

HONG KONG AND SANCTIONS EVASION



RUSSIA'S USE OF THE REGION'S UNIQUE STATUS

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INTRODUCTION

Hong Kong, a Special Administrative Region of the People's Republic of China (PRC), is a global financial and trade hub. With Beijing's increasing control and following Russia's full-scale invasion of Ukraine, Hong Kong has been widely used by Russia, Iran, and North Korea to circumvent international sanctions. Therefore, these states have secured critical goods, including microelectronics, engine components, industrial machinery, and other strategically important items.



THIS REPORT ANALYSES HONG KONG'S ROLE AS A KEY HUB IN RUSSIA'S SANCTIONS EVASION SCHEMES.

Its primary objectives are to identify and describe the schemes implemented in Hong Kong's jurisdiction used to obtain critical goods; to examine the companies involved in these supply chains; and to propose solutions to the challenges identified. The report draws on an analysis of trade data, company registries, legal and regulatory acts, and open-source materials. It also incorporates findings from publications by other analytical centres and investigations on sanctions.

Hong Kong was selected as a standalone case study for a number of reasons. First, it is important to examine the growing influence of mainland China over Hong Kong, which has reshaped its economic structure and geopolitical situation. Second, Western companies are keen to establish a presence in Hong Kong's jurisdiction in order to access Asian markets, while Russians are actively establishing companies there due to the lack of restrictions on their activities. This dynamic enables trade opportunities between parties, facilitated in particular by the PRC. Third, the differences between the EU's export regulations regarding the PRC and Hong Kong created opportunities for Russian businesses to circumvent sanctions.

The first two chapters of the report examine Hong Kong's unique position as a global financial hub, its role in facilitating sanctions evasion, the favourable business environment that attracts companies from a wide range of jurisdictions, as well as export restrictions in this administrative region.

The third chapter analyses supplies from Hong Kong to Russia during 2024–2025, offering practical insight into the sanctions evasion schemes implemented by Russia, as well as by the companies and individuals involved.

KEY FINDINGS

1 Due to its role as a global transshipment and financial hub, Hong Kong is actively used as a node to circumvent Western sanctions imposed on Russia and its situational allies, Iran and North Korea.	2 Hong Kong's streamlined business registration process and favourable tax regime provide an enabling environment for intermediary firms that may facilitate illicit trade.
3 In alignment with Beijing's priorities, the Hong Kong government has officially stated that it will enforce only UN sanctions, disregarding unilateral measures imposed by Western countries. This stance effectively opens the way for illicit activities within the city.	4 Among the examined supplier companies, 38% were established after February 24, 2022, indicating the rapid emergence of new sanctions evasion schemes. Over 20% of these companies were founded by Russian citizens or those from other former Soviet states, highlighting the direct involvement of Russian individuals in these schemes.
5 The total volume of Russian imports from China and Hong Kong more than doubled from \$54 billion in 2019 to \$125.2 billion in 2023. Between 2024 and February 2025, fifty-five Hong Kong-based companies exported to Russia sanctioned critical goods worth at least USD 55 million. Taiwanese goods accounted for the largest share (54.4%) of imported dual-use items. These figures suggest that Hong Kong is being used as an alternate route for supplying essential materials to Russia's military-industrial complex.	
6 Several supplier companies and individuals have already been identified through journalistic investigations into the illicit export of microelectronics for Russian weaponry.	7 Although nearly one-third (30.9%) of the examined companies are already under sanctions, most of the new legal entities established in 2023–2024 have not yet been sanctioned. This highlights the need for continued monitoring and the timely imposition of restrictions.
8 Russia, Iran, and North Korea's use of Hong Kong's jurisdiction to circumvent international law carries significant implications for global security, particularly through the illicit and unregulated flow of goods, funds, and weapons.	

HONG KONG AS A GLOBAL FINANCIAL HUB

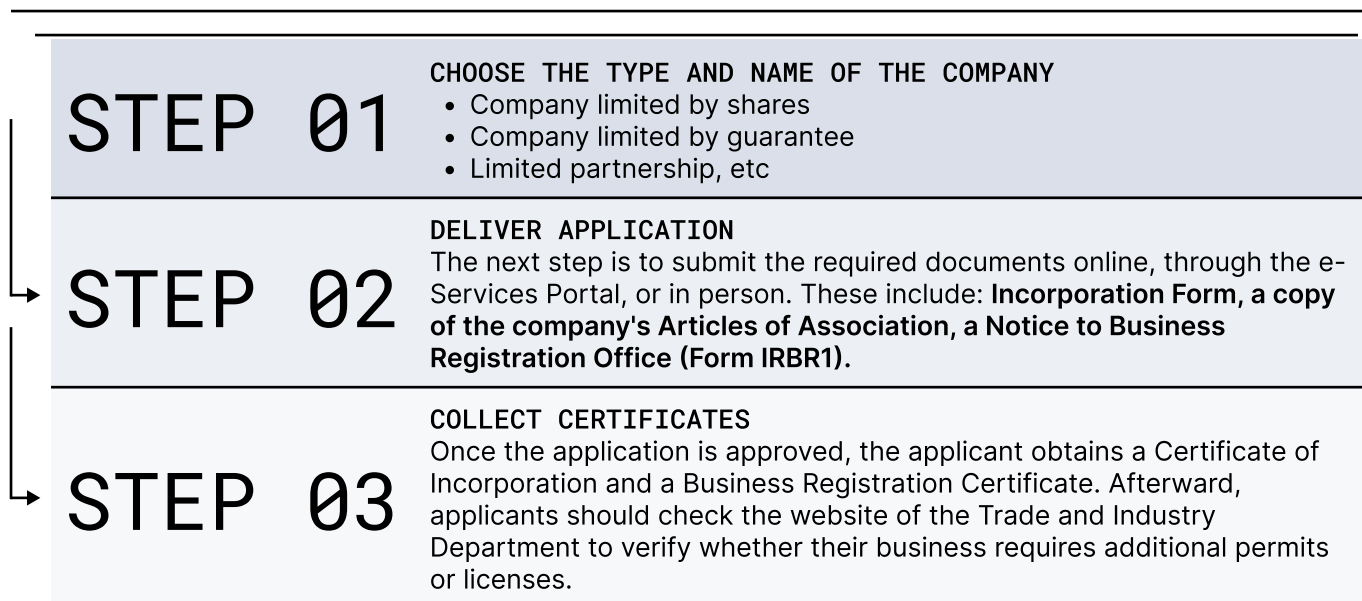
Great Britain seized Hong Kong in 1841, and China formally ceded the Hong Kong island a year later following the First Opium War. In 1898, Britain secured a 99-year lease on part of the territory. Under the terms of the Sino-British Joint Declaration of 1984, Hong Kong's sovereignty was transferred to the People's Republic of China on July 1, 1997, becoming a Special Administrative Region (SAR). Under the **"One Country, Two Systems"** principle, Beijing committed to granting Hong Kong "a high degree of autonomy" for 50 years, exempting it from the socialist system in the mainland while retaining control over foreign affairs and defence. The Administrative Region has its own constitution, the Basic Law. Its judicial system is largely based on British common law. Hong Kong citizens also have their own passports, which are different from those of the PRC, and provide visa-free access to many countries. The official currency is the Hong Kong dollar (HKD).³

