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.

Ministry of Natural Resources

The Ministry of Natural Resources (自然資源部) is responsible for the administration of mineral resources and mining rights. In conjunction with relevant authorities, it undertakes the regulation and administration of specially protected minerals for targeted exploitation and superior mineral resources. It also oversees and guides the rational utilization and protection of mineral resources. Since 2018, it has been responsible for the functions and responsibilities previously undertaken by the Ministry of Land and Resources (國土資源部).

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 organizing 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.

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.

COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation, and management of corporate entities in China 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**") in December 1993 and was last amended in December 2023. The PRC Company Law also applies to foreign-invested joint stock limited companies established in PRC.

Investment activities in the PRC by foreign investors are governed by the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council in February 2002 and came into effect in April 2002, the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**"), which was promulgated by the MOFCOM and the NDRC in September 2024 and came into effect on November 1, 2024, and the Catalogue of Encouraged Industries for Foreign Investment (2025 Version) (《鼓勵外商投資產業目錄(2025年版)》) (the "**Encouraged Catalogue**"), which was promulgated by the MOFCOM and the NDRC in December 2025 and came into effect in February 1, 2026. The Provisions on Guiding Foreign Investment Direction divides foreign investment projects into four categories, namely "encouraged", "permitted", "restricted" and "prohibited" categories. The Encouraged Catalogue lists the foreign investment projects of the encouraged category, while the Negative List sets out the foreign investment projects of the restricted and prohibited categories, and foreign investment projects which fall outside the encouraged, restricted and prohibited categories belong to the permitted category. The Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and corporate governance, for the access of foreign investments, and the industries that are prohibited from receiving foreign investment. The Negative List covers 11 industries, and any field not falling under the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") was promulgated by the National People's Congress of the PRC (the "**NPC**") in March 2019 and came into effect in January 1, 2020. The investment activities of foreign natural persons, enterprises or other organizations (collectively, the "**Foreign Investors**") directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law. Such activities include establishments by Foreign Investors of foreign invested enterprises in China alone or jointly with other investors; acquisitions by Foreign Investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; investments by Foreign Investors in new projects in China alone or jointly with other investors; and other forms of investment prescribed by laws, administrative regulations or the State Council.

While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of the MOFCOM. The foreign investment information reporting is subject to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) jointly developed by the

MOFCOM and the SAMR, which came into effect on January 1, 2020. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities in accordance with the Measures on Reporting of Foreign Investment Information.

The Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and MOFCOM on December 19, 2020 and taking effect on January 18, 2021 set forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, the scopes of review and procedures to review, among others.

LAWS AND REGULATIONS RELATING TO OVERSEAS [REDACTED]

On 17 February 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities **[REDACTED]** and **[REDACTED]** by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas [REDACTED] Trial Measures**") and relevant five guidelines, which became effective on 31 March 2023. The Overseas **[REDACTED]** 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 **[REDACTED]** 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 **[REDACTED]** 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.

LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES

The Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》) was promulgated by the SCNPC on 19 March 1986. It was most recently amended on 8 November 2024 and came into effect on 1 July 2025. On 26 March 1994, the State Council promulgated the Implementation Rules for the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》) (the "**Implementation Rules**"). The current Mineral Resources Law of the PRC and its Implementation Rules provide that:

- All mineral resources of the PRC, including such resources on the earth's surface or underground, are owned by the State. The State ownership of mineral resources shall remain unchanged notwithstanding that the ownership or the right to use the land to which such mineral resources are attached has been granted to a different entity or individual. The State Council exercises the rights of ownership of the State in relation to mineral resources.

- The State protects the rational development and use of mineral resources and prohibits any organisation or individual from using any means to seize or damage mineral resources.

- The exploration for and mining of mineral resources is subject to separate applications in accordance with the law. A party must carry out registration procedures after the approval of its application and the issue of exploration rights or mining rights. This does not apply, however, if a mining enterprise which has already applied and obtained mining rights in accordance with the law carries out exploration for the purpose of its own production operations within the boundaries of its designated mining area. Those engaging in the exploration and mining of mineral resources must comply with the stipulated qualification conditions.

