



MEMORANDUM

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TO **Shenzhen Zhaowei Mechanical And Electrical Co., Ltd.**

深圳市兆威机电股份有限公司

FROM Hogan Lovells

DATE **February 27, 2026**

Privileged and Confidential

SUBJECT **Memorandum of Advice – U.S. export control and sanctions analysis in accordance with the Chapter 4.4 Guidance**

1. Introduction and Scope

- 1.1 We have acted as the international sanctions counsel to Shenzhen Zhaowei Mechanical And Electrical Co., Ltd. (the "**Company**") in connection with the proposed initial public offering (the "**Global Offering**") and listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKEX**").
- 1.2 In light of the Chapter 4.4 of the Guide for New Listing Applicants (the "**Chapter 4.4 Guidance**") effective from January 2024 issued by HKEX, this memorandum assesses whether (i) the Company and its subsidiaries (the Company and its subsidiaries together, the "**Group**") engaged in Primary Sanctioned Activity (as defined below) that violates applicable laws or regulations in the Relevant Jurisdiction(s) (as defined below), and/or results in any material sanctions risk to the Relevant Persons (as defined below); (ii) the Group engaged in Secondary Sanctionable Activity (as defined below) that would likely result in the imposition of any sanctions against the Relevant Persons; and (iii) the Group is a Sanctioned Target (as defined below), is located, incorporated, organized or resident in a Sanctioned Country (as defined below), or is a Sanctioned Trader (as defined below).

1.3 This memorandum is provided for the purposes of the Global Offering only. However, our advice is applicable whether or not the Company proceeds with the Global Offering.

1.4 For the purpose of this memorandum and consistent with the Chapter 4.4 Guidance, the following terms and expressions shall have the respective meanings set out below:

"International Sanctions" means rules and regulations related to economic sanctions programs administered by the Relevant Jurisdictions.

"Primary Sanctioned Activity" means any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction (if applicable) or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation. This definition is in line with the definition of Primary Sanctioned Activity as set out in the Chapter 4.4 Guidance.

"Relevant Jurisdiction" means any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purpose of this memorandum, the Relevant Jurisdictions include the United States ("**U.S.**"), the European Union ("**EU**"), the United Nations ("**UN**"), the United Kingdom ("**UK**", including the UK overseas territories) and Australia.

"Relevant Persons" means the Company, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares, including the Sponsors, the Underwriters, and the HKEX and their respective related group companies.

"Sanctioned Activity" means Primary Sanctioned Activity and Secondary Sanctionable Activity.

"Sanctioned Country" means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction.

"Sanctioned Target" means any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled (as such terms, including any applicable ownership and control requirements are defined and construed in applicable International Sanctions or in any related guidance) by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii). This definition is in line with the definition of Sanctioned Target as set out in the Chapter 4.4 Guidance.

"Sanctioned Trader" means any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Sanctioned Country entities or persons. This definition is in line with the definition of Sanctioned Trader as set out in the Chapter 4.4 Guidance.

"Secondary Sanctionable Activity" means certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction. This definition is in line with the definition of Secondary Sanctionable Activity as set out in the Chapter 4.4 Guidance.

"EAR" means the United States Export Administration Regulations, 15 C.F.R. Parts 730-774, administered by Commerce Department's Bureau of Industry and Security.

- 1.5 This memorandum provides preliminary analysis in accordance with the Chapter 4.4 Guidance based on the facts provided to date to assess the Group's compliance with the International Sanctions and, where appropriate, sets forth certain recommendations in regard to Sanctioned Activities. This memorandum is not intended as a full due diligence review of these issues, nor is it intended to provide any assessment of the Group's existing policies or wider procedures implemented to manage its compliance with rules and regulations related to the International Sanctions and U.S. export control.
- 1.6 In preparing this memorandum, Hogan Lovells reviewed the Company's responses to the *"International Sanctions Due Diligence Checklist"* (the **"Sanctions DD Checklist"**) and *"Export Control Follow-on Questions"* (the **"Export Control DD Checklist"**) dated March 26, 2025, prepared by Hogan Lovells, and related e-mail correspondence. We have also reviewed the information contained in the Company's prospectus prepared in connection with the Global Offering, as that document being amended from time to time during the Global Offering, as well as the Company's preliminary offering circular, as supplemented by the pricing term sheet, and the Company's financial offering circular (together, the **"Prospectus"**). The Group's responses to the Sanctions DD Checklist and Export Control DD Checklist have included various documents that relate to the subject matter of the Sanctions DD Checklist and Export Control DD Checklist, and we have reviewed those documents as part of our preparation of this memorandum. In particular, we are advised by the Company that, during three years ended December 31, 2024 and the nine months ended September 30, 2025 (the **"Track Record Period"**), the Group had transactions with the following entities:
- (a) Huawei Device Co., Ltd. (华为终端有限公司) (**"Huawei Device"**);
 - (b) Shanghai Huawei Technologies Co., Ltd. (上海华为技术有限公司) (**"Shanghai Huawei"**);
 - (c) Hangzhou Huawei Communication Technology Co., Ltd. (杭州华为企业通信技术有限公司) (**"Hangzhou Huawei"**);
 - (d) Changchun Institute of Optics, Fine Mechanics and Physics, Chinese Academy of Sciences (中国科学院长春光学精密机械与物理研究所) (**"CIOMP"**);
 - (e) IFLYTEK Co., Ltd. (科大讯飞股份有限公司) (**"IFLYTEK"**);
 - (f) China Electronics Corporation (中国电子信息产业集团) (**"China Electronics"**); and
 - (g) Limited Liability Company INELSO (**"INELSO"**) (before its designation as a Sanctioned Target),

collectively, the "**Relevant Entities**".

- 1.7 As to matters of fact material to the conclusion stated herein, we have relied on the representations and statements of fact made in the documents we reviewed or made by the Group. We have not independently verified or established the facts so relied on.
- 1.8 As of the date of this memorandum, "**Sanctioned Countries**" within the meaning of the Chapter 4.4 Guidance include: Cuba, Iran, Kherson region, North Korea, Syria, the Crimea region of Ukraine/Russia, the so-called Donetsk People's Republic ("**DPR**"), Luhansk People's Republic ("**LPR**") regions of Ukraine and Zaporizhzhia region. We note that, during the Track Record Period, the Group had transactions with (1) the following countries or territories for which Relevant Jurisdictions maintain various forms of sanctions programs in place (albeit not a "general and comprehensive export, import, financial or investment embargo" within the meaning of the Chapter 4.4 Guidance): Hong Kong SAR ("**Relevant Region**"); and (2) the following Sanctioned Targets: Huawei Device, Shanghai Huawei, Hangzhou Huawei, CIOMP, IFLYTEK, China Electronics, and INELSO.
- 1.9 This memorandum is based on the understanding and assumptions detailed herein. Hogan Lovells relies on the completeness and accuracy of the information given to it by the Company. If any of the assumptions are incorrect, or any changes occur in or correction to the information given, the Company is recommended to inform Hogan Lovells so that it can confirm the content of this analysis.
- 1.10 This memorandum is given only with respect to International Sanctions in force [up to the date of this memorandum]. Hogan Lovells underlines that sanctions measures adopted by the international community remain under constant review. Therefore, the scope and application of the measures discussed below are subject to change and should be carefully monitored. We, however, have no obligation to notify any recipient or other person of any change in International Sanctions or their applications after the date of this memorandum. No opinion or advice is expressed or implied as to the laws of any other territory, or as to matters of fact, except for International Sanctions discussed below.