According to the Global Financial Centres Index, Hong Kong ranked third in the competitiveness ranking of financial centres, overtaking Singapore in 2024. Yet despite its sustained economic success, the city has faced mounting political challenges since the 1997 handover. The growing influence of the PRC has triggered widespread unrest, most notably the 2019 mass pro-democracy protests. In response, Beijing and the Hong Kong government curtailed the city's autonomy, infringing the "One Country, Two Systems" principle as promised in the Sino-British Joint Declaration. These actions led to the mass arrests of pro-democracy figures, the closure of independent media outlets, and the dissolution of civic organisations. Beijing tightened its control by introducing the National Security Law for Hong Kong in 2020, imposing the so-called "patriots-only" electoral system in 2021 – which allows only government-approved candidates to run, and enacted a new national security law (Article 23) in 2024, further suppressing dissent. Under the Basic Law, Hong Kong's courts are responsible – "within the limits of [their] autonomy" – for determining whether the government's actions are legal. But the National People's Congress Standing Committee (NPCSC) – China's top law-making body – holds the ultimate "power of interpretation" of the city's mini constitution.⁷

Hong Kong was once a leading financial centre on par with New York and London, but its status is changing. **Hong Kong's long commitment to the rule of law and international norms was regarded as one of its principal advantages**, making the city a reliable global partner. However, under the tightening political control of the PRC, Hong Kong's economic power is now being leveraged to undermine global financial order and international law rather than to foster cooperation. John Lee became Chief Executive of Hong Kong in 2022 after an uncontested election in which he was the only candidate backed by the People's Republic of China. In 2020, the United States imposed sanctions on him over the "draconian" national security laws introduced during his tenure as Secretary for Security.¹⁰

Opening a business in Hong Kong is a relatively straightforward and cost-effective process. Foreign investors may retain full ownership of their companies and act as the sole directors and shareholders of their legal entities. Hong Kong's jurisdiction provides a convenient gateway for conducting business in mainland China and other Asian markets. There are no local residency requirements, although at least one company director must be an individual rather than a corporate entity. Registration of a new company in Hong Kong consists of three basic steps.

⁹ The Hong Kong National Security Law defines four principal offenses: calls for secession, subversion against the authority of the central government, terrorism involving acts of violence, and conspiracy involving foreign or external forces. Each carries a maximum penalty of life imprisonment. In practice, the law is widely regarded as a tool to suppress protests and dissent against the growing influence of the PRC central government in Hong Kong.



Source: Government of the Hong Kong Special Administrative Region¹¹

Hong Kong is an attractive business destination due to its **tax incentives, ease of company establishment, and market access**. Also, the Hong Kong Dollar (HKD) exchange rate is kept stable against the U.S. Dollar (USD).

The corporate tax rate is a low 16.5%, with an even lower rate of 8.25% on the first 2 million Hong Kong dollars of profit (approximately USD 260,000). There is neither a tax on dividends nor a value-added tax (VAT), also no corporate tax on profits generated from business activities outside Hong Kong.

Starting a business in Hong Kong is simple, thanks to a streamlined registration process that can be completed within 48 hours.

Its deep integration with global financial markets and status as a leading banking hub provide access to high-quality financial services and multi-currency accounts. Moreover, Hong Kong's policy of permitting unrestricted domestic and foreign investment – combined with the absence of foreign exchange controls – creates an open and dynamic trading environment.

KEY FINDINGS

1	Following the mass protests of 2019, the People's Republic of China and the Hong Kong government imposed restrictive measures that undermined the "One Country, Two Systems" principle and eroded the city's autonomy.	2	Despite political changes, Hong Kong remains an attractive business hub, where starting a business is simple and there are no local residency requirements.
	The jurisdiction offers low tax rates, ensures access to high-quality multi-currency financial services, imposes no restrictions on domestic or foreign investment, and has no foreign exchange controls.	3	

EXPORT CONTROL : PRC VS HONG KONG

In October 2022, in response to a question about allowing the yacht of sanctioned Russian oligarch Mordashov to dock in Hong Kong, Hong Kong Chief Executive John Lee stated that the territory **would not impose global sanctions on Russia**.¹² This gave illegal operators insight into Hong Kong's attitude towards establishing networks of companies in the city – from Russian tanker owners to exporters of components for Russian drones.¹³

Lee emphasized that **Hong Kong would adhere only to United Nations sanctions**, arguing that sanctions imposed by foreign states, such as unilateral Western measures, or even the PRC's Unreliable Entities List – “lack legal basis” in the territory.¹⁴

Until recently its market for initial public offerings (IPOs) regularly bested that of New York City and London¹⁵ as most major international financial institutions have significant operations in the city. Hong Kong continues to trade on the reputation of adherence to international law. However, this reputation no longer reflects reality, as it has tainted under tightening Chinese control.

After Xi Jinping came to power in 2012, and particularly following the mass pro-democracy protests of 2019, the PRC took measures to establish near-total political control over Hong Kong, dismantling its democratic institutions and steadily undermining the rule of law. Moreover, the government has for years been openly disregarding its legal obligation to enforce United Nations sanctions against North Korea. Such inaction has effectively enabled other actors to follow suit.

Hong Kong implements UN sanctions through **the local United Nations Sanctions Ordinance (UNSO)**¹⁶ **and the United Nations Anti-Terrorism Measures Ordinance (UNATMO)**,¹⁷ but only indirectly. Under these laws, Hong Kong is obliged to enforce UN sanctions if, and only if, the Ministry of Foreign Affairs of mainland China instructs to do so. In practice, while Beijing has directed Hong Kong to apply certain UN sanctions, such as those against North Korea, the city has not fully complied with these instructions.