- The State implements a system of the paid acquisition of the issue of exploration rights and mining rights. However, the State may, depending on circumstances, stipulate the reductions in or exemptions from fee payments for these exploration rights and mining rights be granted.

- The transfer of exploration rights and mining rights is prohibited, except in the following instances: (i) the holder of exploration rights to a designated exploration area has the right to undertake stipulated exploration work within that area and is then entitled to obtain in priority mining rights to mine within the designated exploration area. After completing the stipulated minimum amount of exploration operations, the holder of exploration rights may, subject to approval in accordance with the law, transfer the exploration rights to another party; (ii) a mining enterprise which has already obtained mining rights and which requires to alter the holder of the mining rights due to an enterprise merger or division, or as the result of it entering a joint equity or cooperative venture with another party, or due to the sale of enterprise assets, or other changes which alter ownership of enterprise assets, may transfer the exploration rights to another party, subject to approval in accordance with the law. The reselling of exploration rights and mining rights for profit is prohibited

- The State Council department in charge of geology and mineral resources or the relevant competent departments authorised by the State Council and the provincial, autonomous regional or directly administered municipal people's government departments in charge of geology and mineral resources are responsible for the granting of exploration and mining licences. Generally, holders of exploration licences and mining licences have those rights and obligations as prescribed by laws.

Mining enterprises that have, in accordance with the current Mineral Resources Law, applied for and obtained the mining right and are conducting exploration within the designated mining area for the purpose of their own production are not required to separately make an application and registration for the right of exploration. The current Mineral Resources Law introduces a real-rights registration regime for mining rights, under which the creation, amendment, transfer, pledge, mortgage and extinguishment of mining rights become effective upon lawful registration. Unless otherwise provided by law, no legal effect arises in the absence of registration. The current Mineral Resources Law also establishes a permitting regime for mineral resources exploration and mining activities. Under this regime, a mining right holder is required, prior to conducting exploration or mining operations, to prepare an exploration plan and a mining plan (as applicable) and submit the relevant plan(s) to the original mining rights granting authority for approval in order to obtain an exploration licence and a mining licence, respectively. According to Article 3(3) of the Notice on the Implementation of the New Mineral Resources Law issued by the Ministry of Natural Resources of China in December 2024, mining licences that have been issued prior to the implementation of the New Mineral Resources Law continue to be valid during the validity period and the replacement with the mining right certificate shall not be mandatory.

Rights and Obligations of Holders of Exploration Licences

According to the Implementation Rules, the rights exercisable by a holder of an exploration permit include, among other things, the following: (i) to conduct exploration according to the areas, duration and targets stipulated in the exploration permit; (ii) to install power supply lines, water supply pipelines and telecommunications lines in exploration areas and adjacent areas, but these shall not affect or damage existing water pipelines or supply facilities or communication lines; (iii) to visit exploration areas and adjacent areas; (iv) to use land temporarily according to project requirements; (v) priority in obtaining the right to explore newly discovered types of minerals and mine mineral resources within the exploration area; (vi) to sell mineral products recovered during exploration according to the approved project; however, mineral products to be purchased on a monopoly basis by units designated by the State Council shall be so purchased.

The obligations of a holder of an exploration permit include, among other things, the following: (i) to commence construction within the prescribed time limit and complete exploration work within the time limit stipulated in the exploration permit; (ii) to report on such matters as commencement of operations to the exploration registration authority; (iii) to carry out construction according to the exploration project design and not conduct the mining of mineral resources without authorisation; (iv) when locating key minerals, to conduct comprehensive exploration and evaluation of associated mineral resources; (v) to prepare a report on the exploration of mineral resources to be submitted to the relevant departments for examination and approval; (vi) to collect archive materials on the results of exploration of mineral resources for submission pursuant to relevant State regulations; (vii) to comply with the provisions of laws and statutory regulations with regard to production safety, restoration and reutilisation of land and environmental protection; (viii)to promptly seal or fill a mine or hole left after completion of exploration for mineral resources or adopt other measures to eliminate hidden dangers to safety.