2. **CONCLUSION**

- 2.1 On the basis of the information received from the Company and after carrying out its procedures and analysis set out below, Hogan Lovells is of the view that:
 - (a) During the Track Record Period, the Group did not engage in Primary Sanctioned Activity because there were no activities in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target, by the Company and its subsidiaries incorporated or located in a Relevant Jurisdiction (if applicable) or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation. As such, the Group would not appear to have violated applicable sanctions law or regulation in the Relevant Jurisdictions that could result in any material sanctions risk to the Relevant Persons, and, in assessing the materiality, we have taken into account the likelihood of the imposition of potential sanctions and the severity of the potential sanctions;
 - (b) The Group did not engage during the Track Record Period in Secondary Sanctionable Activity because there were no activities targeted by extra-territorial provisions of sanctions law or regulation in the Relevant Jurisdictions. As such, it is

highly unlikely that the Group's activities would result in the imposition of sanctions on the Relevant Persons;

- (c) None of the Group's customers in the Relevant Region has been designated as a Sanctioned Target;
- (d) None of the Group entities has been designated as a Sanctioned Target, nor is it located, incorporated, organised or resident in a Sanctioned Country; and
- (e) The Group is not a Sanctioned Trader because it did not derive a material portion of its revenue (10% or more) during the Track Record Period from business activities with Sanctioned Country entities or persons or with Sanctioned Targets (in fact, no such revenue derived from business activities with Sanctioned Country entities or persons or with Sanctioned Targets was identified).

2.2 As no material sanctions risks appear to be present, the Company and/or its shareholders are not required to make undertakings pursuant to the Chapter 4.4 Guidance. Notwithstanding, to mitigate the sanctions compliance risk, the Group has implemented the following internal control measures:

- (a) Pre-transaction compulsory screening: All new customers must undergo mandatory screening against the sanctions lists and identify their ultimate beneficiaries before entering the transaction.
- (b) Risk classification management: Assess the risk level based on customer location, industry, and other information, and initiate enhanced due diligence for high-risk customers.
- (c) System and Implementation Guarantee: Enforcement by a dedicated compliance officer/team with "veto power". Conduct regular training for frontline business personnel to ensure the implementation of the system.
- (d) Continuous monitor and regularly review all customer relationships: Immediate action will be taken as soon as any potential sanctions risk is identified, including suspending or terminating the business, to ensure full compliance.

3. EXECUTIVE SUMMARY

3.1 The Group is a China-based provider of integrated micro transmission and drive systems solutions.

3.2 Based on the information provided by the Company on behalf of the Group:

- (a) In relation to the Group's transactions with Huawei Device:
 - (i) During the Track Record Period, the Group sold the Group's products to Huawei Device domestically in Mainland China, all transactions were denominated in RMB and did not involve exports or transactions outside the Chinese border.
 - (ii) Huawei Device was designated by the Bureau of Industry and Security ("**BIS**") on the Entity List effective from May 21, 2019. Provision of items subject to the Export Administration Regulation ("**EAR**") without a licence

from BIS to Huawei Device is prohibited. License application is subject to a presumption of denial.

- (b) In relation to the Group's transactions with Shanghai Huawei:
 - (i) During the Track Record Period, the Group sold the Group's products to Shanghai Huawei domestically in Mainland China, all transactions were denominated in RMB and did not involve exports or transactions outside the Chinese border.
 - (ii) Shanghai Huawei was designated by the BIS on the Entity List effective from May 21, 2019. Provision of items subject to the Export Administration Regulation ("**EAR**") without a licence from BIS to Shanghai Huawei is prohibited. License application is subject to a presumption of denial.
- (c) In relation to the Group's transactions with Hangzhou Huawei:
 - (i) During the Track Record Period, the Group sold the Group's products to Hangzhou Huawei domestically in Mainland China, all transactions were denominated in RMB and did not involve exports or transactions outside the Chinese border.
 - (ii) Hangzhou Huawei was designated by the BIS on the Entity List effective from May 21, 2019. Provision of items subject to the EAR without a licence from BIS to Hangzhou Huawei is prohibited. License application is subject to a presumption of denial.
- (d) In relation to the Group's transactions with CIOMP:
 - (i) During the Track Record Period, the Group sold the Group's products to CIOMP domestically in Mainland China, all transactions were denominated in RMB and did not involve exports or transactions outside the Chinese border.
 - (ii) CIOMP was designated by the BIS on the Entity List effective from January 6, 2025. Provision of items subject to the EAR without a licence from BIS to CIOMP is prohibited. License application is subject to a presumption of denial.
- (e) In relation to the Group's transactions with IFLYTEK:
 - (i) During the Track Record Period, the Group sold the Group's products to IFLYTEK domestically in Mainland China, all transactions were denominated in RMB and did not involve exports or transactions outside the Chinese border.
 - (ii) IFLYTEK was designated by the BIS on the Entity List effective from October 9, 2019. Provision of items subject to the EAR without a licence from BIS to IFLYTEK is prohibited. License application is subject to a presumption of denial.
- (f) In relation to the Group's transactions with China Electronics:

- (i) During the Track Record Period, the Group sold the Group's products to China Electronics domestically in Mainland China, all transactions were denominated in RMB and did not involve exports or transactions outside the Chinese border.
 - (ii) China Electronics was designated by the United States Department of Treasury's Office of Foreign Assets Control on the Non-SDN Chinese Military-Industrial Complex Companies List ("**NS-CMIC List**") effective August 2, 2021. United States persons are prohibited beginning on August 2, 2021, from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of China Electronics unless licensed or authorized by the relevant U.S. government authority.
 - (iii) EO 13959 prohibits United States persons beginning on the effective date for the designation of a CMIC, from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of any person listed as a CMIC unless licensed or authorized by the relevant U.S. government authority.
- (g) In relation to the Group's transactions with INELSO:
- (i) During the Track Record Period, the Group sold the Group's products to INELSO domestically in Mainland China, all transactions did not involve exports or transactions outside the Chinese border]. The Company confirms that none of the materials, equipments, technologies or software it used to produce the Group's products to INELSO are U.S.-origin or otherwise subject to the EAR.
 - (ii) INELSO was designated by the BIS on the Entity List effective from December 7, 2023. Provision of items subject to the EAR without a licence from BIS to INELSO is prohibited. License application is subject to a presumption of denial.
 - (iii) In addition, INELSO was designated by OFAC as an SDN on May 19, 2023. Based on the Company's confirmation, the last transaction with INELSO occurred in March 2023 and the shipment to INELSO occurred on and around March 29, 2023 before its designation.
 - (iv) Given the nature of the transactions involving INELSO stated above, including that the Group did not have any transactions with INELSO since its SDN designation date and that the designation has no retrospective effect, and was not engaged in any exports or transactions of any items subject to the EAR to INELSO, export restrictions applicable to INELSO being designated on the Entity List maintained by the BIS and on the SDN List by the OFAC were not implicated.

