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## REGULATORY OVERVIEW

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### PRC LAW AND REGULATIONS

Most of our business operations are based in the PRC and are subject to extensive supervision and regulation by the PRC Government. This section will introduce the major regulatory authorities and the main laws, rules and regulations which impact key aspects of our business.

### MAJOR REGULATORY AUTHORITIES

#### State Council

The State Council, as the highest organ of state administration, is responsible for reviewing, approving and reforming the investment system and approval system of the PRC government and the catalogue of investment projects approved by the government.

#### National Development and Reform Commission

The National Development and Reform Commission (the “**NDRC**”) (國家發展和改革委員會) is responsible for formulating and implementing the major policies related to the economic and social development of the PRC; planning major construction projects and management of production capacity.

#### The Ministry of Emergency Management

The Ministry of Emergency Management (The “**MOEM**”, which the State Administration of Work Safety has been incorporated into.) (應急管理部) is responsible for managing and supervising production safety in the PRC and ensuring the implementation of PRC laws and regulations in relation to production safety.

#### Ministry of Ecology and Environment

The Ministry of Ecology and Environment (The “**MOEE**”, which the Ministry of Environmental Protection has been incorporated into.) (生態環境部) is responsible for formulating ecological environment policies, plans and standards, and for monitoring the ecological environment and law enforcement, regulating pollution control and organising inspections of central authorities on environmental protection.

#### Ministry of Commerce

The Ministry of Commerce (the “**MOFCOM**”) (商務部) is responsible for managing domestic and overseas trading and cooperation with international economies and approving foreign investment projects and overseas investment projects of PRC enterprises.

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### The Ministry of Housing and Urban-Rural Development

The Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) is responsible for examining and approving construction projects and industry management.

### FOREIGN INVESTMENT IN THE PRC

The establishment, operation and management of companies in PRC are governed by the PRC Company Law (《中華人民共和國公司法》) which was promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on 29 December 1993, came into effect on 1 July 1994 and was last revised on 29 December 2023 (while the latest amendments will be effective on 1 July 2024). Under the PRC Company Law, companies are generally classified into two categories, i.e. limited liability companies and companies limited by shares. Each a limited liability company or a company limited by shares is an enterprise legal person, and liable for its debts with all its assets. PRC Company Law is also applicable to foreign-invested companies, except otherwise set out in any other regulations. The main amendments in the PRC Company Law involve improving the company’s establishment and exit system, optimising the company’s organizational structure, detailing exercise of shareholder rights, perfecting the company’s capital system and strengthening the responsibilities of controlling shareholders and management personnel, etc. The PRC Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises. Where laws relating to foreign investment provide otherwise, such stipulations shall apply.

Pursuant to the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) promulgated by the National People’s Congress (the “NPC”) on 15 March 2019 and came into effect on 1 January 2020, the “Foreign Investment” refers to the investment activity directly or indirectly conducted by the foreign natural person, enterprise or other organisation (hereinafter referred to as the “foreign investors”), including the following circumstances: (i) a foreign investor establishes a foreign-invested enterprise within the territory of China, independently or jointly with any other investor; (ii) a foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (iii) a foreign investor makes investment to initiate a new project within the territory of China, independently or jointly with any other investor; and (iv) a foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council. The state applies the administrative system of pre-establishment national treatment plus negative list to foreign investment. Foreign Investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, national treatment will be given. The business forms, structures, and rules of activities of foreign-funded enterprises shall be governed by PRC Company Law, the Partnership Law of the People’s Republic of China (《中華人民共和國合夥企業法》) and other laws. In conducting production and distribution activities, foreign-funded enterprises shall comply with the provisions of laws and administrative regulations pertaining to labour protection and social insurance, conduct

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taxation, accounting, foreign exchange, and other affairs according to laws, administrative regulations, and the relevant provisions issued by the state, and accept the supervisory inspection legally conducted by the appropriate departments.

Investments activities in China by foreign investors are principally governed by the Encouraged Industries Catalog for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Catalog**”) which was promulgated by the MOFCOM and the NDRC on 26 October 2022 and became effective on 1 January 2023 and the Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List (2021)**”), which was promulgated by the MOFCOM and the NDRC on 27 December 2021 and became effective on 1 January 2022. The Catalog and the Negative List (2021) set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in any of these three categories are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

### LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On 17 February 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which became effective on 31 March 2023. The Overseas Listing Trial Measures comprehensively improved and reformed the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and regulated both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas offering and listing is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended overseas securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

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The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (1) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas securities offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.

## LAW SUPERVISION OVER SAFE PRODUCTION

### Production Safety Law of the PRC

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the “**Production Safety Law**”) promulgated on 29 June 2002 and amended on 27 August 2009, 31 August 2014 and 10 June 2021, production and operating entities shall meet the work safety conditions required by the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Entities that do not meet such production safety conditions shall not engage in production or operating activities. Entities engaged in production, operation and storage of hazardous items shall establish a department to carry out work safety management or designate personnel solely responsible for work safety management. Production and operating entities shall provide their employees with education and training on work safety to ensure that the employees have the necessary knowledge regarding work safety.

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### Regulations on Safety Production Permit

The Regulations on Safety Production Permit (《安全生產許可證條例》), which were promulgated by the State Council on 13 January 2004 and revised on 18 July 2013 and 29 July 2014, stipulates that enterprises engaged in the production of hazardous chemicals must obtain a safety production permit (“**Safety Production Permit**”) from the competent work safety authorities prior to its commencement of production. Enterprises without the Safety Production Permit are not allowed to engage in hazardous chemical production activities. The Safety Production Permit is valid for three years and may be extended within three months prior its expiration by the original issuing authority.

If an enterprise violates the provisions of the Regulations on Safety Production Permit and commences production without obtaining the Safety Production Permit or fails to renew the Safety Production Permit upon its expiration, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine on the enterprise. If a criminal offence is committed, the offender may be subject to criminal liabilities.

### LAW SUPERVISION OVER THE CHEMICAL FERTILISER INDUSTRY

#### Regulations on Fertiliser Registration

The Administrative Measures for Fertiliser Registration (《肥料登記管理辦法》), which was promulgated by the Ministry of Agriculture (now known as the Ministry of Agriculture and Rural Affairs) on 23 June 2000, came into effect on the same day, and was amended on 11 October 2015, 3 February 2016, 12 January 2017 and 7 January 2022, the PRC government implements a registration system for the production, operation, use and publicity of fertiliser products in the PRC. Unregistered fertiliser products shall not be imported, produced, sold or used, and shall not be advertised or publicised.

Fertiliser producers applying for fertiliser registration shall, in accordance with the Requirements for Fertiliser Registration Materials (《肥料登記資料要求》), which was promulgated by the Ministry of Agriculture on 25 May 2001 and amended on 30 November 2017, provide information on product chemistry, fertiliser efficiency, safety, labelling and other aspects and representative fertiliser samples.

Some specific kinds of fertiliser which was long-term used in farmland and with national or industrial standard can exception from registration. The following list is every single member of those fertiliser mentioned above: Ammonium sulphate ((NH<sub>4</sub>)<sub>2</sub>SO<sub>4</sub>), urea, ammonium nitrate (NH<sub>4</sub>NO<sub>3</sub>), calcium cyanamide (CaCN<sub>2</sub>), ammonium phosphate (NH<sub>4</sub>H<sub>2</sub>PO<sub>4</sub>, (NH<sub>4</sub>)<sub>2</sub>HPO<sub>4</sub>), phosphate nitrate, superphosphate, potassium chloride (KCl), potassium sulphate (K<sub>2</sub>SO<sub>4</sub>), potassium nitrate (KNO<sub>3</sub>), ammonium chloride (NH<sub>4</sub>Cl), ammonium bicarbonate (NH<sub>4</sub>HCO<sub>3</sub>), calcium magnesium phosphate, potassium dihydrogen phosphate (KH<sub>2</sub>PO<sub>4</sub>), single trace element fertiliser, high concentration compound fertiliser.

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### Regulations on the Pricing

On 29 December 1997, the Pricing Law of the PRC (《中華人民共和國價格法》) was promulgated, which stipulated that the price of most commodities and services is subject to market condition and decided by market participants. Only a small number of commodities and services, the list of which shall be stipulated by the central and provincial-level competent authority, are subject to government guided prices or government set prices.