Pursuant to the Administrative Measures on Registration of Blocks for Exploration of Mineral Resources(《礦產資源勘查區塊登記管理辦法》) which became effective on 12 February 1998 and was amended on 29 July 2014, the holder of an exploration permit shall meet the following minimum exploration investment requirement from the date of obtaining the exploration permit: (i) RMB 2,000 per square kilometre for the first exploration year; (ii) RMB 5,000 per square kilometre for the second exploration year; and (iii) RMB 10,000 per square kilometre for each exploration year from the third exploration year.

Rights and Obligations of Holders of Mining Licences

According to the Implementation Rules, the rights exercisable by a holder of a mining permit include, among other things, the following: (i) to conduct mining activities in accordance with the mining scope and duration as stipulated in the mining permit; (ii) to sell mineral products, except those mineral products to be purchased on a monopoly basis by units designated by the State Council; (iii) to construct production and living facilities within the mining areas as required for mining; (iv) to legally obtain land use rights in accordance with production and construction requirements.

The obligations of a holder of a mining permit include, among other things, the following: (i) to carry out construction or mining of mines within the approved time limit; (ii)to conduct effective protection, rational mining, and comprehensive utilisation of mineral resources; (iii) to pay resource tax and mineral resource royalty fees in accordance with the law; (iv) to comply with the provisions of relevant laws and statutory regulations concerning safety in production, water and soil conservation, land restoration and reutilisation and environmental protection; (v) to accept supervision and administration of the department in charge of geology and mineral resources and the relevant departments in charge, and to compile an ore reserve form and submit a statistical report on the development and utilisation of mineral resources pursuant to regulations.

Comprehensive Mining and Utilisation

According to the Mineral Resources Law of the PRC, the exploitation of mineral resources shall be conducted in accordance with reasonable mining sequences and methods, while effective measures shall be taken to ensure that the mining recovery rate, mineral processing recovery rate, and comprehensive utilisation rate meet the requirements of relevant national standards.

In parallel with the exploitation of the main minerals, the minerals with industrial value that occur in association or as by-products of the ordinary mineral production should be subject to unified planning, comprehensive mining, and integrated utilisation to prevent waste. For minerals that cannot be comprehensively exploited at the moment or must be extracted simultaneously but cannot be comprehensively utilised for the time being, as well as tailings containing useful components, effective protective measures shall be taken to prevent loss and damage.

Usage Fees and Renewal of Exploration and Mining Licences

Holders of exploration licences and holders of mining licences are subject to exploration right usage fees and mining right usage fees, respectively. In accordance with the Administrative Measures on Registration of Blocks for Exploration of Mineral Resources, exploration right usage fees shall be calculated according to the terms of the exploration permit and shall be payable on an annual basis. The rate of exploration right usage fee for the first year to the third year of exploration shall be RMB100 per square kilometre of exploration area per year. From the fourth year of exploration onwards, the rate will be increased by RMB100 per square kilometre of exploration area per year. However, the annual maximum rate shall not exceed RMB500 per square kilometre of exploration area. According to the Administrative Measures for Registration of the Mining of Mineral Resources (《礦產資源開採登記管理辦法》), which became effective on 12 February 1998 and amended on 29 July 2014, the mining right usage fee shall be paid on an annual basis. The rate of mining right usage fee shall be RMB1,000 per square kilometre of mining area per year.

According to the Administrative Measures on Registration of Blocks for Exploration of Mineral Resources, the maximum validity period of an exploration licence is 3 years. The exploration rights holder shall apply for renewal with the registration authority 30 days before the expiration of the exploration licence. Each extension shall not exceed two years. If the exploration rights holder fails to apply for renewal within the specified period, the exploration licence shall automatically become void. Pursuant to the Administrative Measures for Registration of the Mining of Mineral Resources, the validity period of a mining licence shall be determined according to the scale of the mine. The maximum validity period of the initial term of a mining licence for a big-scale mine, medium-scale mine and small-scale mine shall be 30 years, 20 years and 10 years, respectively. The mining licence can be renewed within 30 days prior to its expiration, upon compliance with the prescribed extension procedure. If the holder of a mining licence fails to renew its licence in time, such mining licence shall be automatically annulled upon expiration.