Sanctions evasion constitutes a criminal offence in Hong Kong and is subject to custodial penalties.¹⁸

HONG KONG AND THE EU

The European Union holds **separate agreements with the People's Republic of China and the Hong Kong Special Administrative Region on customs cooperation and mutual administrative assistance (CCMAA)**. While each agreement establishes a legal framework for information exchange, trade facilitation, and the prevention of customs fraud, they differ significantly in scope and rigour. Hong Kong – long regarded as a reliable trading partner – has been subject to a comparatively “soft” regulatory approach, in contrast to the stricter framework applied to mainland China. Under the CCMAA with Hong Kong, the parties are merely required to “facilitate the sharing of trade information”, whereas the agreement with the PRC aims to “improve cooperation between the parties”. This seemingly minor distinction carries practical implications: cooperation entails specific actions, while discussions are limited to information exchange. Likewise, in the area of assistance upon request, the CCMAA with the PRC requires to prevent, investigate, and combat customs fraud, demanding verification of the authenticity of documents such as declarations, invoices, and certificates of origin. By contrast, the CCMAA with Hong Kong contains no such requirements, obliging the parties only to provide relevant information upon request.

Unlike the agreement with Hong Kong, the one with the PRC allows EU officials to obtain information directly from Chinese authorities in cases of suspected violations. Ultimately, the institutional frameworks of the two agreements differ significantly. Furthermore, **the EU lacks jurisdiction to directly sanction entities from third countries** – a structural limitation that has allowed sanctions evasion schemes to flourish, particularly in jurisdictions unwilling to implement EU sanctions.

The European Union first imposed restrictions on Chinese companies under its 13th sanctions package,¹⁹ and a year later, under the 18th package,²⁰ extended measures on two Chinese banks and several firms from both the PRC and Hong Kong. The 19th sanctions package, announced by the President of the European Commission Ursula von der Leyen in September 2025, approached a secondary-sanctions regime.²¹ For the first time, non-EU entities were targeted – including oil refineries, traders, and cryptocurrency platforms connected to Russian networks engaged in sanctions circumvention. This development represented a significant step for the EU toward limiting business with third-country actors implicated in sanctions evasion.

HONG KONG 🇭🇰 AND THE USA 🇺🇸

Hong Kong is not obliged to implement Western sanctions on trade with Russia. Nonetheless, some of the city's financial institutions are known to comply voluntarily due to their international operations and the risk management requirements associated with the global financial system – particularly with the U.S. Such voluntary compliance extends even to U.S. sanctions targeting Hong Kong's own citizens.²²

In December 2023, the United States issued **Executive Order 14114**, authorizing secondary sanctions²³ against non-U.S. financial institutions that engage with Russian Specially Designated Nationals (SDNs),²⁴ even when no direct violation of U.S. sanctions occurs. The order also targets anyone supporting Russia's military-industrial complex. In practice, the order enables sanctions on Chinese and Hong Kong financial institutions, which are funding the illicit transfer of Western technologies to Russia. Nevertheless, the Biden administration hesitated to impose harsher measures, and following Donald Trump's return to power, the United States has become even less inclined to act.

Russia's transition to China's **Cross-Border Interbank Payment System (CIPS)** for financial transactions following the SWIFT ban has raised concerns whether CIPS could serve as an alternative network, potentially undermining the effectiveness of sanctions imposed by the European Union, the United States, and Ukraine's other partners.²⁵

KEY FINDINGS

1	Hong Kong Chief Executive John Lee's statement that the territory would not enforce unilateral Western sanctions created an enabling environment for illicit activities.	2	Hong Kong's reputation as a law-abiding jurisdiction no longer reflects reality, as it has tainted under tightening Chinese control. Moreover, Hong Kong does not fully implement even UN sanctions (for example, those against North Korea).
3	The EU-Hong Kong customs cooperation agreement (CCMAA) is less demanding than the corresponding agreement with mainland China.	4	Although the United States has been reluctant to take decisive action, Executive Order 14114 (December 2023) authorizes secondary sanctions on non-U.S. financial institutions that support Russia's military-industrial complex. Moreover, Russia's transition to the Chinese Cross-Border Interbank Payment System (CIPS) has raised concerns about its involvement in a substitute network capable of undermining the effectiveness of Western sanctions.

²³ Secondary sanctions do not require a company's connection to the United States. They may be imposed on non-U.S. individuals who, directly or indirectly, participate in certain transactions, such as doing business with individuals or countries subject to U.S. sanctions. At present, the sanctions programs for Russia, Iran, North Korea, Hong Kong, and Syria include provisions on secondary sanctions. Unlike violations of primary sanctions, which may result in criminal or civil penalties, secondary sanctions block an individual's access to U.S. markets and, consequently, to a significant portion of the global financial system.

²⁴ SDN (Specially Designated Nationals) refers to individuals, entities, vessels, and aircraft designated by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) as subject to sanctions.

Relations between Russia and Hong Kong are deepening. In December 2022, President Putin signed a law on ratification of the treaty between Russia and Hong Kong Special Administrative Region of the PRC on the transfer of sentenced persons.²⁶ Seemingly, Russian authorities were attuned to the risks associated with economic crimes. In 2024, Hong Kong's largest banks were refusing to process payments from Russia – a decision driven by the tightening of Chinese banking policies and the U.S. Treasury officials' visit to Hong Kong, during which they warned of possible exclusion from the U.S. market.

However, in May 2025, Hong Kong enacted legislation permitting “inbound” redomiciliation,²⁷ stationing itself as another “friendly” jurisdiction for Russian businesses seeking to relocate from “unfriendly” ones.²⁸ That same year, Hong Kong reopened its Tourism Board office in Russia, which had been closed for over three years. The move was prompted by the resumption of direct flights between Russia and Hong Kong and growing numbers of Russian tourists.

Many Western companies with production facilities and subsidiaries in Asia have been exporting goods to Russia through the PRC and Hong Kong. While not everyone used such a trade route before 2022, it greatly expanded once sanctions against Russia came into effect. **Russia's overall imports from PRC and Hong Kong more than doubled – from USD 54 billion in 2019 to USD 125.2 billion in 2023.** Exports to Russia-friendly countries, including Kazakhstan and Georgia, also increased. Since 2024, however, the reduced amount of available Russian trade data suggests the tendency of Russian sources to obscure official trade figures.²⁹

HONG KONG-BASED SUPPLIERS OF COMMON HIGH PRIORITY ITEMS TO RUSSIA

In February 2024, a coalition of partners the European Union, Japan, the United Kingdom, and the U.S. Department of Commerce's Bureau of Industry and Security (BIS) – updated the **Common High Priority Items List (CHPL)**.³⁰ This document covers 50 product categories classified under six-digit codes of the World Customs Organization's Harmonized System³¹ (HS codes). The list identifies critical dual-use items identified in Russian weapons and military systems deployed in the war against Ukraine, along with high-tech components required for their development and production. Despite the enacted restrictive measures, Russia **has continued to import dual-use goods** by relying on companies registered in third-country jurisdictions, particularly Hong Kong.