In the meantime, market participants must not carry out certain improper pricing acts, including but not limited to, (1) colluding with others to manipulate market prices, thereby infringing on the legal rights and interests of other market participants or consumers; (2) dumping goods with lower cost in order to squeeze out competitors or monopolize the market, thereby disrupting normal production and business order and damaging the national interest or the legal rights and interests of consumers, except for fresh products, seasonal products, overstocked goods, etc., of which the prices are legally reduced; and (3) fabricating and spreading news of a price rise, driving up prices and propelling commodity prices to rise exorbitantly.

### Regulations on the Value-Added Tax on Fertilisers

According to the Notice on the Policies on Resuming the VAT Levy on Fertilisers (《關於對化肥恢復徵收增值稅政策的通知》) jointly promulgated by the MOF, the General Administration of Customs and the State Administration of Taxation (the “SAT”) on 10 August 2015 which came into effect on 1 September 2015, companies selling and importing chemical fertilisers shall be subject to 13% VAT. Subsequently, the VAT rate dropped to 11% pursuant to Circular on Simplifying and Integrating Policies Related to Value-added Tax Rate (《關於簡併增值稅稅率有關政策的通知》) promulgated on 28 April 2017 and the VAT rate was again adjusted to the current 10% pursuant to Circular on Adjusting Value-added Tax Rate (《關於調整增值稅稅率的通知》) promulgated on 4 April 2018. The VAT was then gradually reduced and on 20 March 2019, the Announcement on Policies Concerning Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the SAT and the General Administration of Customs further reduced the VAT rate to 9%. In addition, on 29 April 2008, the MOF and the SAT issued the Notice on the Exemption of Value-Added Tax on Organic Fertiliser Products (《關於有機肥產品免徵增值稅的通知》), which exempts organic fertilisers and organic-inorganic compound fertilisers from value-added tax.

## LAW SUPERVISION OVER THE TOBACCO PRODUCTS

The Standing Committee of the National People’s Congress promulgates the Law of the People’s Republic of China on Tobacco Monopoly (2015 Revision) (《中華人民共和國煙草專賣法》) on 24 April 2015, stipulating that the State shall according to law exercise monopoly administration over the production, sale, import and export of tobacco monopoly commodities, and practice a tobacco monopoly license system. The department of tobacco monopoly administration under the State Council shall be responsible for the nation-wide tobacco monopoly. The departments of tobacco monopoly administration in the provinces, autonomous

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regions and municipalities directly under the Central Government shall be responsible for the tobacco monopoly within the areas under their respective jurisdiction, and shall be under the dual leadership of the department of tobacco monopoly administration under the State Council and the people's governments of the relevant provinces, autonomous regions and municipalities directly under the Central Government, with the leadership of the department of tobacco monopoly administration under the State Council as the main leading primary authority.

The State Council promulgates the Regulations for the Implementation of the Law of the People's Republic of China on Tobacco Monopoly (2023 Revision) (《中華人民共和國煙草專賣法實施條例》) on 20 July 2023, stipulating that tobacco monopoly refers to monopoly of the State of the administration of production, marketing and import and export of monopolized tobacco products. Application for tobacco monopoly licenses shall be required according to the provisions of the Tobacco Monopoly Law and the provisions of this set of rules for producing and handling wholesale and retail sale of tobacco products subject to monopoly and for handling imports and exports of such products and for handling purchase and marketing of foreign tobacco products.

The State Tobacco Monopoly Administration on 31 March 2021, Notice of The State Tobacco Monopoly Administration on the Promulgation of Detailed Rules for Implementation of the Administrative Measures on Tobacco Monopoly Licenses (《國家煙草專賣局關於印發煙草專賣許可證管理辦法實施細則的通知》) stipulates that the applications for the following tobacco monopoly licenses shall be accepted and examined by the tobacco monopoly administrations at the provincial level at the local places of the applicants' business venues, and approved by the State Tobacco Monopoly Administration: (i) application for tobacco monopoly license for production enterprises to engage in production and processing business of tobacco monopoly products; and (ii) application for the tobacco monopoly license for wholesale enterprises to engage in the wholesale business of tobacco products across provinces, autonomous regions and centrally-administered municipalities, or engage in operation business of other tobacco monopoly products.

## LAW SUPERVISION OVER THE CHEMICAL INDUSTRY

### Regulation on Safety Management of Hazardous Chemicals

According to the Regulation on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) issued by the State Council on 26 January 2002 and amended on 2 March 2011 and 7 December 2013, the PRC government implements catalogue management for chemicals listed in the catalogue of hazardous chemicals. Entities engaged in production, storage, usage, operation and transportation of hazardous chemicals are required to meet the safety conditions set out by relevant laws, administrative regulations, national standards and industrial standards and obtain relevant permits. For example, enterprises shall obtain a business licence for hazardous chemicals before engaging in operations related to hazardous

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chemicals. New construction, renovations and expansions of construction projects for production and storage of hazardous chemicals shall be subject to inspection of the safety conditions by production safety supervision and management authorities.

### **Administrative Rules on Registration of Hazardous Chemicals**

According to the Administrative Rules on Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) issued by the State Economic and Trade Commission (rescinded) on 8 October 2002 and replaced by the new regulation which was issued on 1 July 2012 by the State Administration of Work Safety (now known as the Ministry of Emergency Management), the PRC government implements a registration system for hazardous chemicals. Enterprises engaged in production or import of hazardous chemicals listed in the Catalogue of Hazardous Chemicals (《危險化學品目錄》) shall conduct general inspection of their hazardous chemicals, establish records for management of hazardous chemicals, apply for registration of hazardous chemicals with the relevant registration authorities as set out in the requirements, fill in the registration information based on facts and submit the required documents, and receive an inspection from production safety supervision and management authorities as set out in the relevant laws.

### **Administrative Regulations on the Safety Supervision of Construction Project of Hazardous Chemical**

The Administrative Regulations on the Safety Supervision of Construction Project of Hazardous Chemical (《危險化學品建設項目安全監督管理辦法》), which was promulgated by the State Administration of Work Safety on 30 January 2012 and came into effect on 1 April 2012, and revised on 27 May 2015, stipulates that projects for the construction, renovation and expansion of facilities used in the production or storage of hazardous chemicals, as well as projects which generate hazardous chemicals (including hazardous chemical long-distance pipeline construction projects), are subject to inspections, supervision and administration by competent regulatory authorities. Such projects shall not commence construction or operation without first completing the safety review and the acceptance of the completed safety facilities.

### **Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises**

The Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises (《危險化學品生產企業安全生產許可證實施辦法》) was formulated according to the Regulations on Safety Production Permit, and was promulgated by the State Administration of Work Safety and became effective on 17 May 2004. Amendments were made to such measures by the State Administration of Work Safety on 5 August 2011, 27 May 2015 and 6 March 2017.



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According to the aforesaid measures, hazardous chemical production enterprises must obtain the Safety Production Permit for Hazardous Chemicals. The local work safety authorities at the provincial level are responsible for the issuance and administration of Safety Production Permit for Hazardous Chemicals for enterprises within its administrative regions except central enterprises and their directly controlled enterprise headquarters involved in the production of hazardous chemicals. If a hazardous chemical production enterprise commences production without obtaining the Safety Production Permit for Hazardous Chemicals, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine of no less than RMB100,000 but not exceeding RMB500,000 on the enterprise. If a criminal offence is committed, the offender may be subject to criminal liabilities.

### **Administrative Measures on Operation Permit of Hazardous Chemicals**

According to the Administrative Measures on Operation Permit of Hazardous Chemicals (《危險化學品經營許可證管理辦法》) issued by the State Administration of Work Safety (now known as the Ministry of Emergency Management) 17 July 2012 and amended on 27 May 2015, the operational activities (including warehouse operation) of hazardous chemicals in the PRC shall be carried out under a hazardous chemical permit issued by the production safety supervision authorities. However, a hazardous chemical producer that has obtained a hazardous chemical safety production permit and sells its own products within its factory area is not required to obtain a separate hazardous chemical operation permit. To obtain an operation permit, the hazardous chemical operation enterprises should meet all the statutory requirements on business premises, staff training, regulatory system, rescue equipment and other aspects.

### **Regulation on Administration of Production Permit for Industrial Products**

According to the Regulation on Administration of Production Permit for Industrial Products (2023 Revision) (《工業產品生產許可證管理條例》) issued by the State Council on 9 July 2005 and amended on 20 July 2023, the PRC government implements a production permit system for important industrial products and other industrial products listed in the Catalogue of Industrial Products under Production Permit System (the “**Industrial Product Catalogue**”). Enterprises engaged in production of hazardous chemicals listed in the Industrial Product Catalogue shall obtain the production permit for industrial products in accordance with the requirements of such regulation. To obtain a production permit, an enterprise should possess appropriate staffing, production conditions, inspection methods, production techniques, technical documents, effective quality management systems and accountability systems, its products should meet the relevant national standards, industrial standards and other statutory requirements, and the enterprise should comply with national industry policies by not using outdated techniques, having a high consumption of energy, polluting the environment and wasting resources which shall be eliminated and are prohibited from investment by the PRC government.