3.3 United States

- (a) On the basis of our due diligence conducted and the Company's confirmations that:

- (i) save as ZW Drive. Inc, neither the Company nor any of its subsidiaries are incorporated in the United States. No U.S. entities were involved in the Group's activities with the Relevant Entities;
- (ii) no U.S. persons are employed or otherwise engaged by the Company or its Group entities. No U.S. persons were involved in the Group's activities with Relevant Entities;
- (iii) no products supplied, sold, exported or otherwise transferred by the Group incorporates 10% or more (by value) of U.S.-origin content. In fact, no products were supplied, sold, exported or otherwise transferred by the Group listed on the BIS Lists (as defined as below), including the Relevant Entities, or SDNs (as defined as below) containing 10% or more (by value) of U.S.-origin content;
- (iv) the Group had conducted U.S. export controls classifications over the products exported or sold to the Relevant Entities, and confirms that these products exported or sold are not subject to the EAR;
- (v) the Group has not, during the Track Record Period, undertaken, either directly or indirectly, any contract or any other activity with a counterparty, nor has otherwise provided goods or services to any person, in Sanctioned Countries;
- (vi) save for the transactions with Relevant Entities, no products have been exported (either directly or indirectly) to any persons or entities identified on the U.S. Department of Commerce, Bureau of Industry and Security's Entity List ("**Entity List**"), Denied Parties List, Unverified List, Military-End User List, or Military-Intelligence End User List (collectively, "**BIS Lists**");
- (vii) no Specially Designated Nationals and Blocked Persons ("**SDNs**") have been identified as being involved in the procurement conducted by the Group during the Track Record Period, the transactions with INELSO were prior to its designation as an SDN;
- (viii) the Company has reviewed all transaction records since 2020 and has not identified any payments related to Sanctioned Countries during that time; and
- (ix) the Group's activities with Relevant Entities were limited to transactions set out in Section 3.2(a),

Hogan Lovells' assessment is that no products subject to the EAR have been exported to any persons or entities identified on the BIS Lists, and the business dealings of the Group with the Relevant Entities do not appear to violate or implicate any breaches of applicable U.S. sanctions laws and regulations.

3.4 UN

- (a) On the basis of our due diligence conducted and the Company's confirmations that:
 - (i) the Group's activities with Relevant Entities were limited to transactions set out in Section 3.2(a); and

- (ii) the Company, for and on behalf of the Group, has confirmed that it does not have business dealings with parties targeted by UN sanctions,

Hogan Lovells' assessment is that the Group's business dealings do not implicate restrictive measures adopted by the UN.

3.5 European Union, UK and UK Overseas Territories

- (a) On the basis of our due diligence conducted and the Company's confirmations that:
 - (i) neither the Company nor any of its affiliates, agents, directors, officers, or employees has or is engaged in transactions, business or financial dealings that directly or indirectly involve or benefit a person or entity listed under EU, UK or UK Overseas Territories sanctions, or has or is engaged in any other activity subject to restrictions under sectoral EU or UK sanctions;
 - (ii) the Company's activities with the Relevant Entities were limited to transactions set out in Section 3.2(a), and did not involve any products that are subject to sectoral sanctions in the EU, the UK or UK Overseas Territories;
 - (iii) no products supplied, sold, exported or otherwise transferred by the Group to the above entities (including the Relevant Entities) incorporates 10% or more (by value) of EU or UK-origin content;
 - (iv) the Company has not been, directly or indirectly, involved in the export from the EU, the UK and/or UK Overseas Territories of any items listed in the EU Common Military List or the EU Dual Use list (Annex I to Regulation (EU) 2021/821), Annex I to Council Regulation 428/2009 as retained by the European Union (Withdrawal) Act 2018 ("**the UK Dual-Use Regulation**"), or any items listed under Schedule 2 or 3 of the UK Export Control Order 2008 as amended,

Hogan Lovells' assessment, based on a review of the declarations provided by the Company on behalf of the Group, is that the prohibitions and wider restrictions under EU, UK and UK Overseas Territories sanctions measures as applicable during the Track Record Period, are not implicated by the Group's business activities with the Relevant Entities.

3.6 Australia

- (a) On the basis that:
 - (i) the Group or any of its subsidiaries is not:
 - (1) a person in Australia;
 - (2) an Australian citizen or Australian-registered body;
 - (3) owned or controlled by Australians or persons in Australia;
 - (4) a person using an Australian flag vessel or aircraft to transport goods or transact services subject to Australian autonomous sanctions; or

(5) engaged in any direct activities in Australia,

Hogan Lovells' assessment is that International Sanctions measures administered and enforced by the Government of Australia do not appear to be implicated by the Group's activities.

4. COMPANY BACKGROUND

5. Shenzhen Zhaowei Mechanical And Electrical Co., Ltd. is a joint stock company established in the PRC with limited liability on April 19, 2001, which was later converted into a joint company on January 10, 2018. We have relied on the Prospectus for the Group's shareholding structure immediately prior to the reorganization, immediately before the completion of the Capitalization Issue and the Global Offering, and immediately upon completion of the Capitalization Issue and the Global Offering, respectively.

5.1 The Company has confirmed that it is not owned 50% or more, or controlled, by one or more U.S. persons as defined under U.S. economic sanctions laws and regulations.

5.2 The Company has confirmed that none of its, its subsidiaries, or any of the Group entities' Directors or Shareholders is a U.S., EU, UK or Australian national, except:

(a) ZW Drive, Inc, a subsidiary of the Company incorporated in the U.S.; and

(b) ZW Drive GmbH, a subsidiary of the Company incorporated in Germany.

5.3 The following table sets out the information regarding the directors of Shenzhen Zhaowei Mechanical And Electrical Co., Ltd.:

Director	Name	Nationality
Executive Directors	Li Haizhou (李海周)	Chinese
	Xie Yanling (谢燕玲)	Chinese
	Ye Shubing (叶曙兵)	Chinese
	Li Ping (李平)	Chinese
Employee Representative Director	Lu Zhiqiang (陆志强)	Chinese
Independent Non-executive Directors	Guo Xinmei (郭新梅)	Chinese
	Zhou Changjiang (周长江)	Chinese
	Lin Sen (林森)	Chinese

- 5.4 Based on the confirmations provided by the Company, none of the products transported by the Group outside the U.S. are of U.S.-origin; the U.S. origin content contained in the products transported by the Group to the Relevant Entities are not export controlled and the amount of such U.S. origin content does not exceed 10% of the value of the products and do not incorporate U.S.-origin content.
- 5.5 The Company has confirmed on behalf of all the entities in the Group that, to its best knowledge, none of the products or services supplied, sold or exported or transferred by the Group are controlled under U.S. export controls or are otherwise restricted for transfer, either directly or indirectly, from the United States (or by U.S. persons) to or for use in any third country.
- 5.6 Based on the information provided by the Company, the Company believes that none of the products supplied, sold, exported or transferred by the Group are controlled or otherwise restricted for transfer either directly or indirectly, from the EU (or by EU persons), including the UK, or from the UK Overseas Territories (or by UK Overseas Territories nationals).

6. **U.S. SANCTIONS: ECONOMIC SANCTIONS AND EXPORT CONTROLS**

6.1 **U.S. Economic Sanctions**

- (a) There are two types of U.S. economic sanctions potentially applicable to the Group:
- (i) "Primary" U.S. sanctions applicable to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons);
 - (ii) "Secondary" U.S. sanctions applied extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus;
- (b) **Primary Sanctions Applicable to U.S. Persons**
- (i) The U.S. Treasury Department's OFAC administers U.S. sanctions programs against targeted countries, entities, and individuals. As the economic sanctions are intended to further the foreign policy goals of the United States, they vary considerably from program to program. Likewise, OFAC has wide latitude to interpret and enforce its regulations based on the foreign policy goals of the U.S. Government.
 - (ii) When the U.S. Government imposes economic sanctions against a country, entity, or individual, U.S. law prohibits (with limited exceptions that do not apply in this case) U.S. companies or U.S. persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeted country, entity or individual. Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" any assets/property interests owned, controlled or held for the benefit of a Sanctioned Country, entity, or individual when such assets/property interests are in the United States or within possession or control of a U.S. person. A "blocked" asset means no transaction may be undertaken or effected with respect to the asset/property interest – no payments, benefits, provision of services or other dealings or other type of

performance (in case of contracts/agreements) – except pursuant to an authorization or license from OFAC.