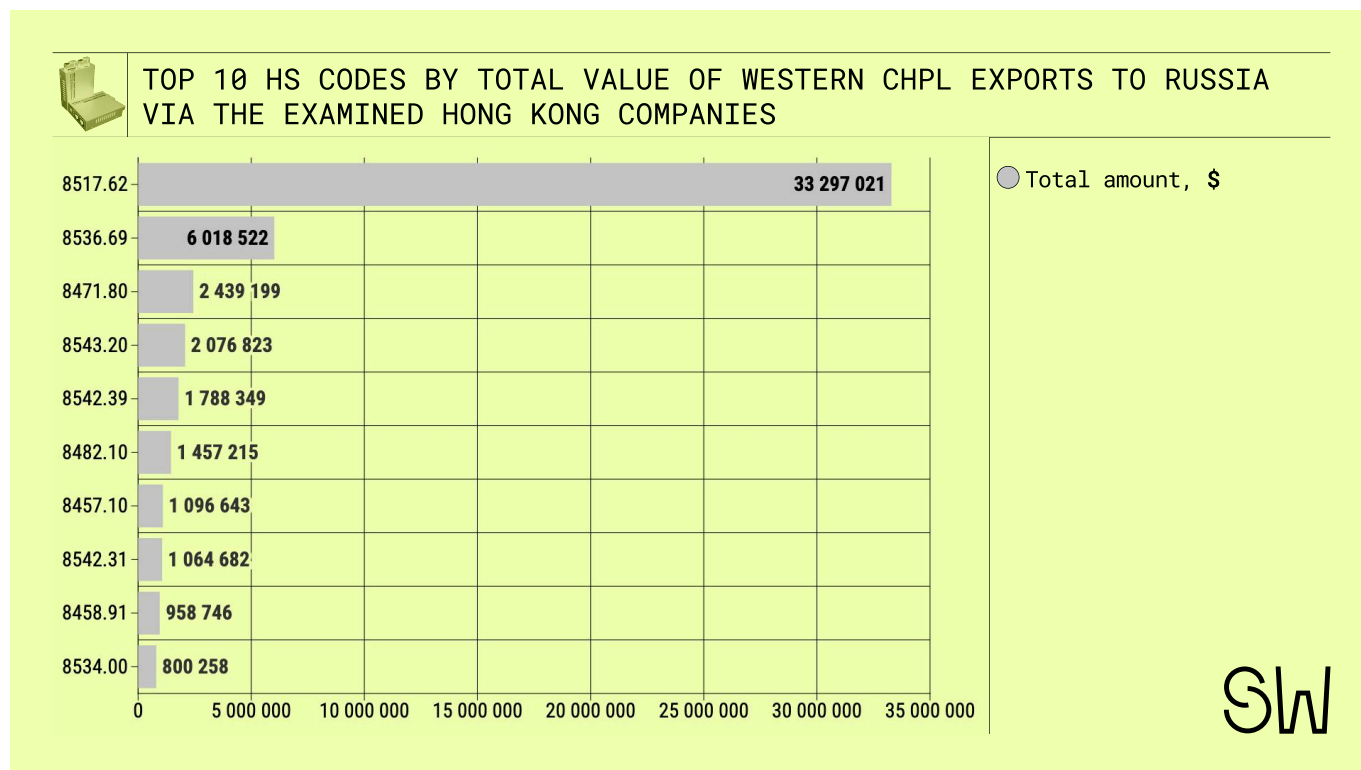
This report draws on Russian customs data covering **1 January 2024 to 28 February 2025**. During this period, **55 Hong Kong-based companies** were identified as suppliers of Western goods included in the Common High Priority Items List (CHPL) to Russia, with a combined value exceeding USD 100,000. The following analysis examines the types of goods, the total value of supplies, and the registration details of the suppliers – including their date of establishment, founders, registration address, and sanctions status. The Organized Crime and Corruption Reporting Project (OCCRP) Research and Data Desk provided data for this section of the report.³²

²⁷ The process of changing a company's jurisdiction without terminating its operations.

ANALYSIS OF RUSSIAN CUSTOMS DATA

Over the review period, Russia imported at least **USD 55 million** worth of sanctioned goods through 55 Hong Kong-based suppliers (see Figure 1; breakdown of HS codes is provided in Appendix 1).