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### LAW SUPERVISION OVER FOREIGN TRADE

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was initially promulgated on 12 May 1994 and later amended on 6 April 2004, 7 November 2016 and 30 December 2022, respectively by the Standing Committee of the National People’s Congress (the “SCNPC”). According to the Foreign Trade Law of the PRC, goods and technologies could be imported and exported freely, unless otherwise specified in relevant laws or administrative regulations. The MOFCOM has implemented an automatic licensing system for certain imports and exports, under which the MOFCOM or its authorised agencies shall grant a license to the consignee or consignor who applies for automatic licensing prior to completing customs clearance formalities for imports and exports subject to automatic licensing, and has published a list of such goods. Both pure and other kinds of potassium chloride have been included in the current Catalogue of Goods under Automatic Import Licensing (2023 version) (《自動進口許可管理貨物目錄(2023年)》), which came into effect on 1 January 2023. To further administer the automatic import and export of goods, several regulations have also been promulgated including the Regulations on the Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》) which came into effect on 1 January 2002 and the Administrative Measures on Automatic Import Licensing (《貨物自動進口許可管理辦法》) which was latest revised on 10 October 2018 most recently.

Pursuant to the Administrative Measures on Automatic Import Licensing, the MOFCOM shall implement automatic licensing for certain imports based on import needs as monitored and announced in the catalogue at least 21 days before the implementation. The consignees (including importers and users) of goods subject to automatic import licensing shall apply to the local or relevant licence issuing authorities for an automatic import licence before completing customs declaration formalities. The licence issuing authorities shall issue an automatic import licence to successful applicants within a period of not more than 10 working days if the applications are proper and complete. Consignees applying for an automatic import licence shall submit the following documents: (i) the importer or exporter qualification certificate, filing registration document or approval certificate for foreign investment enterprise and business license of the consignee (only first-time applicants within the calendar year shall be required to submit the aforesaid certificates and documents); (ii) application form for automatic import license; (iii) import contract of the goods; (iv) the import agency agreement (original copy) shall be submitted if the import is handled by an agent; (v) proof that the usage or end user satisfies the relevant provisions if there are special provisions in laws and regulations for the usage or end user of the imports; (vi) documents provided by the catalogue to be submitted for different types of commodities; and (vii) other documents required by the MOFCOM. Consignees shall be responsible for the authenticity of the documents submitted and ensure that the related business activities comply with the provisions of State laws.

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### LAW SUPERVISION OVER PROJECT INVESTMENT

#### The State Council issued the Decision on Investment System Reform

The State Council issued the Decision on Investment System Reform (《國務院關於投資體制改革的決定》) (the “**Investment Reform Decision**”) on 16 July 2004 which came into effect on the same day. The legislation aims to reduce the direct intervention of the PRC government in business activities, to allow the market to allocate resources, to improve investment efficiency, and to facilitate the continuous, coordinated and healthy development of the Chinese economy. With the issuance of the Investment Reform Decision, the PRC government has streamlined the approval process for investment projects. There are three types of management of investment projects: ratification, approval and filing. The ratification system no longer applies to projects that do not use government investment for construction. The approval system shall be applied for major projects and restricted projects in order to protect the public interest. The filing system is applicable for other projects regardless of investment size, except for projects prohibited from investment according to national laws and regulations and special requirements of the State Council.

According to the Notice on Issue of Catalogue of Investment Projects subject to Approval by the Government (2016 version) (《關於發佈政府核准的投資項目目錄(2016年本)的通知》) issued by the State Council on 12 December 2016, investment in construction of fixed assets investment projects listed in the Catalogue of Investment Projects subject to Approval by the Government (2016 version) shall be approved by relevant project approval authorities in accordance with relevant requirements, and the investment in construction of projects not listed in the Catalogue of Investment Projects subject to Approval by the Government (2016 version) shall be filed with relevant authorities.

### LAW SUPERVISION OVER ENVIRONMENTAL PROTECTION

#### Environmental Protection Law of the PRC

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989 and effective on the same day, and amended on 24 April 2014, the construction of any project that causes pollution to the environment must comply with the regulations on environment protection relating to the construction projects. The environmental protection facilities for construction projects shall be designed, constructed and put into operation simultaneously with the main works. The PRC government implements a system for administering licences for the discharge of pollutants under the provisions of the laws. Enterprises, units and other production operators under the licencing management for pollutant discharge should only discharge pollutants which satisfy the requirements of pollutant discharge licence. Those which have not yet obtained the pollutant discharge licence may not discharge pollutants. Pollutant-discharging enterprises, units and other production operators shall pay sewage fees pursuant to the relevant provisions of the State.

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### **Environmental Impact Assessment of the PRC**

According to the Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002, amended on 2 July 2016 and 29 December 2018, construction entities shall implement the following procedures for their construction projects in accordance with Classification of Construction Project Lists for Environmental Impact Assessments (《建設項目環境影響評價分類管理名錄》) promulgated by the Ministry of Environmental Protection: (i) in case the environmental impact is significant, full assessment reports of environmental impacts shall be prepared; (ii) in case the environmental impact is mild, reports containing environmental impact analyses and specific assessments shall be prepared; and (iii) in case the environmental impact is minimal, environmental impacts registration forms shall be submitted without any assessments. The project in case construction may not proceed its environmental impact assessment documents fail to pass the review of the competent authority in accordance with the laws and regulations or which are disapproved after review.

### **Regulations on the Administration of Environmental Protection for Construction Project**

According to the Regulations on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and became effective on 29 November 1998, and amended on 16 July 2017 by the State Council and took effect on 1 October 2017, construction units shall assess the environmental impacts for their construction projects. Construction units shall, depending on the level of the environmental impacts, report environmental impact reports and the required environmental impact forms prepared by institutions which possess relevant qualifications to the relevant construction and protection administration and obtain approval from relevant administration before commencing. Environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main construction works. Upon the completion of construction projects, construction units shall make an acceptance cheque of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council, and shall make the acceptance report publicly available in accordance with the law unless it is required to be kept confidential according to national provisions.

### **Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste**

The Law of the PRC on 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 by the SCNPC on 30 October 1995 and latest amended on 29 April 2020, stipulates that construction projects where solid waste are generated or projects for storage, utilisation or disposal of solid waste shall be subject to environmental impact assessment. Ancillary facilities necessary for the prevention and control of environmental pollution by solid waste set out in the environmental impact reports of construction projects shall be designed, constructed and put into operation simultaneously with institutional projects. Construction projects shall not be put into operation or used until the relevant competent environmental protection department has checked and accepted the prevention and control of environmental pollution facilities.

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### **Law of the PRC on Prevention and Control of Water Pollution**

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the SCNPC on 11 May 1984 and latest amended on 27 June 2017, an environmental impact assessment must be conducted lawfully in respect of all projects involving the construction, alternation or expansion of water facilities which discharge pollution directly or indirectly into water. Facilities for prevention and control of water pollution of construction projects must be designed, constructed and put into use or operation simultaneously with the main facility.

### **Law of the PRC on Prevention and Control of Atmospheric Pollution**

According to the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on 5 September 1987 and latest amended on 26 October 2018, when construction projects have an impact on atmospheric environment, enterprises and public institutions shall conduct environmental impact assessments and publish the environmental impact assessment documents according to the law; when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

### **Law of the PRC on Prevention and Control of Environmental Noise Pollution**

According to the Law of the PRC on Prevention and Control of 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 took effect on 5 June 2022, the new construction, reconstruction or expansion projects that may cause noise pollution shall be subject to the environmental impact assessment. The facilities for the prevention and control of noise pollution in a construction project shall be designed, built and put into production or use simultaneously with the main part of the project. Before a construction project is put into production or use, the construction employer shall, in accordance with the provisions of relevant laws and regulations, conduct the acceptance check of the supporting facilities for noise pollution prevention and control, work out the acceptance check report, and release it to the public. The construction project may not be put into production or use before its acceptance check is carried out or if it fails to pass its acceptance check.