Mining Right Transfer Proceeds

According to the Mining Right Transfer Proceeds Collection Measures (《礦業權出讓收益徵收辦法》), which was promulgated by the MOF, MNR and STA on 24 March 2023 and became effective on 1 May 2023, mining right holders shall pay mining right transfer proceeds. From 1 July 2017 to 30 April 2023, any unpaid mining right transfer proceeds shall be calculated based on the mining right transfer yield rate specified in these Measures and the sales revenue during the unpaid period. The payable amount may be collected either in a lump sum or evenly over six years.

Related Resource Tax and Resource Compensation Fee

According to the Resource Tax Law of the PRC (《中華人民共和國資源稅法》), which was promulgated by the SCNPC on 26 August 2019 and became effective on 1 September 2020, the specific rate of resource tax applicable to taxable products shall be governed by the List of Taxable Items attached to the Resource Tax Law of the PRC, and the resource tax rate for phosphate rock (including raw ores and processed ores) shall be 3%-8%.

Pursuant to the Rules for the Administration of Collection of Mineral Resource Compensation Fees (《礦產資源補償費徵收管理規定》)，promulgated by the State Council on 27 February 1994 and amended on 3 July 1997, the holder of a mining permit shall pay the mineral resource compensation fees from sale proceeds of mineral products on a pro rata basis.

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 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.

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 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.

Major Accident Hazards Relating to Excess Production Capacity

The Interim Provisions on the Investigation of Production Safety Accident Hazards (《安全生產事故隱患排查治理暫行規定》) provide that production safety accident hazards are classified into general accident hazards and major accident hazards. Pursuant to the Criteria for Determining Major Accident Hazards in Metal and Non-metal Mines (《金屬非金屬礦山重大事故隱患判定標準》) promulgated by the National Mine Safety Administration on July 8, 2022 and came into effect on September 1, 2022, a mine shall be deemed to have a major accident hazard if its annual output exceeds its designed annual production capacity by 20% or more, or if its monthly output exceeds 20% or more of its designed annual production capacity.

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 latest amended on 7 January 2022, the PRC government implements a registration system for the production, operation, use and publicity of fertilizer 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 ($(NH_4)_2SO_4$), urea, ammonium nitrate (NH_4NO_3), calcium cyanamide ($CaCN_2$), ammonium phosphate ($NH_4H_2PO_4$, $(NH_4)_2HPO_4$), phosphate nitrate, superphosphate, potassium chloride (KCl), potassium sulphate (K_2SO_4), potassium nitrate (KNO_3), ammonium chloride (NH_4Cl), ammonium bicarbonate (NH_4HCO_3), calcium magnesium phosphate, potassium dihydrogen phosphate (KH_2PO_4), single trace element fertiliser, high concentration compound fertiliser.

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 (《關於簡並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%, as amended on 22 August 2025.

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 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 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 and amended on 6 March 2017.

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.

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 amended on 27 December 2025 by 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 licence 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.

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) (《關於發布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 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.

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 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. If the project's environmental impact assessment documents fail to obtain approval from the competent authority in accordance with applicable laws and regulations, construction of the project shall not proceed.

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 amended on 16 July 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.

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 amended on 26 October 2018 and 28 October 2025 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 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 (《排污許可管理辦法》), which was promulgated by the Ministry of Ecology and Environment on 1 April 2024 and became effective on 1 July 2024, 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 licence 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 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 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 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 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;

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 time 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 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 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 and amended on 28 December 2012, 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 (《企業職工生育保險行辦法》), the Regulation of Insurance for Work Injury (《工傷保例》), 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.

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 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 NPC on 16 March 2007 and came into effect on 1 January 2008, and amended on 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 latest amended on 6 December 2024, 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%.

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 the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), promulgated by the SCNPC on 25 December 2024 and came into effect on 1 January 2026, 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 13%; 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 9%; 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 taxpayer 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 (《關於簡并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 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布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.