Figure 01

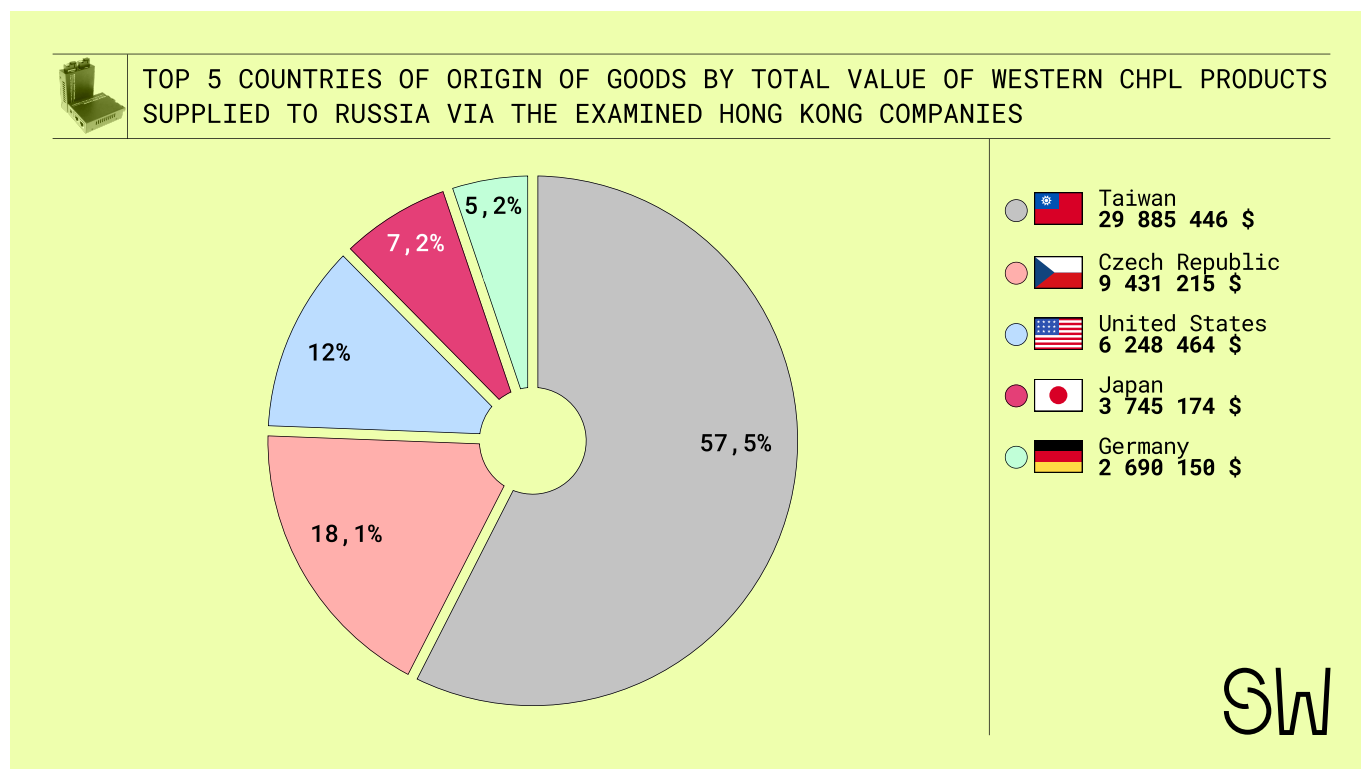


Source: Russian customs data

High-priority items exported to Russia via Hong Kong companies originate from various countries. The largest share – **54.4% of the total value** – was of **Taiwanese origin** (Figure 2). These exports consisted primarily of electronic components, including devices for receiving, converting, and transmitting data; machine modules; and integrated circuits (Table 1; breakdown of HS codes included in Appendix 1). For example, the Hong Kong company **BK SMKs New Material Technology Co. Limited** (not included on international sanctions lists) supplied Russia with Mellanox equipment worth over USD 20 million via the sanctioned logistics organization **SMS TELECOM FZCO** from the UAE. Thus, the volume of Taiwanese exports during the review period exceeded that of goods from the United States, Japan, or the EU (Figure 2) – jurisdictions that jointly introduced the Common High Priority Items List and continue to update it.

U.S.-manufactured goods also reached Russia via Hong Kong, including microchips from **Texas Instruments** and **Analog Devices** – critical electronics frequently found in Russian weaponry,³³ electrical connectors manufactured by the American company **Carlisle Interconnect Technologies**, and equipment for fibre-optic communication systems produced by **Cisco Systems**. Russia uses optical fibre to equip drones capable of resisting electronic warfare.³⁴

Figure 02



Source: Russian customs data

Bearings were among the most frequently exported high-priority **goods of Japanese origin**, which are likely used in Russian military systems. Other notable exports included high-precision machinery, such as machining centres for working metal and computer numerical control (CNC) lathes produced by the Japanese corporation **Tsugami**. This equipment serves a critical role in ultra-precision manufacturing processes within Russia's military-industrial complex. This includes the manufacturing of missile components, unmanned aerial vehicles (UAVs), and onboard systems for helicopters and aircraft.³⁶

Via Hong Kong-based intermediaries, Russia imported data transmission units, as well as control and measuring equipment from EU countries – notably Germany and the Czech Republic – manufactured by China's **Lenovo** and the U.S. firm **Brocade Communications Systems** (Table 1). These supplies included signal generators, oscilloscopes, and multimeters, primarily manufactured at the Czech facility of **Rohde & Schwarz**. According to the company's website, Rohde & Schwarz develops end-to-end solutions for secure communications, intelligence, test & measurement and security for modern warfare – including integrated communication systems for naval fleets, electronic warfare tools for ground forces, and air defence systems. Thus, using Hong Kong intermediaries, the Russian military may have gained access to Western components intended for military use.

Table 01

TAIWAN		CZECH REPUBLIC		UNITED STATES		JAPAN		GERMANY	
HS code	Total amount, \$ thousands	HS code	Total amount, \$ thousands	HS code	Total amount, \$ thousands	HS code	Total amount, \$ thousands	HS code	Total amount, \$ thousands
8517.62	23 401	8517.62	8 462	8536.69	3 896	8482.10	1 285	8543.20	857
8471.80	2 402	8543.20	875	8542.39	579	8457.10	1 096	8536.69	781
8542.39	1 118	9030.20	85	8517.62	574	8458.91	958	9030.32	217