### **Environmental Protection Tax Law of the PRC and Implementing Regulations for the Law of the PRC on Environmental Protection Tax**

Pursuant to the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) promulgated by the SCNPC on 25 December 2016 and became effective on 1 January 2018, and amended on 26 October 2018 and Implementing Regulations for the Law of the PRC on Environmental Protection Tax (《中華人民共和國環境保護稅法實施條例》) promulgated by the State Council on 25 December 2017 and became effective on 1 January 2018, enterprises that discharge taxable pollutants directly to the environment within the

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territorial areas of the PRC and other sea areas are under the jurisdiction of the PRC. Polluters should pay environmental protection tax based on the pollutant discharged. Polluters who have paid pollutant discharge charges shall not be exempted from the liability of preventing and controlling pollution, making compensation relating to the pollution made and other liabilities under laws and administrative regulations.

### **Measures for the Administration of Pollutant Discharge Permits (For Trial Implementation)**

Pursuant to Measures for the Administration of Pollutant Discharge Permits (For Trial Implementation) (《排污許可管理辦法(試行)》), which was promulgated by the Ministry of Environmental Protection of the PRC (the “MEP”, now known as the Ministry of Ecology and Environment) on 10 January 2018 and revised on 22 August 2019, MEP shall enact and publish the classified management catalogue of pollutant discharge permits for stationary pollution sources (《固定污染源排污許可分類管理名錄》) (the “**Classified Management Catalogue**”) in accordance with the law, and explicitly incorporated the scope and time limit of the pollutant discharge permit management. The specific scope of pollutant discharging entities subject to the key administration or simplified administration of pollutant discharge licensing shall be determined in accordance with the Classified Management Catalogue. According to the Classified Management Catalogue, key management of pollutant discharge permits shall be implemented for pollutant discharge units that produce and discharge pollutants or have a great impact on the environment; pollutant discharge units that produce and discharge pollutants and have a small impact on the environment shall implement simplified management of pollutant discharge permits. Pollutant discharge units that produce and discharge pollutants and have little impact on the environment shall be subject to pollutant discharge registration management. A pollutant discharge unit that implements registration management does not need to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the national pollutant discharge license management information platform (全國排污許可證管理信息平台).

## **LAW SUPERVISION OVER PROPERTY IN CHINA**

### **Land Administration Law of the PRC**

The Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was promulgated on 25 June 1986 and revised on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019 by the SCNPC, and relevant regulations stipulate that urban land in the PRC belongs to the state and land in rural and suburban areas (except as otherwise owned by the state), as well as farm housing land, individual land plots and mountainous land, belongs to relevant farming collectives. State-owned land and land owned by farming collectives may, according to law, be provided for use by organised work units (including enterprises) or individuals. Enterprises or individuals wishing to use State-owned land must apply for and obtain a State-Owned Land Use Rights Certificate from the competent land administration. Pursuant to relevant regulations and rules, generally speaking, state-owned land use rights are

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valid for a period of 70 years in respect of land for residential use, 40 years in respect of land for commerce, tourism and entertainment purposes, and 50 years in respect of land for industrial use or for comprehensive utilisation or other purposes.

According to the PRC Civil Code (《中華人民共和國民法典》), which was promulgated on 28 May 2020 and came into effect on 1 January 2021 by the NPC the real rights refer to a rights holder’s exclusive right of direct control over a specific property in accordance with the law, and include ownership, usufruct rights and security interest. Upon legal registration, the creation, alteration, transfer or termination of the real rights of an immovable comes into effect; and it shall have no effect if it is not registered in accordance with law, unless otherwise prescribed by any law.

Pursuant to a series of construction-related laws and regulations, including but not limited the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), the Construction Law of the PRC (《中華人民共和國建築法》), Administrative measures for construction permit of Construction Engineering (《建築工程施工許可管理辦法》), Administration Regulation on the Quality Management for Construction Projects (《建設工程質量管理條例》), and the Provisions on Acceptance Inspection Upon Completion of House Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收規定》), before obtaining the property ownership certificate, the developer of a construction project is required to obtain various permits, certificates and other approvals, including land use right certificate, the construction land planning permit, the construction project planning permit and construction permit in relation to such construction project. After completion of a construction project, a construction project owner shall organise the design, construction, and project supervision contractors concerned and other relevant contractors to conduct completion-based cheque and acceptance, and submit an acceptance report to the competent construction administrative departments or other relevant departments for the record.

## LAW SUPERVISION OVER INTELLECTUAL PROPERTY

### Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) revised by the SCNPC on 27 December 2008 and taking effect on 1 October 2009 and latest amended on 17 October 2020 (the “**Patent Law**”), when an invention or utility model patent is granted, unless otherwise stipulated in the Patent Law, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products for business purpose, or use the patented method and use, offer to sell, sell or import the products directly obtained with the patented method. When the appearance design patent is granted, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the

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patented products incorporating the patented design. In the event that a patent is owned by two or more co-owners without an agreement regarding the distribution of revenue generated from the exploitation of any co-owner of the patent, such revenue shall be distributed among all the co-owners.

Implementing the patent without the approval of the patent owner constitutes the infringement of patent rights. Any dispute in connection with this shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the patent owner or the relevant stakeholders may file a lawsuit in the people’s court or turn to the patent administration authorities for handling. If the relevant patent administration authority determines that there exists infringement, it shall order the infringer to stop the infringement immediately. The party concerned that disagrees to the order may bring a lawsuit in a people’s court according to the Administrative Procedure Law of the PRC (《中華人民共和國行政訴訟法》) in 15 days after receiving the handling notice. If the infringer neither raises litigation nor stops in the infringement upon the expiry of the 15-day period, the relevant patent administration authority may turn to the people’s court for enforcement. The relevant patent administration authority may, upon the request of the relevant parties, conduct mediation on the compensation for the patent infringement. If the mediation fails, the parties concerned may bring a lawsuit in a people’s court according to the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》).

### Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on 23 August 1982 and latest amended on 23 April 2019 (the “**Trademark Law**”), the registered trademark has a validity period of 10 years starting from the registration date. The trademark registrant enjoys the exclusive right to use the trademark. According to Article 57 of the Trademark Law, any of the following acts shall be an infringement of the exclusive right to use a registered trademark:

1. Using a trademark that is identical with a registered trademark in respect of the same goods without the authorisation from the trademark registrant;
2. Using a trademark that is similar to a registered trademark in respect of the same goods or using a trademark that is identical with or similar to a registered trademark in respect of the similar goods, which can cause confusion, without the authorisation from the trademark registrant;
3. Selling goods that infringe the exclusive right to use a registered trademark;
4. Counterfeiting, or making, without authorisation, representations of a registered trademark of another person, or selling such representations of a registered trademark as were counterfeited, or made without authorisation;



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5. Replacing the trademark registrant's registered trademark without authorisation, and selling goods bearing such a replaced trademark;
6. Facilitating the infringement on the exclusive right of another person to use a registered trademark, or helping another person to commit the infringement on the exclusive right to use a registered trademark;
7. Causing, in other respects, prejudice to the exclusive right of another person to use a registered trademark.

Any dispute in connection with the activities the infringe the exclusive right to use a registered trademark set out in Article 57 of the Trademark Law shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the trademark registrant or the relevant stakeholders may file a lawsuit in the people's court or turn to the industrial and commercial administrative department for handling.

If the industrial and commercial administrative department determines that there exists infringement, it shall order the infringer to stop the infringement, confiscate and destroy the infringing goods and the tools used to manufacture the infringing goods and counterfeiting the registered trademark, and impose a penalty of less than 5 times of the illegal business income if the illegal business income exceeds RMB50,000, or impose a penalty of less than RMB250,000 if there is no illegal business income or the illegal business income is less than RMB50,000. If the infringer commits the trademark infringement for more than twice in 5 years or there is any other severe situation, a heavier punishment shall be given. If the seller does not know the goods he sells infringe the exclusive right to use a registered trademark and proves that the goods are obtained by him legally, and discloses the goods supplier, the industrial and commercial administrative department shall order him to stop selling the relevant goods.

In case of any dispute in connection with the compensation for the infringement on the exclusive right to use a registered trademark, the relevant parties may ask for mediation by the industrial and commercial administrative department or file a lawsuit in the people's court according to the Civil Procedure Law of the PRC. If the relevant parties fail to reach agreement after the mediation by the industrial and commercial administrative department or the mediation agreement is not performed, the relevant parties may file a lawsuit in the people's court according to the Civil Procedure Law of the PRC.