(iii) **Persons Governed by U.S. Sanctions**

- (1) In general, U.S. economic sanctions apply to "U.S. persons". The term "U.S. persons" includes:
 - (i) entities organized under U.S. Law (such as U.S. companies and their U.S. subsidiaries);
 - (ii) any U.S. company's domestic and foreign branches;
 - (iii) any individual who is a U.S. citizen or permanent resident alien ("green card" holder), regardless of his or her location in the world;
 - (iv) any individual, regardless of his or her nationality, who is physically present in the United States; and
 - (v) U.S. branches or U.S. subsidiaries of non-U.S. companies.
- (2) In the case of U.S. sanctions applicable to Iran and Cuba, primary sanctions specifically apply to all foreign subsidiaries of U.S. companies and any other entities owned or controlled by U.S. persons (such as 50/50 joint ventures, for example). See Section 218 of the Iran Threat Reduction and Syria Human Rights Act of 2012, H.R. 1905 (PL 112-158), implemented by OFAC as section 560.215 of the Iranian Transactions and Sanctions Regulations ("ITSR"), which makes parent companies liable for their foreign subsidiaries' Iranian sanctions violations, and Section 515.329 of the Cuban Assets Control Regulations ("CACR").
- (3) In the case of U.S. sanctions applicable to other countries in the Relevant Region, such primary sanctions only apply to U.S. persons as defined above, not to their foreign subsidiaries or to non-U.S. companies.
- (4) In addition, primary sanctions prohibit U.S. persons, wherever located, from approving, financing, facilitating, or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. person or within the United States. This is generally known as the "facilitation" prohibition and is a broad extension of the jurisdictional reach of U.S. sanctions applicable to U.S. persons in countries subject to comprehensive sanctions prohibitions. See, e.g., ITSR, 31 C.F.R. § 560.208. The processing of payments by U.S. banks or U.S. payment processors for Iran-related trade by non-U.S. companies would constitute "facilitation" of such trade and is prohibited.
- (5) The facilitation concept is broad. In general, a U.S. person is not permitted to facilitate in any way activities of a third party with a Sanctioned Country or a sanctioned person if the U.S. person itself

could not directly engage in the underlying activity. Usually it arises in the context of parent companies and their subsidiaries or between affiliates, where one entity is jurisdictionally required to comply but the other is not. The issue may also arise in the dealer/sub-dealer context, where the dealer is dependent on support from its supplier/partner. "Facilitation" may include the following activities:

"...a prohibited facilitation or approval of a transaction by a foreign person occurs, among other instances, when a U.S. person:

- (i) Alters its operating policies or procedures, or those of a foreign affiliate, to permit a foreign affiliate to accept or perform a specific contract, engagement or transaction involving a party in or the government of Iran without the approval of the U.S. person, where such transaction previously required approval by the U.S. person and such transaction by the foreign affiliate would be prohibited by this part if performed directly by a U.S. person or from the United States;
- (ii) Refers to a foreign person purchase orders, requests for bids, or similar business opportunities involving a party in or the government of Iran to which the U.S. person could not directly respond as a result of U.S. sanctions laws or regulations; or
- (iii) Changes the operating policies and procedures of a particular affiliate with the specific purpose of facilitating transactions that would be prohibited by this part if performed by a U.S. person or from the United States." ITSR § 560.417.

(iv) **Targets of Primary U.S. Sanctions Programs**

- (1) There are two types of primary U.S. sanctions programs – country-based programs (which are territorial in nature) and list-based programs (which are not territorial in nature, as they do not apply to the entire country or all of its territory). Violations of either type of primary U.S. sanction program can result in "strict" civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, wilful violations may result in criminal liability punishable by imprisonment and elevated fines.

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

- 1. Comprehensive sanctions programs prohibit U.S. persons from dealing in any manner with Sanctioned Countries and their governments, as well as with any persons or entities in those countries or territories. Currently, the United States maintains

comprehensive sanctions against: Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine/Russia and LPR or DPR regions (comprehensive OFAC sanctions against Sudan were terminated as of October 12, 2017). Generally, comprehensive country sanctions prohibit transactions with or services in, from or benefitting the targeted country or any persons/entity in it. However, the comprehensive country sanctions may also be applicable to transactions outside the country (for example, restricting dealings in goods or services originating from a Sanctioned Country, or with persons who ordinarily reside in the Sanctioned Country).

2. Limited sanctions programs prohibit U.S. persons from participating in certain types of transactions with sanctioned countries and/or governments, such as the provision of services, financing, investments, exports, and/or imports. Prohibited activities vary from program to program, and they generally are not as broad (for example, they do not target activities with all persons or entities in that country). Currently, the U.S. government maintains limited sanctions programs in relation to countries such as Iraq and Libya, and OFAC has issued a series of general licenses authorizing numerous activities.

- (ii) *List-based sanctions programs.* In addition to country-based sanctions programs, primary U.S. sanctions include list-based sanctions that prohibit U.S. persons from dealing with or facilitating dealings with individuals, entities and organizations that have been designated as SDNs by OFAC for a variety of reasons. Although some of these programs reflect the name of a particular country in its title (e.g., Belarus, Burundi, Central African Republic, the Democratic Republic of Congo, Lebanon, Somalia, South Sudan, Yemen, Zimbabwe), these sanctions are not territorial in nature and do not apply to the country as a whole, and they do not target the government of such country as a whole nor all persons and entities in the country. Instead, the restrictions apply only to persons and entities that are on the SDN List, which may include some government officials or other parties designated for a variety of reasons (the restrictions also apply to entities owned, at 50% or higher level, by designated SDNs). The names of these designated parties are published on the OFAC SDN List; they include persons or entities targeted for a variety of reasons including but not limited to:

1. terrorists and terrorist organizations;

2. narcotics traffickers;
 3. persons involved in the proliferation of weapons of mass destruction;
 4. persons or entities undermining democratic processes, freedom of expression, or those involved in human rights abuses or censorship activities, among other targeted activities; and
 5. individuals and entities that the U.S. Government considers to be "arms" of the sanctioned governments identified above.
- (iii) U.S. persons are not permitted to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List (or entities owned at 50% or higher level, directly or indirectly, by SDNs) unless authorized by OFAC. The SDN List is updated often, and is available on OFAC's website at <https://sdnsearch.ofac.treas.gov/>. Numerous vendors also provide screening solutions that can be tailored to fit a particular business' needs and IT systems.
- (v) **Application to Hong Kong**
- (1) On July 14, 2020, the Hong Kong Autonomy Act ("**the Act**") became law authorizing the imposition of sanctions on certain parties related to certain activities in the Hong Kong Special Administrative Region ("**HKSAR**"). The Act provides a range of sanctions available to the U.S. government to target foreign persons or foreign financial institutions determined to have engaged in "significant transactions" with certain foreign persons, such as designated senior Hong Kong or Chinese government officials or Chinese companies involved in the erosion of Hong Kong's autonomy. The Act did not designate any foreign officials; instead, the Act requires the Secretary of State to prepare a list of foreign persons who are materially contributing, have materially contributed, or attempt to materially contribute to China's failure to meet its obligations under the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Question of Hong Kong (December 19, 1984) and the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China. If such persons are designated under the Act, then foreign financial institutions could face exposure themselves to restrictive measures if they engage in "significant" transactions with such designated persons.
 - (2) On the same day, the President issued the Executive Order on Hong Kong Normalization ("**EO 13936**"). This EO, among other actions, authorizes the imposition of sanctions on foreign persons determined to be involved in developing, adopting, and/or implementing China's National Security Law, among other actions.