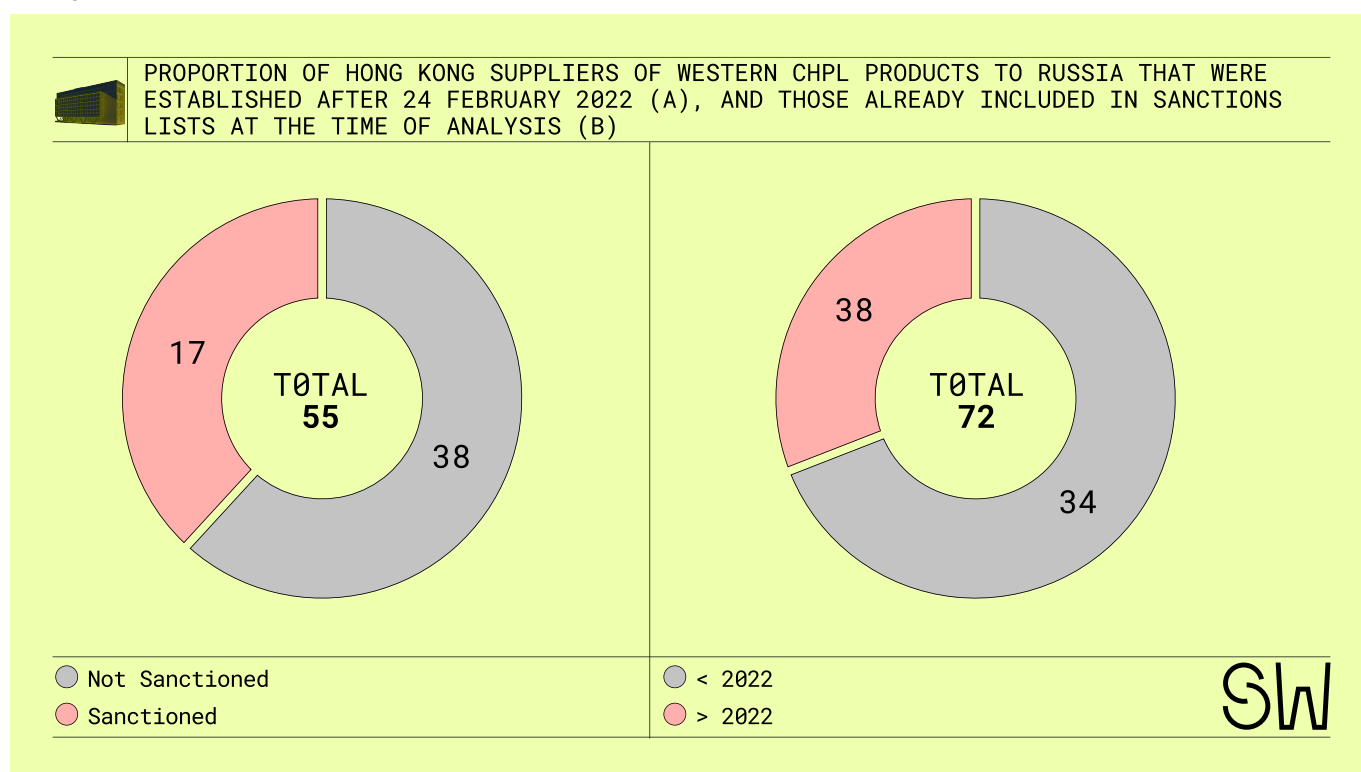
Source: Russian customs data

On top of the previously mentioned countries, Russia imported through Hong Kong CHPL-listed goods that were manufactured in the United Kingdom (USD 1.1 million), France (USD 657,000), Switzerland (USD 378,000), Finland (USD 235,000), Latvia (USD 166,000), and Italy (USD 124,000).

ANALYSIS OF SUPPLIER COMPANIES' REGISTRATION DATA

Among the 55 Hong Kong-based suppliers of Western CHPL products to Russia, **38% were established after the start of the full-scale invasion of Ukraine** and subsequent tightening of international sanctions (Figure 3A). The highest number of new entities emerged **in 2023**, accounting for 20% of the companies analysed (Figure 4) – which points to the likely establishment of supply routes through Hong Kong to circumvent sanctions.

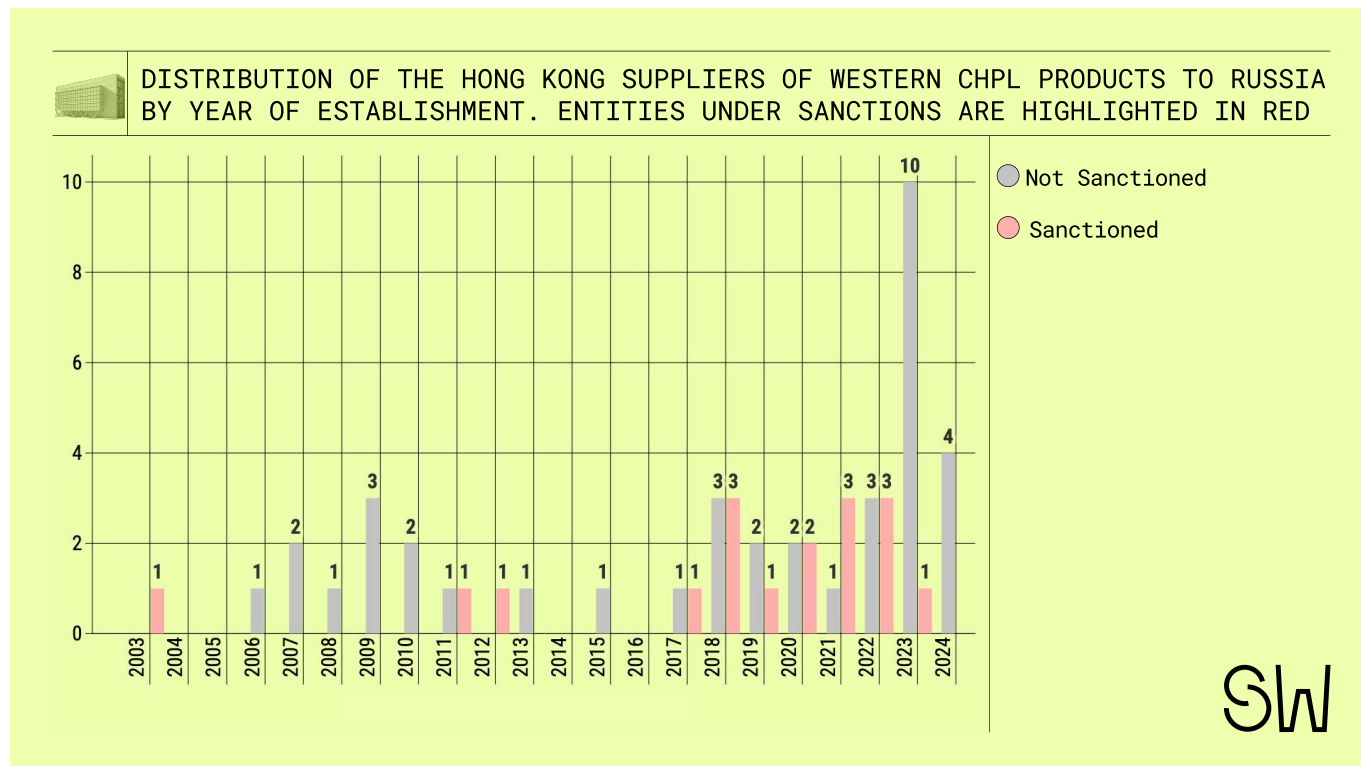
Figure 03



Sources: OCCRP Research and Data Desk, Hong Kong Companies Registry³⁸, OpenSanctions database³⁹

Data indicates that nearly one-third of the companies examined (30.9%) are already subject to international sanctions (Figure 3B). Meanwhile, **90% of the legal entities established in 2023 and all those companies founded in 2024 have not yet been sanctioned** (Figure 4). This highlights the importance of ongoing monitoring of newly established Hong Kong suppliers of CHPL products to Russia, alongside the timely application of sanctions against them.

Figure 04



Sources: OCCRP Research and Data Desk, Hong Kong Companies Registry, OpenSanctions database

We also examined the founders of Hong Kong-based companies supplying sanctioned products to Russia. Registry data indicates that **8 of the 55** entities examined were established by **Russian citizens**, while another 5 were founded by individuals from Kyrgyzstan, Kazakhstan, Estonia, and India (Appendix 2). Thus, over 20% of the companies reviewed have non-Hong Kong founders, the majority of whom originate from former Soviet states.