## LAW SUPERVISION OVER LABOUR

### The Labour Law of the PRC

The Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994, came into effect on January 1, 1995, and was amended on 27 August 2009 and 29 December 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and

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improve its labour safety and health systems, stringently implement national protocols and standards on labour safety and health, conduct labour safety and health education for workers, guard against labour accidents and reduce occupational hazards. Labour safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labour protection equipment that complies with labour safety and health conditions stipulated under national regulations, as well as provide regular health cheque for workers that are engaged in operations with occupational hazards. Workers engaged in special operations shall have received specialised training and obtained the pertinent qualifications. An employer must develop a vocational training system. Vocational training funds must be set aside and used in accordance with national regulations and vocational training for workers must be carried out systematically based on the actual conditions of the company.

### **The Labour Contract Law of the PRC and its implementation regulations**

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and came into effect on 1 July 2013, and the Implementation Regulations on Labour Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated on 18 September 2008, and came into effect on the same day, regulate employer and the employee relations and contain specific provisions involving the terms of the labour contract. Labour contracts must be made in writing and may, after reaching agreement upon due negotiations, be for a fixed-term, an un-fixed term, or conclude upon the completion of certain work assignments. An employer may legally terminate a labour contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

### **The Laws and Regulations on Social Security Insurance**

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010, came into effect on 1 July 2011, and amended on 29 December 2018, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Provisional Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), the Regulation of Insurance for Work Injury (《工傷保險條例》), the Regulation of Unemployment Insurance (《失業保險條例》), the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (《國務院關於建立城鎮職工基本醫療保險制度的決定》), enterprises are obliged to provide their employees in the PRC with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. If an enterprise fails to pay social insurance premiums in full within the time specified by the authorities, a daily fine of 0.05% on any delinquent payments may be imposed on it. If an enterprise fails to make such payments on time, it may be liable to a fine equal to one to three times the overdue amount.

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### The Regulations on the Administration of Housing Provident Funds

According to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which were promulgated by the State Council and came into effective on 3 April 1999 and revised on 24 March 2002 and 24 March 2019, enterprises should undertake registration at the competent managing centre of housing fund and then, upon the examination by such managing centre of housing fund, undergo the procedures of opening the account of housing fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit then housing fund in the full amount. In the event that an enterprise fails to pay housing provident fund within the time period according to the regulation, the PRC authorities may order it to pay the fund with in a time limit. If the enterprise still fails to make overdue contributions, such relevant PRC authorities may apply to court for compulsory execution. If the enterprise fails to undertake registration of housing provident fund or fail to open housing fund account for its employees, the competent PRC authorities shall order the enterprise to complete such registration procedure regarding housing provident fund within a prescribed time limit. If the enterprise fails to do so within the prescribed time limit, a penalty ranging from RMB10,000 to RMB50,000 may be imposed.

### LAW SUPERVISION OVER TAXATION

#### Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (the “EIT Law” 《中華人民共和國企業所得稅法》), which was promulgated by the National People’s Congress (the “NPC”) on 16 March 2007 and came into effect on 1 January 2008, and amended on 24 February 2017 and 29 December 2018, and the Implementation Regulations on the EIT Law (《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, and came into effect on 1 January 2008, and amended on 23 April 2019, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in the PRC, except for the high-tech enterprises provided by the state, which will be subject to enterprise income tax at the reduced rate of 15%. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. However, if non-resident enterprises have not established institutions in the PRC, or if they have established institutions in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions set up by them, enterprise income tax is set at the rate of 10%.

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### Withholding tax and international tax treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (《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》), if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns a 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities.

Pursuant to the Notice of the SAT on the Several Issues of the Implementation of Dividend Clauses in Tax Treaty (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and came into effect on 20 February 2009, the non-resident taxpayer or the withholding agent is required to obtain and to keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

### Value-added tax

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued by the State Council on 13 December 1993 and taking effect on January 1, 1994 and amended respectively on 5 November 2008, 6 February 2016 and 19 November 2017 (“**Provisional Regulations on VAT**”), all the entities and persons engaged in sales of goods or provision of processing, repair and maintenance labour, sales of services, intangible assets or real estate or import of goods in China shall be subject to value-added tax. The taxable value shall be calculated based on the output tax and input tax. Unless otherwise specified by the Provisional Regulations on VAT, for the sales of goods, labour, tangible asset lease services or import of goods by the tax payer, the VAT rate shall be 17%; for the sales of transportation, postal, basic telecom, construction and real estate lease service, sales of real estate, transfer of land use right, sales and import of special goods listed in the Provisional Regulations on VAT by the tax payer, the VAT rate shall be 11%; for the sales of services and intangible assets by the tax payer, the VAT rate shall be 6%. Unless otherwise specified, the VAT rate for the export of goods by the tax payer shall be zero; and the VAT rate for the cross-border sales of services and intangible assets within the scope as specified in the regulations of the State Council by the domestic institutions and individuals shall be zero.

According to the Circular on Simplifying and Integrating Policies Related to Value-added Tax Rate (《關於簡併增值稅稅率有關政策的通知》) jointly issued by SAT and Ministry of Finance on 28 April 2017 and taking effect on 1 July 2017, the VAT rate structure will be simplified on 1 July 2017, and the VAT rate of 13% will be cancelled. The tax payer selling or importing the following goods shall be subject to value-added tax at the tax rate of 11%: agricultural products (including food), tap water, heating, liquefied petrochemical gas, natural

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gas, edible vegetable oil, air conditioning, hot water, gas, coal product for household use, edible salt, farm machinery, feedstuff, pesticide, agricultural film, fertiliser, marsh gas, dimethyl ether, books, newspaper, magazines, audio and video products and electronic publications.

On 4 April 2018, SAT and MOF jointly issued Circular on Adjusting Value-added Tax Rate (《關於調整增值稅稅率的通知》) to further adjust the VAT rate, including the change of tax rate from 17% and 11% to 16% and 10% respectively for the taxable sales or import of goods by the tax payer.

### **Transfer pricing**

Pursuant to the EIT Law, the Implementation Rules and the transfer pricing regulations in the PRC including the Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) promulgated and became effective on 29 June 2016 and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures (《國家稅務總局關於發佈特別納稅調查調整及相互協商程序管理辦法的公告》) promulgated on 17 March 2017 and became effective on 1 May 2017, related party transactions should comply with the arm's length principle and if the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the relevant tax authorities have power to make adjustments. When implementing transfer pricing investigation, the relevant tax authorities shall conduct comparability analysis and select a reasonable transfer pricing method for the analysis of the related party transactions. The transfer pricing methods include comparable uncontrolled price method, resale price method, cost-plus method, net profit method, profit split method and other methods in line with the arm's length principle. In addition, enterprise which have related party transactions meeting the reporting criteria shall prepare transfer pricing documentation per tax year and submit to the relevant tax authorities if required by the relevant tax authorities. Transfer pricing documentation includes the master file, local file and special issue file, each of which is applied to different circumstances in relation to the related party transactions of the PRC company.

### **SANCTIONS LAWS AND REGULATIONS**

Our International Sanctions Legal Advisers have provided the following summary of the sanctions regimes imposed by the jurisdictions below. This summary does not intend to set out the laws and regulations relating to the US, the EU, the UK, the UN and Canada sanctions in their entirety.

#### **United States**

OFAC administers and enforces U.S. primary sanctions programs, and violation of primary sanctions carries monetary and criminal penalties.

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### *Primary Sanctions*

In general, U.S. primary sanctions apply to “**U.S. Persons**”, which means

- (i) Any individual who is a U.S. citizen or legal permanent resident of the United States, including dual citizens, regardless of his or her current location in the world;
- (ii) Any individual, regardless of his or her nationality, while physically located in the U.S.;
- (iii) Any corporation, partnership, association, or other organisation organised under the laws of the United States or of any state, territory, possession, or district of the United States;
- (iv) The foreign branches of any U.S. corporation, partnership, association or other organisation organised under the laws of the United States or of any state, territory, possession or district of the United States.

In the case of U.S. sanctions applicable to Cuba and Iran, Primary Sanctions also apply to non-U.S. subsidiaries of U.S. companies and other non-U.S. entities owned or controlled by U.S. Persons.

U.S. primary sanctions directly impose prohibitions on transactions and dealings with targeted countries, entities, and individuals. Primary sanctions principally apply to U.S. Persons, although they may be applied to non-U.S. Persons who cause U.S. Persons to violate sanctions or otherwise facilitate the violation of some sanctions programs.