The EO blocks any transactions or transfers involving any and all property and/or interests in the United States of anyone the Secretary of State in consultation with the Secretary of Treasury (or vice versa):

- (i) To be or have been involved, directly or indirectly, in the coercing, arresting, detaining, or imprisoning of individuals under the authority of, or to be or have been responsible for or involved in developing, adopting, or implementing, the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Administrative Region.
- (ii) To be responsible for or complicit in, or to have engaged in, directly or indirectly, any of the following:
 - 1. Actions or policies that undermine democratic processes or institutions in Hong Kong.
 - 2. Actions or policies that threaten the peace, security, stability, or autonomy of Hong Kong.
 - 3. Censorship or other activities with respect to Hong Kong that prohibit, limit, or penalize the exercise of freedom of expression or assembly by citizens of Hong Kong, or that limit access to free and independent print, online, or broadcast media.
 - 4. The extrajudicial rendition, arbitrary detention, or torture of any person in Hong Kong or other gross violations of internationally recognized human rights or serious human rights abuse in Hong Kong.
- (iii) To be or have been a leader or official of:
 - 1. An entity, including any government entity, which has engaged in, or whose members have engaged in, any of the activities described above.
 - 2. An entity whose property and interests in property are blocked pursuant to EO 13936.
 - 3. To have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked by EO 13936.
 - 4. To be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked by EO 13936.

- (iv) To be a member of the board of directors or a senior executive officer of any person whose property and interests in property are blocked by EO 13936.
 - (v) Under the authority of EO 13936, OFAC has already designated as SDNs several government officials in Hong Kong, including those in top political leadership. As a result of their SDN designation, US sanctions extend to dealings with any non-listed entity in which those SDNs hold, directly or indirectly, individually or in the aggregate, a 50% or greater interest.
 - (vi) On September 25, 2020, OFAC issued Frequently Asked Question (FAQ) 840 on the effect of designating several political leaders of Hong Kong. FAQ 840 states that the designation of an official of the Government of the HKSAR does not itself block the HKSAR government or any government agency where the SDN is an official or otherwise exercises control. Accordingly, engaging in a routine interaction with an agency in which an SDN is an official, but which does not involve the SDN directly or indirectly, is not prohibited. FAQ 840 further states that U.S. persons may enter into HKSAR government contracts signed by a non-SDN official of the HKSAR to whom the HKSAR government has delegated the authority to enter such contracts.
- (vi) **Application to the Group**
- (1) Neither the Company nor any of its subsidiaries are incorporated in the United States. No U.S. entities were involved in the Group's activities with the Relevant Entities.
 - (2) No U.S. persons are employed or otherwise engaged by the Company or its Group entities. No U.S. persons were involved in the Group's activities with the Relevant Entities.
 - (3) No products supplied, sold, exported or otherwise transferred by the Group incorporate 10% or more (by value) of U.S.-origin content. In fact, no products were supplied, sold, exported or otherwise transferred by the Group to the Relevant Entities.
 - (4) The Group had conducted U.S. export controls classifications to the products exported or sold to the Relevant Entities are not subject to the EAR.
 - (5) The Group has not, during the Track Record Period, undertaken, either directly or indirectly, any contract or any other activity with a counterparty, nor has otherwise provided goods or services to any person, in Sanctioned Countries.
 - (6) Save for the transactions with the Relevant Entities, no products have been exported (either directly or indirectly) to any persons or

entities identified on the U.S. Department of Commerce, Bureau of Industry and Security's BIS Lists.

- (7) No SDNs have been identified as being involved in the procurement conducted by the Group during the Track Record Period.
- (8) The Company has reviewed all transaction records since 2020 and has not identified any payments related to Sanctioned Countries during that time.
- (9) The Group's activities with the Relevant Entities were limited to transactions set out in Section 3.2(a).

Hogan Lovells assessment is that the business dealings of the Group with the Relevant Entities do not appear to violate or implicate any breaches of the U.S. primary sanctions.

(c) Secondary Sanctions Applicable to Non-U.S. Persons

- (i) The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in certain defined activities, including:
 - (1) those who are dealing in "confiscated" property in Cuba;
 - (2) those who are engaging in certain Syria- or Iran-related activities, including certain targeted sectors of Iranian, North Korean, Belarussian, Burmese, Russian and Venezuelan economy;
 - (3) those who are found to "operate in" the Crimea, DPR or LPR region or in the targeted sectors of Venezuelan economy (gold, oil, financial, defense/security), Russian economy (energy, metals and mining, quantum computing, defense, technology, financial services, aerospace, marine, electronics, accounting, management consulting and trust/corporate formation sectors), North Korean economy (construction, energy, financial services, fishing, information technology, manufacturing, medical, mining, textiles, or transportation), Burmese (defense), or Belarussian economy (defense and related materiel, security, energy, potassium chloride (potash) sector, tobacco products, construction, or transportation);
 - (4) those engaging in a "significant" importation from or exportation to North Korea of any goods, services, or technology;
 - (5) those engaging in "significant" transactions with Iranian or Russian SDNs; and
 - (6) those who are engaging in the provision of "material assistance" or support to most types of SDNs (including SDNs designated under the Ukraine/Russia sanctions programs, among others).
- (ii) The Company has, for and on behalf of the Group has confirmed that based on their due diligence process, it has no dealings involving Kherson region, Zaporizhzhia region, Crimea, DPR/LPR regions of Ukraine, Cuba, Iran,

North Korea, Syria, and Venezuela or with any SDNs. For those reasons, Hogan Lovells' assessment is that the risk of the Group or Relevant Persons facing exposure to secondary U.S. sanctions is low.

(d) The Offering

- (i) The Group will be required to make standard representations, warranties and covenants to the Sponsors in the Hong Kong Underwriting Agreement and International Underwriting Agreement that the proceeds of the offering will not be used in any manner that could be found to violate any International Sanctions laws or regulations, including representing that the Group will not make any of the proceeds of the offering, directly or indirectly, available to (i) a person on the SDN List or (ii) fund any activity that is prohibited by International Sanctions laws or regulations.
- (ii) We note from the draft Prospectus as of [***] under which the Group's intended uses of the proceeds of the Offering are set out in detail, and we have relied on those statements in connection with our analysis; the Group has confirmed that such statements are accurate in all respects. In those statements, the Group confirms that the proceeds will be used:
 - (1) for global technology R&D and expansion of the Group's product and solution portfolio;
 - (2) to expand the Group's global production capacity worldwide and enhance production efficiency;
 - (3) to selectively pursue strategic alliances, investments and acquisitions globally with a view to enhancing the Group's international competitiveness in integrated micro transmission and drive systems and high-growth application scenarios;
 - (4) to expand the Group's global service and sales network and strengthen global marketing efforts; and
 - (5) for the Group's working capital and general corporate purposes.
- (iii) We also note that none of the Company and its subsidiaries, their respective shareholders, directors or officers disclosed in the Prospectus is a person or entity named on the SDN List.

6.2 U.S. Export/Re-Export Controls

- (a) Unlike U.S. economic sanctions that follow the persons or parties involved, U.S. export controls follow the product involved. Any item that is sent from the United States to a foreign destination is an export. "Items" include commodities, software or technology, including but not limited to circuit boards, automotive parts, blueprints, design plans, retail software packages and technical information. How an item is transported outside of the United States does not matter in determining export license requirements. For example, an item can be sent by regular mail, hand-carried on an airplane, sent via facsimile, software can be uploaded to or downloaded from an Internet site, or technology can be transmitted via e-mail or during a telephone conversation. Regardless of the method used for the transfer,

the transaction is considered an export (or a re-export if such U.S.-origin item is transferred from one foreign country to another).