It's worth noting that some companies have **low authorized capital** – ranging from just 1 to 100 Hong Kong dollars (Appendix 2) – and are registered at **mass-registration addresses** where multiple suppliers operate simultaneously (Appendix 3). Although neither of these factors alone proves a connection between these entities, when viewed in conjunction they point to the likely use of so-called **“shell companies”** – nominal legal structures that exist on paper and function as intermediaries between sanctioned Russian buyers and international CHPL producers.

This assumption is supported by the fact that several of the identified individuals and companies have already been the subject of investigative reporting. For example, The New York Times uncovered a network of Hong Kong companies linked to Russian businessmen Mikhail Vinogradov and Aleksey Chichenyov, all registered at the same address.⁴⁰ Another Russian citizen, Denis Postovoy, **was arrested in the United States** in 2024 after Homeland Security Investigations (HSI) – a division of the U.S. Immigration and Customs Enforcement – exposed a scheme involving the illicit export of U.S.-manufactured microelectronics that could have been used in the production of unmanned aerial vehicles.⁴¹

SUPPLIERS OF COMPONENTS FOR RUSSIAN WEAPONRY

On the War & Sanctions portal, Ukraine’s Defence Intelligence lists the components identified in drones and missiles used by Russia in its war against Ukraine. According to the data, at least three Hong Kong companies – **Align Trading Company Limited**,⁴² **Hytera Communications Limited**,⁴³ and **Hadsund International Technology Limited**⁴⁴ – supplied Russia with China-manufactured SWIWIN jet engines, as well as temperature sensors and associated mounts. These components were incorporated into **S8000 Banderol cruise missiles**, which Russia used to strike the south of Ukraine in the spring of 2025.⁴⁵

Another Hong Kong-based company, **Wavetel Technology Limited**,⁴⁶ supplied wireless communication modules for routers manufactured by the Chinese firm Meig Smart Technology. These components were found in the **V2U AI-powered loitering munition**, which the Russian armed forces have been using since the summer of 2025.⁴⁷ Neither Wavetel Technology Limited nor Hadsund International Technology Limited is currently subject to international sanctions.

In August 2025, video footage from a Chinese factory where UAV cameras were being tested was discovered in a Russian Gerbera drone shot down over Ukraine. The embedded camera also contained recordings of Shenzhen’s ring road, a major technology hub located near Hong Kong. The incident reinforced suspicions that Beijing may have been covertly supplying military components to Russia.⁴⁸

Alongside Russia, Hong Kong plays a central role in supplying Iran with sanctioned components for drones and missiles. Since Russia uses Iran’s strike drones **Mohajer-6**, **Shahed-131**, and **Shahed-136** to attack critical infrastructure in Ukraine, the networks of Hong Kong companies supporting Iran’s military programs warrant scrutiny regarding Russia’s war against Ukraine. In 2023 and 2024, the United States sanctioned several companies registered in Hong Kong for supplying servomotors and Western electronics to Iranian defence-industry enterprises, including drone manufacturers.⁴⁹ In February 2025, OFAC imposed additional sanctions on **six companies from Hong Kong and mainland China** that operated as front structures to procure critical components for Iranian arms producers. The U.S. Treasury stated that “it remains committed to disrupting the schemes that enable Iran to send its deadly weapons abroad to its terrorist proxies and other destabilizing actors.”⁵⁰

KEY FINDINGS

1	Between January 2024 and February 2025, fifty-five Hong Kong companies under review exported CHPL-listed products to Russia with a total value exceeding USD 55 million.
2	The largest share of supplies (54.4% by value) accounted for items of Taiwanese origin, primarily electronic components.

3 Nearly one-third (30.9%) of the examined companies are already under sanctions, however, most of the new legal entities established in 2023–2024 have not yet been sanctioned.	4 A substantial number of the companies examined (38%) was established after the start of Russia's full-scale invasion, underscoring Hong Kong's growing role as a transit jurisdiction for sanctions evasion.
Over 20% of the companies under review have founders who are not citizens of Hong Kong, most of them originating from Russia and other post-Soviet states. 5	Some companies exhibit typical signs of "shell firms", including low authorized capital and the use of mass-registration addresses 6

RECOMMENDATIONS

↓ 01 ENFORCEMENT OF SANCTIONS AND FINANCIAL CONTROL

- The European Commission should invoke the "anti-circumvention" tool introduced in the EU's 11th sanctions package to designate Hong Kong as a high-risk jurisdiction for sanctions evasion.
- Governments of the coalition of partners should establish continuous monitoring of newly registered companies in Hong Kong that supply products from the Common High-Priority List or act as registrars for such entities, and ensure their timely inclusion in sanctions lists. In addition, governments should regularly update guidance for domestic businesses on engagement with such companies.
- Governments of the coalition of partners should impose sanctions on individuals engaged in the circumvention of existing restrictions, thereby preventing their ongoing activities through newly created legal entities.
- The U.S. Office of Foreign Assets Control (OFAC) and Department of Justice, alongside with the European Commission and the competent national authorities of EU member states, should urge domestic businesses to refrain from cooperating with Hong Kong companies founded by citizens of Russia and other post-Soviet states until it is verified that their products are intended for civilian use.

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- Competent authorities of the coalition of partners should enhance oversight of transactions conducted through Hong Kong and restrict financial operations between Western and Hong Kong companies that exhibit typical signs of front entities, such as low authorized capital and mass-registration addresses. A 10% tariff should be imposed on CHPL goods exported to “high-risk” jurisdictions in the absence of an end-user certificate verifying that the goods will not be re-exported to Russia.
 - Governments of the coalition of partners should impose sanctions on Hong Kong banks which continue to facilitate sanctions evasion despite existing international restrictions.

02 ENHANCED ENFORCEMENT AND INTERNATIONAL COOPERATION

- All EU member states must immediately and fully incorporate Directive (EU) 2024/1226 (“Sanctions Directive”) and Directive (EU) 2024/1260 (“Confiscation Directive”) into national legislation.
- States, non-governmental organizations, and media outlets should allocate greater resources to investigating sanctions evasion schemes operating through China and Hong Kong (particularly by analysing the local context and expanding access to registries and sources) and should establish joint international groups to examine the activities of companies engaged in the trade of sanctioned goods.

03 COOPERATION WITH THE PRIVATE SECTOR AND INVESTORS

- Investors and company owners from the partner states of the coalition should initiate dialogue with the leadership of potentially high-risk companies to reinforce a culture of sanctions compliance.
- Governments of the coalition of partners should strengthen cooperation with the private sector to exchange information and enhance the monitoring of supply chains.
- Given that the largest share (54.4%) of supplies consists of Taiwanese electronic components, export controls on these goods through Hong Kong should be reinforced.