When the U.S. Government imposes primary sanctions against a foreign country, entity or individual, U.S. law often prohibits U.S. Persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeted country, entity or individual. U.S. law may also require a U.S. Person to “*block*” any assets owned, controlled or held for the benefit of a sanctioned country, entity, or individual. A “*blocked*” asset means no transaction may be undertaken or effected with respect to the asset – no payments, benefits, provision of services or other dealings – except pursuant to an authorisation or license from OFAC.

In addition, primary sanctions prohibit U.S. Persons, wherever located, from approving, financing, facilitating or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. Person or within the United States. This is generally known as the prohibition on “*facilitation*”.

There are two types of U.S. primary sanctions programs – “country based” programs and “list based” programs. Violations of either type can result in “*strict*” civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, wilful violations may result in criminal liability, punishable by imprisonment and elevated fines.

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*Country based programs.* U.S. sanctions programs targeting specific countries fall into two categories: programs that are comprehensive in scope and programs that are limited in scope.

- (i) Comprehensive country-based sanctions programs prohibit U.S. Persons from dealing in any manner with a sanctioned country and their governments. Currently, the U.S. maintains comprehensive sanctions against: Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine, the self-proclaimed Luhansk People’s Republic, the self-proclaimed Donetsk People’s Republic and Zaporizhzhya and Kherson territories of Ukraine occupied by Russia. Generally, comprehensive country sanctions prohibit transactions with or services in, from or benefitting the targeted country. However, the comprehensive country sanctions may also be applicable to transactions outside the country.
- (ii) Limited country-based sanctions programs prohibit U.S. Persons from participating in certain types of transactions with the sanctioned country and their governments, such as the provision of certain services, financing, investments, exports and/or imports. Limited country-based sanctions programs are often referred to as “sectoral sanctions”. Prohibited activities vary from program to program. Currently, the U.S. government maintains limited sanctions programs relating to: Belarus, China, Russia, and Venezuela.

*List based programs.* In addition to country-based targets, primary U.S. sanctions include list-based sanctions that prohibit U.S. Persons from dealing with or facilitating dealings with individuals, entities and organizations that have been designated as SDNs by the OFAC.

U.S. Persons are not allowed to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List unless specifically authorised by OFAC.

### ***Secondary Sanctions***

The U.S. has also enacted secondary sanctions targeting non-U.S. Persons who are engaged in certain defined activities. Secondary sanctions grant broad discretion to the U.S. President and his delegated representatives to deny access to the U.S. economic system to non-U.S. Persons who have been determined to engage in the specified transaction. The imposition of penalties under secondary sanctions legislation is a mechanism that the U.S. employs to punish and deter non-U.S. parties from certain behaviour and transactions.

### ***United States Sanctions Relating to Belarus***

The U.S. sanctions relating to Belarus have been imposed since 2006 under a number of Executive Orders, among which, Executive Order 14038 imposes “sectoral sanctions”, which, among others, authorises OFAC to designate persons determined to “operate in, or have operated in,” the potassium chloride (i.e., potash or KCL) sector of the economy of Belarus.

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On 9 August 2021, OFAC designated the Belarus Producer as an SDN, on the basis that it is owned or controlled by the Government of Belarus and for operating or having operated in the potassium chloride (potash) sector of the economy of Belarus. On the same day, OFAC issued general license 4 allowing U.S. Persons 120 days to wind down transactions with the Belarus Producer and its subsidiaries (until 8 December 2021). As a result, U.S. Persons are prohibited from engaging in transactions with the Belarus Producer since 9 August 2021, except for transactions that are ordinarily incident and necessary to the wind down of transactions with the Belarus Producer.

On 2 December 2021, OFAC designated Supplier D as an SDN, which purportedly handles the trading and exportation of potash for the Belarus Producer, for operating or having operated in the potassium chloride (potash) sector of the economy of Belarus. On the same day, OFAC issued general license 5 allowing U.S. Persons 120 days to wind down transactions with Supplier D and its subsidiaries (until 1 April 2022), including the wind down of transactions in which the Belarus Producer has a property interest. The inclusion in general license 5 of transactions in which the Belarus Producer has a “property interest” captures transactions entered into with Supplier D (prior to the imposition of sanctions) in respect of potash sourced from the Belarus Producer.

Whilst Belarus general licenses 4 and 5 are limited in applicability to U.S. Persons, OFAC policy is that it will not impose sanctions on non-U.S. Persons for activities that are permitted for U.S. Persons (i.e., wind down transactions permitted by the general licenses).

In March 2022, the U.S. imposed sweeping export control restrictions on Belarus for enabling Russia invasion of Ukraine including notably a policy of denial on sensitive items that support Belarus’s defence, aerospace, and maritime industries as well as restrictions targeting the export of luxury goods.

On 3 March 2022, the U.S. Commerce Department, through the BIS, imposed stringent export controls in response to Belarus’s substantial enabling of Russia’s further invasion of Ukraine. These sanctions imposed new Commerce Control List-based license requirements for Belarus, among other things expanding the existing “military end use” and “military end user” control scope to include Belarus for all items subject to the Export Administration Regulations. On 11 March 2022, the BIS imposed restrictions on the export, reexport, and transfer (in country) of luxury goods (including certain spirits, tobacco products, clothing items, jewellery, vehicles and antique goods) to all end users in Belarus and to certain Belarusian individuals and malign actors located worldwide.

On 15 March 2022, OFAC re-designated Alyaksandr Lukashenka, the Belorussian President, and newly designated his wife, pursuant to Executive Order 13405.

On 9 August 2023, OFAC designated additional individuals, entities, and aircraft.

On 5 December 2023, OFAC imposed a new round of sanctions targeting Lukashenka regime’s revenue generators as well as the Belarusian defence sector.



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### *United States Sanctions Relating to Russia*

U.S. sanctions relating to Russia have been imposed under a number of Executive Orders. The Executive Orders issued in 2014 found that Russia’s purported annexation of Crimea continued to undermine democratic processes in Ukraine and thereby constituted an unusual and extraordinary threat to the national security and foreign policy of the U.S.

The U.S. sanctions on Russia have drastically escalated as a result of Russia’s invasion of Ukraine in February 2022. For example, Executive Order 14065 was issued on 21 February 2022, finding that Russia’s purported recognition of the so-called Donetsk People’s Republic or Luhansk People’s Republic regions of Ukraine contradicts Russia’s commitments under the Minsk agreements and further threatens the peace, stability, sovereignty, and territorial integrity of Ukraine.

In a joint statement on 26 February 2022, the U.S. (together with EU, UK and other major economies) also agreed to remove selected Russian banks from the SWIFT messaging system and impose unprecedented restrictions on the Russian Central Bank and its ability to use its currency reserves on Western markets.

Three additional Executive Orders were issued in March and April 2022 restricting “new investment” in Russia by U.S. persons.

Many of these sanctions apply to both U.S. and non-U.S. Persons. These sanctions take several different forms:

- (a) certain Russian persons and entities have been placed on the SDN List and thus U.S. Persons and, in most cases (particularly the SDN designations implemented in 2022), non-U.S. Persons are prohibited from dealing with them and the entities that they own 50% or more (directly or indirectly, solely or in aggregate);
- (b) the Crimea, Luhansk and Donetsk regions annexed by Russia are subject to a comprehensive trade embargo for U.S. Persons and most of these restrictions will also apply to non-U.S. Persons;
- (c) “sectoral” sanctions (mainly applicable to U.S. persons) have been imposed on Russia’s energy, financial, and defence industries, among other sectors, and target specified types of investment, finance, and/or sales of U.S.-origin goods and services to these industries as well as key public financial institutions;
- (d) significant export control restrictions, including general denial policy for certain categories of goods exported to Russia (semiconductors, computers, information security), and removing Russia from the preferred trade partner status, which will impact U.S. content/origin goods and technology being transferred to Russia or Russian parties anywhere in the world;

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- (e) removal of numerous Russian banks from the SWIFT messaging system, ensuring that those banks were disconnected from the international financial system;
- (f) restriction of “new investment” in Russia by U.S. Persons;
- (g) price caps on certain Russian energy resources sold internationally; and
- (h) secondary sanctions threaten the imposition of penalties on non-U.S. Persons that undertake a variety of defined activities with Russia, including significant transactions with SDNs, operating in Crimea, Luhansk and Donetsk regions, construction of energy export pipelines, sanctions evasion, corruption, and defence and intelligence-related sector transactions.

