 months before the expiration. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be 10 years as of the next day of the previous period of validity. If the formalities for renewal have not been handled upon expiration of the aforesaid extension period, the registered trademarks will be deregistered.

### OVERSEAS LISTING

On 6 July 2021, the relevant PRC governments promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities\* (關於依法從嚴打擊證券違法活動的意見), among which it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by PRC companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities. However, the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities were only issued recently, its interpretation and implementation shall be determined in accordance with the laws and regulations in force at the time.

On 17 February 2023, the CSRC promulgated six rules and regulations, including the Overseas Listing Trial Measures and five supporting guidelines, which became effective on 31 March 2023. The Overseas Listing Trial Measures shall apply to the following overseas issuance: (i) direct overseas offerings and listings of domestic PRC companies, and (ii) indirect overseas offering and listing of a foreign company with major business operations and/or assets located in the PRC. An issuer will be qualified for the scenario (ii) above, if it satisfies both conditions below: (1) more than 50% of its audited financial indicators (operating revenue, profits, total assets or net assets) for the most recent accounting year are accounted for by the domestic companies of the issuer; and (2) major business activities or operations are conducted in the PRC, or main places of business are located in the PRC or the majority of senior management domicile in the PRC or

---

## REGULATORY OVERVIEW

---

are Chinese citizens. Despite the foregoing, regulators have the discretion to determine whether or not an overseas offering and listing is indirect on a substance over form basis. The securities subject to the Overseas Listing Trial Measures include equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities.

According to the Overseas Listing Trial Measures, an issuer shall submit required filing documents to the CSRC within three working days after the overseas listing application is submitted to the relevant overseas regulator or listing venue. Generally, once the filing documents are complete and in compliance with the stipulated requirements, the CSRC will, within 20 working days, conclude the review procedure and publish the filing results on the CSRC website. To the extent the filing documents are incomplete or do not conform to stipulated requirements, the CSRC will, within five working days upon receipt of filing documents, request supplementation and amendment to the filing. Then the issuer has 30 working days to prepare any requested supplemented/amended filing. In addition, following the listing on an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of the following events involving the issuer: (1) change of control; (2) investigations or sanctions imposed by overseas regulators; (3) change of listing status; and (4) voluntary or involuntary delisting. Besides, if any material change in the principal business and operation of the issuer after its overseas offering and listing takes place and results in the issuer no longer within the scope of record-filing under Overseas Listing Trial Measures, the issuer shall submit a special report and a legal opinion issued by a PRC law firm to the CSRC within three working days after the occurrence of such change in order to provide an explanation of the relevant situation.

The Overseas Listing Trial Measures also stipulate the circumstances where the overseas offering and listing is explicitly prohibited, including: (1) offerings and listings are explicitly prohibited by laws and regulations; (2) offerings and listings may endanger national security; (3) the PRC domestic companies of the listing applicant or its controlling shareholder or actual controlling person are involved in criminal offenses in the last three years, such as corruption, bribery, embezzlement, misappropriation of property; (4) the listing is under investigations for suspicion of criminal offenses or is involved in major violations of laws and regulations and no conclusion of the investigation has yet been made; or (5) there are material ownership disputes over equity interests held by controlling shareholders (or by shareholders who are controlled by the controlling shareholder or actual controlling person).

If a domestic company fails to comply with the filing procedures as required, or if it is listed outside of China despite being prohibited from doing so, the CSRC shall order the domestic company to rectify the situation, issue a warning and impose a fine of not less than RMB1,000,000 and not more than RMB10,000,000. A warning shall be given to the directly responsible officer and other directly responsible persons and a fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed. If the controlling shareholder or the actual controller of the domestic company organizes or instructs to engage in the above illegal acts, he shall be liable to a fine of not less than RMB1,000,000 and not more than RMB10,000,000. A fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed on the directly responsible officer and other directly responsible persons.

---

## REGULATORY OVERVIEW

---

On 24 February 2023, the CSRC, the MOF, the National Administration of State Secrets Protection (國家保密局) and the National Archives Administration of China (國家檔案局) jointly released the Confidentiality Provisions, which came into effect on March 31, 2023. According to the Confidentiality Provisions, if a domestic joint stock company with a direct overseas listing or a domestic operating entity with an indirect overseas listing provides or publicly discloses, or provides or publicly discloses through its overseas listed entity, documents or information involving state secrets or secrets of the work of state organs, or other documents or information the disclosure of which would adversely affect national security or public interests, the corresponding procedures shall be strictly complied with in accordance with the relevant state regulations.