APPENDICES

Appendix 01. Breakdown of common HS codes mentioned in the third section of the report, with an assessment of their potential application in the Russian military-industrial complex as dual-use items. Source: World Customs Organization,⁵¹ Defence Intelligence of Ukraine (War & Sanctions portal).⁵²

HS code	Explanation	Potential military use
8517.62	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus	Switching and routing equipment for military communication systems, command centres, unmanned aerial vehicles, and electronic warfare assets, that enable data transmission between units and used for navigation purposes
8536.69	Electrical plugs and sockets for a voltage not exceeding 1,000 V	Used for the installation and integration of electronics into military equipment, ensuring reliable power supply and sensor connectivity
8471.80	Automatic data-processing machines and units	Integrated within military computing complexes and systems
8543.20	Electrical signal generators	Used for the calibration, testing, and development of electronic warfare systems, radars, and communication equipment
8542.39	Electronic integrated circuits	General-purpose microchips used in all types of military equipment
8482.10	Ball bearings	Used in rotating components of antennas, transmissions, gyroscopes in weapon-stabilization systems, and electric motors
8457.10	Machining centres for working metal	Used in the manufacturing of missile components, unmanned aerial systems, artillery, and armoured vehicles at military-industrial facilities
8542.31	Processors & controllers	Used in computers, missile-control systems, unmanned aerial systems, air-defence platforms, radar technologies, and signal-processing applications
8458.91	Numerically controlled lathes for removing metal	Used in the high-precision production of ammunition casings, engine parts, and missile components
8534.00	Printed circuits	The core of electronic systems in unmanned aerial platforms, guidance systems, air-defence platforms, and communication technologies
9030.20	Oscilloscopes and oscillographs	Used for applied and research purposes in the development and testing of military electronic systems
9030.32	Multimeters with a recording device	Used for the diagnostics, monitoring, and maintenance of military electronic systems

Appendix 02. Name, Business Registration Number (BRN), sanctions status, and authorized capital of Hong Kong companies supplying CHPL products, established by citizens of Russia, Kyrgyzstan, Kazakhstan, India, and Estonia. Sources: OCCRP Research and Data Desk, Hong Kong Companies Registry, OpenSanctions database.

Company name	BRN	Authorized capital	Sanctions status	Owner	Citizenship
Jove Hk Limited	58538021	10 000	Under US sanctions	Denis Postovoy	Russian Federation
Olax Holding Overseas Limited	38386286	100	–	Mikhail Vinogradov	Russian Federation
Eco Dynamics Co., Limited	51907394	10 000	–	Murzin Dmitry	Russian Federation
Rosinelectro Co., Limited	58324135	10 000	–	Moshkin Kliment	Russian Federation
SuperChip Limited	69659309	1	Under sanctions by US, Japan, EU, Switzerland, and Ukraine	Chichenev Alexey	Russian Federation
Mercatores International Limited	74117382	1 000	–	Igor Iakovlev	Russian Federation
New Horizons Trading Limited	74373487	10 000	Under US sanctions	Vlasenko Viktor	Russian Federation
Insein International Trade Limited	76838306	10 000	–	Sergei Komogorov	Russian Federation
Piraclinos Limited	72932625	10 000	Under sanctions by US, EU, Switzerland, and Ukraine	Symbat Belekova	Kyrgyzstan
General Trading Group Limited	76740935	10 000	–	Mamatkulova Ainura	Kyrgyzstan
MAG Smart Solution Limited	75684124	1	–	Pluzhnik Yevgeniy	Kazakhstan
Makewell Industrial Trading Co., Limited	73942328	10 000	Under sanctions by US, Japan, EU, Switzerland, UK, and Ukraine	Kumar Rohit	India
Gustave Hk Limited	74861848	10 000	–	Dmitri Polonski	Estonia

Appendix 03. Mass-registration address, company name, Business Registration Number (BRN), sanctions status, and date of establishment of Hong Kong-based suppliers of CHPL products to the Russian Federation. Sources: OCCRP Research and Data Desk, Hong Kong Companies Registry, OpenSanctions database.

Registration address	Company name	BRN	Sanctions status	Date of establishment
Room 511, 5/F, Ming Sang Industrial Building, 19–21 Hing Yip Street, Kwun Tong, Hong Kong	5-Star Trading Co., Limited	76249866	–	28.02.2024
	Insein International Trade Limited	76838306	–	22.07.2024
	Online Chip Electronic Co., Limited	73573985	–	25.11.2021
	Mkpl Technology Hk Co., Limited	72201626	Under sanctions by EU, Switzerland, and Ukraine	04.09.2020
7/F, MW Tower, 111 Bonham Strand, Sheung Wan, Hong Kong	Gustave Hk Limited	74861848	–	16.02.2023
	Piraclinos Limited	72932625	Under sanctions by US, EU, Switzerland, and Ukraine	27.04.2021
	Skytop Electronics Limited	51832781	On the BIS export control list	20.11.2009
Unit 704, 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong	SuperChip Limited	69659309	Under sanctions by US, Japan, EU, Switzerland, and Ukraine	20.07.2018
	Olax Holding Overseas Limited	38386286	–	10.09.2007
Office 3A-9, 12/F, Kaiser Centre, No. 18 Centre Street, Sai Ying Pun, Hong Kong	Hong Kong Yayang Trading Limited	73393791	Under sanctions by US, EU, Switzerland, and Ukraine	24.09.2021
	Grun Group Co., Limited	73330907	Under sanctions by US, EU, Switzerland, and Ukraine	03.09.2021
Room 803B, 8/F, West Coast International Building, 290–296 Yuen Chau Street, Cheung Sha Wan, Kowloon, Hong Kong	Three Brands Technology Co., Limited	75604447	–	10.08.2023
	Lett Tronic Group Limited	74282351	Under sanctions by US, Japan, EU, Switzerland, and Ukraine	28.07.2022
Unit 1406, 14/F, The Belgian Bank Building, 721–725 Nathan Road, Mong Kok, Kowloon, Hong Kong	Avan Holding Co, Limited	75403675	–	09.06.2023
	Hong Kong Ao Ren Information Technology Co., Limited	70148414	–	03.12.2018

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HS-CODE : 8517.62
machines for the reception,
conversion and transmission data

HS-CODE : 8471.80
automatic data-processing
machines and units

HS-CODE : 8543.20
electrical signal generators

HS-CODE : 8536.69
electrical plugs and sockets for a
voltage not exceeding 1,000 V

HS-CODE : 8542.39
electronic integrated circuits