However, to reduce the impact on global food supplies and prices and ensure world food security, the U.S. Department of the Treasury clarified on 14 July 2022 that the U.S. has not imposed sanctions on the production, manufacturing, sale, or transport of agricultural commodities (including fertilisers), agricultural equipment, or medicine relating to Russia. On the same date, the OFAC issued General License No. 6B authorising among other things, certain transactions related to the production, manufacturing, sale, or transport of Russian agricultural commodities (including fertilisers). Specifically, it was emphasised that the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. In addition, transactions involving insurance and reinsurance services related to the transportation or shipping of fertilisers from, to, transiting, or related to Russia are permitted under U.S. sanctions. Finally, U.S. financial institutions are authorised to process transactions authorised by the general license, and foreign financial institutions may engage in or facilitate transactions. The term “fertilizer” is used in a broad sense as defined in the U.S. Agricultural Trade Act of 1978 and therefore includes potash/KCL products. On 17 January 2023, the OFAC issued General License No. 6C, which replaced General License No. 6B by expanding the applicable scope to include the “provision” of agricultural commodities, as well as certain services (such as accounting, trust and corporate formation, and management consulting services) that would otherwise be prohibited under the determination pursuant to Executive Order 14071.

Further, the OFAC confirmed on 2 August 2022 EuroChem Group was not targeted by U.S. sanctions because it is not owned 50% or more by blocked persons (such as its founder, Andrey Igorevich Melnichenko, who was designated as an SDN by the OFAC on the same day).

Between February 2023 and February 2024, the OFAC continued to impose additional sanctions targeting Russia and designated Russian individuals and entities to the SDN List.

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### **United Nations**

The UN can take action to maintain or restore international peace and security under Chapter VII of the UN Charter. It does this by way of resolutions passed by the UN Security Council. UN Security Council sanctions have taken a number of different forms and have measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

There are a number of ongoing UN sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the Security Council.

UN Security Council Resolutions are binding upon UN member states but are not enforceable against private parties. UN member states are therefore required to implement UN sanctions. The domestic laws of UN member states will determine how sanctions imposed by the UN Security Council are implemented and enforced against private parties.

### ***The UN Sanctions Relating to Belarus and Russia***

Belarus and Russia are not the subject of any UN sanctions.

### ***The UN’s effort to support exports of agriculture products and fertilisers***

On 22 July 2022, the UN, Russia, Turkey and Ukraine agreed the Black Sea Grain Initiative, which allows exports of Ukrainian grains, other foodstuffs and fertilisers to resume through a safe maritime humanitarian corridor to the rest of the world. On the same date, the UN also signed a memorandum of understanding with Russia on the full access of Russian food and fertiliser products to global markets. As a result of these agreements and Ukrainian ability to use its ports and control its waterways, there has been a steady flow of Ukrainian agricultural exports. The agreement was expired in July 2023 and had not been renewed.

### **European Union**

The EU has over 40 different sanctions regimes in place. The EU implements all sanctions adopted by the UN Security Council. The EU may also reinforce UN sanctions by applying measures in addition to those imposed by the UN Security Council and/or impose sanctions on its own initiative.

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All EU sanctions apply: (a) within the EU (including its airspace); (b) on board any aircraft or vessel under the jurisdiction of any EU member state; (c) to any EU national, regardless of where they are resident/located; (d) to any legal person, entity or body which is incorporated/constituted under the laws of any EU member state, irrespective of their location, including unincorporated branches, but not entities incorporated outside the EU; and (e) to any legal person, entity or body in respect of any business done in the EU.

EU sanctions are implemented through EU regulations, which are directly applicable in the member states of the EU and do not require further implementing legislation on a national level. Each member state sets its own penalties for breaches of EU sanctions. This is generally done by way of national legislation. In some member states of the EU, national legislation creates criminal offences and may further elaborate on activities which will be regarded as contrary to EU regulations. The EU Commission is responsible for ensuring that EU member states implement, and the regulations imposing, the relevant sanctions, but it does not take any enforcement action for individual breaches of EU sanctions. Any enforcement action for breach of EU sanctions is taken on a national level by specifically designated member state authorities.

### *European Union Sanctions Relating to Belarus*

The EU has had sanctions on Belarus in place since 2006, when it passed Council Regulation (EC) No 765/2006 concerning restrictive measures in respect of Belarus (the “Belarus Regulation”). This has been amended on numerous occasions. In June 2021, following the grounding of an EU flagged plane, the EU (along with others, including the UK), extended the earlier sanctions to include specific trade controls on potash products.

Following the Russian invasion of Ukraine with the support from Belarus, sanctions were further expanded in March 2022 and continued to be expanded thereafter. The EU targeted high ranking member of the Belarusian military and adopted significant export control restrictions. The EU also banned several Belarusian banks from SWIFT messaging system, imposed sectorial restrictions targeting mainly the financial sector (notably restrictions against the Belarus Central Bank similar to those imposed against the Russian Central Bank), and banned exports of items such as battlefield equipment, aviation parts, firearms and other goods and technology which might contribute to Belarus’s military and technological enhancement to Belarus.

### *European Union Sanctions Relating to Russia*

The EU has implemented various forms of sanctions programs against Russia.

In terms of non-sectoral sanctions, the EU has imposed certain “classic” sanctions on persons and entities associated with the Putin regime as a countermeasure to the annexation of Crimea and Sevastopol, unrest in eastern Ukraine, and the most recent Russian military invasion of Ukraine.

In terms of sectoral sanctions, in July and September 2014, the EU imposed so-called “sectoral sanctions” on the Russian economy. These sanctions were subsequently amended and extended for 6 months successively since 1 July 2016.

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In broad terms, the above sanctions provide for matters such as:

- (a) a prohibition on the sale, supply, transfer or export to Russia of so-called dual-use goods and technology for military use in Russia or to Russian military end-users;
- (b) a prohibition on EU nationals and companies from buying or selling or otherwise dealing with new bonds, equity treasury deposits, transferrable securities or money-market instruments issued by certain Russian banks, defence companies, and oil companies and/or their subsidiaries or persons acting on their behalf, including making new loans or credit available to such entities, with a maturity exceeding 90 or 30 days respectively if issued after 1 August or 12 September 2014 (depending on the entity) (referred to as the "capital markets restrictions");
- (c) restrictions on exports of certain energy-related equipment and technology to Russia but not projects concerned with the exploitation of gas (a reflection of the high dependence by EU member states on Russian gas);
- (d) gradual suspension of oil-related purchases from Russia and related restrictions (including price caps) on E.U. insurance and logistics providers;
- (e) a prohibition on the provision of specified services necessary for certain oil-related activities;
- (f) a prohibition on the use by several major Russian banks from use of the SWIFT messaging system;
- (g) restrictions on providing "technical assistance", "brokering services", financing or financial assistance in respect of the above items, or items on the EU's Common Military List;
- (h) a prohibition on the sale, licensing, transfer or the granting of rights to access or re-use intellectual property rights or trade secrets related to certain goods and technology subject to export restrictions to individuals or entities in Russia, or for use in Russia;
- (i) a prohibition on the unauthorised transit of goods through Russia which might contribute to Russia's military and technological enhancements, or the development of the defence and security sector, suited for use in aviation or the space industry and of jet fuel and fuel additives;
- (j) a prohibition of vessel from accessing the EU ports and locks if the competent authority has reasonable cause to suspect such vessel is in breach of the prohibitions applicable to activity relating to Russian crude oil and petroleum products;
- (k) a prohibition on the exports to Russia of luxury goods; and
- (l) a prohibition on the imports from Russia of: diamonds (include jewellery), steel, iron, pig iron, cement, asphalt, copper and aluminium wires, foil, tubes, pipes, wood, paper, synthetic rubber, plastics, seafood, spirits, cigarettes, cosmetics, gold (include jewellery) and liquified propane.

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Following Russia’s military invasion of Ukraine in February 2022, the EU has introduced at least 12 separate packages of restrictive measures. The current EU sanctions in place against Russia are outlined below:

- (a) restrictions on certain designated persons, entities and bodies (also notably including some financial institutions), usually comprising asset freezes or travel bans (often referred to as non-sectoral sanctions);
- (b) prohibition of “any transaction” with certain Russian state-owned-entities;
- (c) ban on overflight of EU airspace and access to EU airports by Russian carriers of all kinds;
- (d) sectoral sanctions, including restrictions on activities in the following sectors:
  - (i) defence;
  - (ii) financing and capital markets (including a SWIFT ban for numerous Russian banks as well as asset freeze measures targeting several Russian banks and unprecedented restrictions against the Russian Central Bank);
  - (iii) energy;
  - (iv) transport;
  - (v) raw materials and other goods; and
  - (vi) services to Russia or Russian persons;
- (e) visa measures;
- (f) suspension of broadcasting of state owned media;
- (g) restrictions on economic relations with Crimea, Sevastopol, Donetsk, Luhansk, Zaporizhzhia and Kherson regions of Ukraine (including restrictions on the imports and exports of certain goods and technologies and supplying certain advisory and consultancy services);
- (h) diplomatic measures; and
- (i) measures concerning economic cooperation.