- (b) The U.S. Department of Commerce, Bureau of Industry and Security controls exports and re-exports of commercial and dual-use products, software and technology. These controls are implemented by the United States Export Administration Regulations, 15 C.F.R. Parts 730-774, administered by BIS.
- (c) The EAR applies to exports of commodities, software and technology from the United States to foreign countries and to re-exports from one foreign country to another. In addition, they apply to shipments from one foreign country to another of foreign-made products that incorporate more than de minimis amount of controlled U.S. origin parts, components or materials, or are the foreign direct product of certain controlled U.S. technology. The de minimis threshold varies, from 25% for most countries to less than 10% for Iran (Cuba, North Korea, and Syria also have the 10% threshold but Crimea, DPR, and LPR regions of Ukraine have the 25% threshold), and what items are considered controlled (and thus are included in the de minimis calculation) also varies. The United States has also instituted export-related restrictions for certain commercial and dual-use items subject to the EAR when destined to Russia for certain end-uses or end-users, as well as restrictive licensing policies under the U.S. International Traffic in Arms Regulations ("ITAR") for export-related transactions involving defence articles and defence services intended for end-use in Russia. The ITAR export controls are administered by the U.S. Department of State Directorate of Defense Trade Controls.

6.3 **Application to Huawei Device**

- (a) Huawei Device was designated by the BIS on the Entity List effective from May 21, 2019. Provision of items subject to the EAR without a licence from BIS to Huawei Device is prohibited. License application is subject to a presumption of denial.

6.4 **Application to Shanghai Huawei**

- (a) Shanghai Huawei was designated by the BIS on the Entity List effective from May 21, 2019. Provision of items subject to the EAR without a licence from BIS to Shanghai Huawei is prohibited. License application is subject to a presumption of denial.

6.5 **Application to Hangzhou Huawei**

- (a) Hangzhou Huawei was designated by the BIS on the Entity List effective from May 21, 2019. Provision of items subject to the EAR without a licence from BIS to Hangzhou Huawei is prohibited. License application is subject to a presumption of denial.

6.6 **Application to CIOMP**

- (a) CIOMP was designated by the BIS on the Entity List effective from January 6, 2025. Provision of items subject to the EAR without a licence from BIS to CIOMP is prohibited. License application is subject to a presumption of denial.

6.7 **Application to IFLYTEK**

- (a) IFLYTEK was designated by the BIS on the Entity List effective from October 9, 2019. Provision of items subject to the EAR without a licence from BIS to IFLYTEK is prohibited. License application is subject to a presumption of denial.

6.8 Application to China Electronics

- (a) China Electronics was designated by the United States Department of Treasury's Office of Foreign Assets Control on the Non-SDN Chinese Military-Industrial Complex Companies List ("**NS-CMIC List**") effective August 2, 2021. United States persons are prohibited beginning on August 2, 2021, from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of China Electronics unless licensed or authorized by the relevant U.S. government authority.
- (b) EO 13959 prohibits United States persons beginning on the effective date for the designation of a CMIC, from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of any person listed as a CMIC unless licensed or authorized by the relevant U.S. government authority.

6.9 Application to the Group

- (1) The Group does not sell nor export U.S.-origin products or non-U.S. origin products that incorporate 10% or more of controlled U.S.-origin products, software or technology to the Relevant Entities;
- (2) The Group had conducted U.S. export controls classifications of the products exported or sold to the Relevant Entities, and confirms that these products are not subject to the EAR.
- (3) No U.S. persons employed or otherwise engaged by the Group have been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of, any activities of the Company or its Group entities with the Relevant Entities and the Relevant Region.

Hogan Lovells assessment is that the business dealings of the Group with the Relevant Entities do not appear to violate or implicate any breaches of the U.S. sanctions and export controls.

6.10 Secondary Sanctions Applicable to Non-U.S. Persons

- (i) The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in certain defined activities, including:
 - (1) those who are dealing in "confiscated" property in Cuba;
 - (2) those who are engaging in certain Syria- or Iran-related activities, including certain targeted sectors of Iranian, North Korean, Belarussian, Burmese, Nicaraguan, Russian and Venezuelan economy;
 - (3) those who are found to "operate in" the Crimea or DPR/LPR regions or in the targeted sectors of Venezuelan economy (gold, oil, financial,

defense/security), Nicaraguan economy (gold), Russian economy (metals and mining, quantum computing, defense, technology, maritime, aerospace, electronics, financial services, accounting, management consulting and corporate/trust formation services sectors), North Korean (construction, energy, financial services, fishing, information technology, manufacturing, medical, mining, textiles, or transportation), Burmese (defense), or Belarussian (defense and related materiel, security, energy, potassium chloride (potash) sector, tobacco products, construction, or transportation);

- (4) those engaging in a "significant" importation from or exportation to North Korea of any goods, services, or technology;
 - (5) those engaging in "significant" transactions with Iranian or Russian SDNs; and
 - (6) those who are engaging in the provision of "material assistance" or support to most types of SDNs (including SDNs designated under the Ukraine/Russia sanctions programs, among others).
- (ii) The Company has, for and on behalf of the Group has confirmed that based on their due diligence process, it has no dealings involving Crimea, DPR/LPR, Kherson, Zaporizhzhia, Cuba, Iran, North Korea, Syria, and Venezuela or with any SDNs. The nature of the Group's business with the Relevant Entities should not trigger U.S. secondary sanctions targeting certain industries. Accordingly, secondary sanctions are not likely to be triggered by the Group's business operations, based on our due diligence process, the Group's due diligence in this respect, as well as the information provided by the Group. For those reasons, Hogan Lovells' assessment is that the Group or Relevant Persons would not face exposure to secondary U.S. sanctions.

7. UN SANCTIONS

- 7.1 UN sanctions measures are adopted via a Resolution of the UN Security Council ("**UNSC**"). The UNSC can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. UN Security Council Resolutions are binding upon all members of the UN, including the United States, Member States of the European Union and Australia. UN Member States are required to bring into force (i.e. implement, administer and enforce) national measures to ensure compliance with the measures prescribed in the UN Resolution. The main aim of UN sanctions measures, as set out in the UN Charter, is to maintain or restore international peace and security. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes. Decision of UNSC bind members of the UN and override other obligations of UN member states.
- 7.2 The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation. There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is

administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees. United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter.

7.3 Application to Hong Kong

- (a) During the Track Record Period, the UN has not imposed any sanctions on Hong Kong.

7.4 Application to Huawei Device

- (a) During the Track Record Period, the UN has not imposed any sanctions on Huawei Device.

7.5 Application to Shanghai Huawei

- (a) During the Track Record Period, the UN has not imposed any sanctions on Shanghai Huawei.

7.6 Application to Hangzhou Huawei

- (a) During the Track Record Period, the UN has not imposed any sanctions on Hangzhou Huawei.

7.7 Application to CIOMP

- (a) During the Track Record Period, the UN has not imposed any sanctions on CIOMP.

7.8 Application to IFLYTEK

- (a) During the Track Record Period, the UN has not imposed any sanctions on IFLYTEK.

7.9 Application to China Electronics

- (a) During the Track Record Period, the UN has not imposed any sanctions on China Electronics.

7.10 Application to INELSO

- (a) During the Track Record Period, the UN has not imposed any sanctions on INELSO.

7.11 Application to the Group

On the basis of the Company's confirmations that:

- (a) neither the Group nor any of its affiliates, agents, directors, officers, or employees is engaged in transactions that directly or indirectly involve or benefit a person on the sanctions list of the UN;
- (b) the Group's business dealings with the Relevant Entities do not implicate the restrictive measures adopted by UN because the Group does not have any business dealings with persons on the list of persons and entities designated by the

UN with whom member states of the UN are prevented from doing business with;
and

- (c) all of the Company's business with the Relevant Entities was in relation to the transactions set out in Section 3.2(a), which were not conducted in relation to, or otherwise involve any export-controlled products,

Hogan Lovells' assessment is therefore that the Group's business dealings do not appear to implicate restrictive measures adopted by the UN.