However, for the purposes of reducing the impact on global food supplies and prices and ensuring world food security, on 21 July 2022, the EU stated that it is committed to avoiding all measures which might lead to food insecurity around the globe, and it had not taken any measures targeting the trade in agricultural and food products, including wheat and fertilisers, between third countries and Russia, pursuant to the Council Regulation (EU) 2022/1269.

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On 19 September 2022, the EU permitted transfer of certain fertilisers to third countries via EU operators or the EU territory and permitted the financing or financial assistance relating to such transfer.

On 9 November 2022, the EU stated that it has essentially exempted the agri-food sector and fertilisers from its restrictive measures against Russia. Moreover, they allow the transfer of potash fertilisers, originating or exported from Russia to non-EU countries, to be carried out by EU operators or via EU territory. The financing or financial assistance associated with such transfers is allowed, as is the provision of insurance. In addition, EU sanctions also contain specific provisions to ensure that transactions for Russian agricultural products, including fertilisers, are able to proceed smoothly.

On 16 December 2022, in view of EU’s stance to avoid and combat food insecurity around the world, and in order to avoid disruptions in the payment channels for agricultural products, it was decided to introduce a new derogation allowing to unfreeze assets of, and to make funds and economic resources available to, certain individuals who held a significant role in international trade in agricultural and food products, including wheat and fertilisers.

### **United Kingdom**

The UK now operates its own sanctions regime.

UK laws in respect of sanctions, both EU sanctions and autonomous sanctions, (“**UK Sanctions**”) apply: (a) within the territory and territorial waters of the UK and to all UK Persons, wherever they are in the world; (b) to all individuals and legal entities who are within or undertake activities within the UK’s territory; and/or (c) to all UK nationals and UK legal entities established under UK law, including their non-UK branches (but not separately incorporated non-UK subsidiaries), irrespective of where their activities take place.

The Office of Financial Sanctions Implementation (“**OFSI**”), which is part of HM Treasury, maintains two lists of those subject to financial sanctions: (a) the “consolidated list” includes all designated persons subject to financial sanctions under EU and UK legislation, as well as those subject to UN sanctions which are implemented through EU regulations; and (b) a separate list of entities subject to specific capital market restrictions. OFSI also has the power to impose financial penalties on a party which breaches financial sanctions.

### ***The UK Sanctions Relating to Belarus***

The UK, when it was still a member of the EU, had in place certain sanctions in relation to Belarus. These EU sanctions were transferred into a specific standalone measure in 2019 by way of UK preparation for a “no deal Brexit”. The UK sanctions were in effect identical to the EU sanctions, relating broadly to the designation of certain persons associated with the regime of Lukashenko, except for the material differences in the lists of Designated Persons, with the UK sanctioning the Belarus Producer on 2 December 2021.

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In March 2022, the UK imposed additional sanctions against Belarus over its support for Russia’s invasion of Ukraine. The UK government sanctioned several high ranking military officers and two military enterprises.

On 5 July 2022, the UK extended its Belarus sanctions regime to mirror that imposed on Russia. Subsequent sanctions were imposed in June 2023 and August 2023.

By way of summary, the UK sanctions include the following measures:

- (a) sanctions designation;
- (b) financial restrictions, including: financial dealings with transferable securities or money-market instruments issued by and extending loans and credit arrangements to Belarus, Belarus state-owned entities and banks, as well as persons connected with Belarus;
- (c) trade sanctions, including export, import and internet services restrictions;
- (d) immigration sanctions; and
- (e) transport sanctions.

### *The UK Sanctions Relating to Russia*

The UK Russian sanctions came fully into force on 31 December 2020. These regulations have replaced, with substantially the same effect, relevant existing EU legislation and related UK regulations. In response to Russia’s invasion of Ukraine, the UK has implemented a series of new sanctions measures against Russia.

The UK sanctions adopted against Russia take several forms:

- (a) asset freeze measures targeting Russian financial and political elites and key entities (financial institutions, defence companies);
- (b) financial sector restrictions (correspondent banking restrictions, restrictions on dealing with Russian sovereign debt, expanded capital markets/loans restrictions, central bank and public financial institution restrictions);
- (c) broad investment restrictions (including a prohibition on directly acquiring any ownership or control in an entity connected with Russia);
- (d) trust services restrictions;
- (e) financial and trade restrictions relating to Crimea, Luhansk and Donetsk regions;



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- (f) airspace ban and prohibitions on port entry;
- (g) oil price cap;
- (h) internet services restrictions;
- (i) trade restrictions relating to critical industry dual use, defense and security goods and technology, oil, gas and refining-related goods and technology, aviation and maritime goods and technology, G7 dependency and Russia’s vulnerable goods, luxury goods, diamonds, revenue generating goods, iron and steel, gold and metals; and
- (j) restrictions on direct and indirect provision of certain professional services to persons and entities connected with Russia.

### **Canada**

Canada has multiple sanctions regimes in place, targeting governments, companies, groups, organisations, or individuals through a variety of measures, including freezing the assets and economic resources of certain designated persons or entities.

Canadian sanctions are only of primary nature as they apply: (a) within Canada; (b) to Canadian national, regardless of where they are resident/located; (c) to any legal person, entity or body which is incorporated/constituted under the laws of Canada, irrespective of their location, including unincorporated branches, but not entities incorporated outside Canada; and (d) to any legal person, entity or body in respect of any business done in Canada.

#### ***Canada Sanctions Relating to Belarus***

Canada has enacted sanctions against Belarus and imposed a ban on certain potassium chloride exports from Belarus. They also imposed certain trade restrictions, including export and import bans on certain restricted goods and technology. In addition, Canada has listed several Belarusian individuals and entities (the “**Belarus Listed Persons**”) and prohibits dealings in property owned, held or controlled by or on behalf of Belarus Listed Persons as well as transactions with or for the benefit of Belarus Listed Persons. On 25 February 2022, Canada implemented new sanctions against Supplier D and the Belarus Producer due to the Belarusian government’s aiding and abetting Russia’s invasion of Ukraine.

#### ***Canada Sanctions Relating to Russia***

Canada has enacted sanctions against Russia since 2014. To respond to the gravity of Russia’s violation of the sovereignty and territorial integrity of Ukraine in February 2022, Canada has enacted new sanctions measures against Russia.

Canada’s Russian sanctions come in different forms:

- (a) designating several Russian individuals and entities (the “**Russia Listed Persons**”) and imposing asset freeze and dealings prohibition on such Russia Listed Persons;

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- (b) imposing restrictions on certain sectors, such as the financial and energy sectors;
- (c) prohibiting any ship that is registered in Russia or used, leased or chartered, in whole or in part, by or on behalf of or for the benefit of Russia, a person in Russia or a Russia Listed Person from docking in Canada or passing through Canadian waters;
- (d) export control on listed goods for use in offshore oil, shale oil or Arctic oil exploration and production;
- (e) prohibiting the import, purchase or acquisition of certain specific listed petroleum products from Russia or from any person in Russia;
- (f) prohibiting the provision of certain services in relation to the maritime transport of Russian crude oil and certain petroleum products purchased above the price cap;
- (g) export control on certain restricted goods and technology to any person in Russia;
- (h) export and import control on certain luxury goods;
- (i) export control on goods that could be used for the manufacturing of weapons and chemicals primed for use in electronic devices that could be used in weapons;
- (j) prohibiting the provision of all insurance, reinsurance, and underwriting services for aircraft, aviation and aerospace products owned or controlled by, or registered to, chartered by, or operated by Russian entities or individuals;
- (k) prohibiting the provision of certain services to the Russian oil, gas, chemical and manufacturing industries;
- (l) prohibiting the import, purchase, acquisition or shipping of any and all Russian arms, ammunition and other weapons;
- (m) export control on arms and related materials;
- (n) prohibiting the provision of any financial, technical or other services related to the sale, supply, transfer, manufacture, maintenance or use of arms and related material;  
and
- (o) any activities causing, assisting or promoting the above prohibited activities.