8. EU AND UK SANCTIONS

8.1 Overview of EU Sanctions Measures

Sanctions are one of the EU's tools to promote the objectives of its Common Foreign and Security Policy ("**CFSP**"), being peace, democracy and the respect for the rule of law, human rights and international law.

- (a) Sanctions applicable in the EU stem from:
 - (i) sanctions adopted by the UN; or
 - (ii) autonomous sanctions regimes adopted by the EU without any UN action.
- (b) The EU implements sanctions measures via a unanimous decision of the Council of the European Union (the "**Council**"). Member States of the EU are then legally bound to act in conformity with the decision.
- (c) Certain sanctions, such as arms embargoes and travel bans, are implemented directly by EU Member States. Such measures only require a decision by the Council. Economic sanctions measures require separate implementing legislation in the form of a Council Regulation.
- (d) Council Regulations are directly applicable in EU Member States. However, some Member States may nevertheless enact national legislation implementing the EU sanctions measures. In addition, individual Member States are responsible for establishing measures to set and impose penalties and their implementation and enforcement, and for establishing relevant competent licensing authorities.
- (e) EU sanctions regimes are generally targeted, meaning that the relevant prohibitions or restrictions are focused on individual people or organizations, certain sectors of the target's economy, specified goods, technology, technical assistance and wider associated services, or specific activities.
- (f) As of January 1, 2021, the UK is no longer an EU Member State. Pursuant to the terms of Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (Withdrawal Agreement), EU law including sanctions law continued to apply to and in the UK until December 31, 2020. The UK was still an EU Member State during part of the Track Record Period and the EU sanctions analysis fully applies thereto until December 31, 2020. For the part of the Track Record Period starting on January 1, 2021, UK applied its own sanctions programs.

8.2 Overview of UK sanctions

- (a) Sanctions are one of the UK's tools to promote the objectives of its foreign policy, being peace, democracy and the respect for the rule of law, human rights and international law.
- (b) As of January 1, 2021, sanctions applicable in the UK stem from:
 - (i) Sanctions adopted by the UN; or
 - (ii) Autonomous sanctions regimes adopted by the UK; Some of which have been retained from EU legislation and have been transitioned into UK law.
- (c) UK sanctions are in force under the Sanctions and Anti-Money Laundering Act 2018 ("**the UK Sanctions Act**"), which enables the transition of existing EU sanctions programs and the establishment of autonomous UK regimes. The UK Sanctions Act is implemented through regulations setting out the specific measures under each UK sanctions regime.
- (d) Specifically, Section 63(3) of the UK Sanctions Act provides that the UK may by way of Order extend the application of the sanctions regulations to any of the Channel Islands, the Isle of Man, and any of the British Overseas Territories. UK sanctions measures have also been extended by the UK on a regime by regime basis to apply to and in the UK Overseas Territories (without requiring enactment of any further legislation by them), including the Cayman Islands as of January 1, 2021.

8.3 Application of Sanctions Measures

- (a) EU and UK sanctions measures broadly apply to: (i) any company incorporated under the laws of the EU or the UK; (ii) any EU or UK national; and (iii) any business done in whole or in part within the EU or the UK.
- (b) EU and UK sanctions measures will therefore apply to:
 - (i) the Company as a company incorporated in the Cayman Islands and any of the Group's subsidiaries or affiliates incorporated in the EU, UK or a UK Overseas Territory;
 - (ii) any EU and UK nationals employed by or otherwise engaged on behalf of the Group regardless of where they are located, in the EU, the UK or in any other country;
 - (iii) any business of the Group conducted within the EU, the UK or a UK Overseas Territory;
 - (iv) any counterparty incorporated in the EU or the UK with whom the Group does business including for example, suppliers, customers, distributors, agents, manufacturers, shipping agents and freight forwarders;
 - (v) any EU or UK incorporated financial institution that the Group or any of its companies uses to provide payment processing services, trade finance services, short or long term debt financing or any other service; and

- (vi) any entity incorporated in the EU or the UK, or national of these regions who subscribes for shares in the Group.
- (c) EU and UK sanctions will not apply to:
 - (i) Non-EU and non-UK nationals in their personal capacity, including the Company's Directors (to the extent that they are not carrying out business of the Group in the territory of the EU or the UK); and
 - (ii) any company subsidiary that is not incorporated under the laws of an EU Member State or the UK, which acts in a wholly independent manner from its parent company and which does not carry out any activities in the EU or the UK.

8.4 Restrictions under EU and UK Sanctions Measures

- (a) The restrictions applied under an EU or UK sanctions regime depend on the jurisdiction targeted by the regime. However, there are broadly four main offences:
 - (i) making any funds or economic resources (see below) directly or indirectly available to or for the benefit of a sanctioned person or entity (a "**Designated Person**");
 - (ii) dealing with any funds or economic resources that are owned, held or controlled by a Designated Person;
 - (iii) exporting, selling, transferring or making certain controlled or restricted products¹ available (either directly or indirectly) to, or for use in, a jurisdiction subject to sanctions measures (a "**Prohibited Activity**"); and
 - (iv) participating knowingly and intentionally in activities the object or effect of which is to: (i) directly or indirectly circumvent the offences listed above; or (ii) enable or facilitate the commission of the offences.
- (b) The meaning of "economic resources" is defined widely to be "assets of every kind, whether tangible or intangible, movable or immovable, which are not funds, but may be used to obtain funds, goods or services". Therefore, the Group's products would fall within the definition of "economic resources".
- (c) Under EU and UK sanctions measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. While it is prohibited for a person or entity to whom EU or UK sanctions apply to make any product of the Group available directly or indirectly to or for the benefit of a Designated Person, or to finance such activity, it is not generally prohibited (or otherwise restricted) for that person or entity to do business (involving non-controlled or restricted items) with a counterparty in a country subject to EU or UK sanctions that is not a Designated Person or engaged in non-Prohibited Activities.

¹ An analysis of the parameters of what amounts to a controlled product is outside the scope of this advice memorandum. Hogan Lovells can provide further advice on this point as required.

8.5 **EU and UK sanctions: Dealing with Relevant Jurisdictions**

- (a) As noted above, under EU and UK sanctions legislation it is prohibited for any person or entity to whom EU sanctions apply to:
 - (i) make any product of the Group directly or indirectly available to, or for the benefit of, a Designated Person; or
 - (ii) export, finance, or facilitate the transfer of any controlled or restricted products to a third country including a Relevant Jurisdiction.
- (b) **Application to Hong Kong**
 - (i) During the Track Record Period, the EU did not maintain any sanctions on Hong Kong.
 - (ii) In June 2019, the UK restricted the sale of certain crowd control equipment to Hong Kong. Further, in July 2020, the UK extended the existing arms embargo with mainland China fully to Hong Kong in response to China's introduction of the National Security Law. The items covered by the arms embargo covers the export of the following items from the UK to China (inclusive of Hong King):
 - (1) lethal weapons, such as machine guns, large-calibre weapons, bombs, torpedoes, rockets and missiles;
 - (2) specially designed components of the above and ammunition;
 - (3) military aircraft and helicopters, vessels of war, armoured fighting vehicles and other weapons platforms;
 - (4) any equipment which might be used for internal repression.
- (c) **Application to Huawei Device**
 - (i) During the Track Record Period, the EU and UK have not imposed any sanctions on Huawei Device.
- (d) **Application to Shanghai Huawei**
 - (i) During the Track Record Period, the EU and UK have not imposed any sanctions on Shanghai Huawei.
- (e) **Application to Hangzhou Huawei**
 - (i) During the Track Record Period, the EU and UK have not imposed any sanctions on Hangzhou Huawei.
- (f) **Application to CIOMP**
 - (i) During the Track Record Period, the EU and UK have not imposed any sanctions on CIOMP.
- (g) **Application to IFLYTEK**

- (i) During the Track Record Period, the EU and UK have not imposed any sanctions on IFLYTEK.

(h) **Application to China Electronics**

- (i) During the Track Record Period, the EU and UK have not imposed any sanctions on China Electronics.

(i) **Application to INELSO**

- (i) During the Track Record Period, the EU and UK have not imposed any sanctions on INELSO.

(j) **Application to the Group**

- (i) On the basis of our due diligence process and the Company's confirmation (for and on behalf of the Group) that:

- (1) the Group's activities have not identified any person specifically designated (i.e. listed / targeted) under any existing EU and UK sanctions regime;
- (2) no EU or UK nationals, nor any wider persons resident or otherwise located in either the territories of the EU or the UK who are employed or otherwise engaged by the Group (including the Germany subsidiary and EU national employees) have been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of, or in any wider decision making capacity of the Group's activities with the Relevant Entities;
- (3) the Group's transactions did not potentially fund or facilitate sanctions-prohibited activity, nor grant any benefit towards any sanctioned person or entity;
- (4) the Group has not exported or directly or indirectly supplied arms and related materiel, or equipment which might be used for internal repression;
- (5) the Group has not provided technical assistance related to military activities, or to the provision, manufacture, maintenance and use of arms and related materiel of any type;
- (6) the Group has not provided financing or financial assistance related to any activities referred to above;

On this basis, Hogan Lovells' conclusion is that the Group's business dealings with respect to the Relevant Entities have not breached the prohibitions or wider restrictions adopted by the EU or the UK.

9. AUSTRALIAN SANCTIONS

9.1 Overview

- (a) Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy. Australia's dual sanctions regime is administered by the Australian Sanctions Office ("**ASO**"), the Australian Government sanctions regulator, which sits within the Department of Foreign Affairs and Trade ("**DFAT**").
- (b) The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to:
 - (i) any person in Australia;
 - (ii) any Australian anywhere in the world;
 - (iii) companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or
 - (iv) any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.
- (c) The ASO maintains the Consolidated List of all persons and entities designated for the purposes of sanctions regimes implemented under Australian sanction laws.
- (d) A criminal offence is committed if an individual or a body corporate to whom Australian sanctions measures apply, engages in conduct and the conduct contravenes a sanction law.
- (e) The Australian autonomous sanctions regimes are primarily implemented under the *Act Autonomous Sanctions 2011* (Cth) (the "**Act**") and the *Autonomous Sanctions Regulations 2011* (Cth) (the "**Regulations**").
- (f) The Act prohibits a person from engaging in conduct that is in breach of the sanctions laws.
- (g) Part 3 of the Regulations specifies that section 15.1 of the Criminal Code (being Schedule 1 to the *Criminal Code Act 1995* (Cth)) applies to a person that makes an unauthorised sanctioned supply. This has the effect of making the offence extra territorial if the alleged offence occurs outside of Australia by a person who is an Australian citizen or a body corporate incorporated under Australian law.
- (h) The prohibited conduct applies to conduct committed entirely inside or outside Australia if at the time of the alleged offence, the alleged offender is an Australian citizen or a body corporate incorporated under Australian law.

9.2 Application to Hong Kong

- (a) During the Track Record Period, the EU did not maintain any sanctions on Hong Kong.

(b) In June 2019, the UK restricted the sale of certain crowd control equipment to Hong Kong. Further, in July 2020, the UK extended the existing arms embargo with mainland China fully to Hong Kong in response to China's introduction of the National Security Law. The items covered by the arms embargo covers the export of the following items from the UK to China (inclusive of Hong King):

- (i) lethal weapons, such as machine guns, large-calibre weapons, bombs, torpedoes, rockets and missiles;
- (ii) specially designed components of the above and ammunition;
- (iii) military aircraft and helicopters, vessels of war, armoured fighting vehicles and other weapons platforms;
- (iv) any equipment which might be used for internal repression.

9.3 **Application to Huawei Device**

During the Track Record Period, Australia has not imposed any sanctions on Huawei Device.

9.4 **Application to Shanghai Huawei**

During the Track Record Period, Australia has not imposed any sanctions on Shanghai Huawei.

9.5 **Application to Hangzhou Huawei**

During the Track Record Period, Australia has not imposed any sanctions on Hangzhou Huawei.

9.6 **Application to CIOMP**

During the Track Record Period, Australia has not imposed any sanctions on CIOMP.

9.7 **Application to IFLYTEK**

During the Track Record Period, Australia has not imposed any sanctions on IFLYTEK.

9.8 **Application to China Electronics**

During the Track Record Period, Australia has not imposed any sanctions on China Electronics.

9.9 **Application to INELSO**

During the Track Record Period, Australia has not imposed any sanctions on INELSO.

9.10 **Application to the Group**

- (a) The Company has confirmed that no Australian citizens employed or otherwise engaged by the Group have been involved in any way, including in the negotiation or approval of, or with the on-going performance of, or in any wider decision making capacity, with respect to any of the Group's dealings involving the Relevant Entities; and

- (b) On the basis of the Company's confirmations, neither the Group nor any of its subsidiaries is:
- (i) a person in Australia;
 - (ii) an Australian citizen or Australian-registered body;
 - (iii) owned or controlled by Australians or persons in Australia;
 - (iv) a person using an Australian flag vessel or aircraft to transport goods or transact services subject to Australian autonomous sanctions; or
 - (v) engaged in any activities in Australia;

Hogan Lovells' assessment is that the Group's activities do not implicate the prohibitions or wider restrictions under international sanctions measures administered and enforced by the Government of Australia.

* * * * *

The conclusion stated in this memorandum is not binding on OFAC, the U.S. Department of State, the European Commission, the competent authorities of European Union Member States, Australia, or on any other regulatory or judicial authority, which have substantial discretion in determining whether to investigate particular transactions or relationships or to pursue sanctions or other enforcement. Accordingly, there can be no assurances that OFAC, the U.S. Department of State or any other such authority will not ultimately pursue sanctions or otherwise take actions that are contrary to the conclusions set forth in this memorandum. Such conclusion is based solely on our interpretation of the applicable laws referred to herein; and we assume no liability based on any conclusion or holding of any such authority that is inconsistent with our interpretation and conclusion.

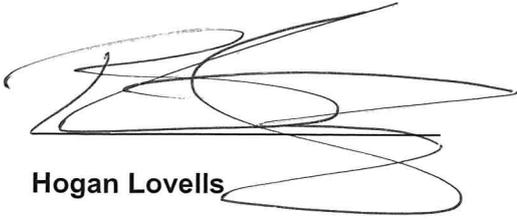
This memorandum is only intended for the benefit of the person(s) to whom it is addressed.

This memorandum may also be disclosed for information only to (but not relied on by) the Joint Sponsors, the underwriter(s) and any other capital market intermediaries of the Global Offering, other parties involved in the Global Offering, the HKEX, the Securities and Futures Commission, the Hong Kong Companies Registry, and within the period and in accordance with procedure specified in the Prospectus, available on display to the public and such disclosure and non-reliance and the liability waiver referred to above are governed by and construed in accordance with the laws of Hong Kong.

Save as the above, no recipient may disclose this memorandum to any other person or quote or refer to it in any public document or file it with any person, without our prior written consent in each specific case.

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If you have questions or comments regarding this memorandum, or would otherwise like to discuss the information herein, please contact Ben Kostrzewa ben.kostrzewa@hoganlovells.com.

A handwritten signature in black ink, consisting of several overlapping loops and lines, positioned above the name Hogan Lovells.

Hogan Lovells