Memorandum

金杜律师事务所
KING&WOOD

Privileged & Confidential

Date June , 2026

To Lingyi iTech (Guangdong) Company ("**Lingyi iTech**")
(广东领益智造股份有限公司)
Guotai Junan Capital Limited

From King & Wood

Subject **Project Future – Memorandum *in re* International Sanctions Analysis**

King & Wood ("**we**") have acted as the international compliance legal counsel to Lingyi iTech (the "**Company**", together with its subsidiaries, the "**Group**") in connection with its proposed initial public offering (the "**Offering**") and listing of shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "**HKEX**") of the Company.

To identify whether the relevant business activities of the Group 1) are subject to the *Export Administration Regulations* (15 CFR chapter VII, subchapter C, the "**EAR**") of the United States (the "**U.S.**"); 2) could be categorized as sanctionable activities (including primary sanctions and secondary sanctions) subject to Chapter 4.4 of the Guide for New Listing Applicant published by HKEX (the "**Sanctions Guidance**"); 3) as well as the Offering trigger the U.S. outbound investment review, and 4) might be subject to certain tariffs imposed by the U.S. government, we have reviewed the requested documents provided by the Company, conducted sanctions screening on the Group and its counterparties (including customers and suppliers), and interviewed key personnel of the Company, and further summarized and prepared this memorandum based on our review and interviews.

In carrying out the foregoing work, as to factual matters, King & Wood has relied on the information provided and representations made by the Company as well as interviews of key personnel of the Company. Unless otherwise stated, we have not verified such information, documents or statements independently or separately, and we have relied on the factual information we obtained from the Company in rendering any conclusions herein. This memorandum is based on the understanding and assumptions detailed herein. King & Wood relies on the completeness and accuracy of the factual information given to it by the Company. If any of the assumptions are incorrect, or any changes occur in or correction to the factual information provided, the Company is recommended to inform us so that it can confirm the content of our analysis.

Business Overview and Executive Summary

We understand that the Group is a leading provider of precision components, modules, and systems, with core expertise in materials, precision manufacturing, and module integration for sectors like consumer electronics, automobile, and renewable energy.

Based on the Group's confirmation and our due diligence, from 2019 to the Latest Practicable Date ("**LPD**", i.e., June 9, 2026): -

1. ***From the export control perspective***:

   According to the Group's feedback to our sanction due diligence questionnaire and various supporting documents and information provided, we learned that:

   - products sold by the Group outside the U.S. are manufactured in the PRC, i.e., not U.S.-origin items;
   - products sold and manufactured by the Group outside the U.S. are not in the U.S. or moving in transit through the U.S.;

- products of the Group manufactured in the U.S. are sold solely within the U.S., and the Group confirmed that such U.S.-origin products have never been exported to other countries/territories;

- the U.S.-origin 3M foam tapes eventually incorporated into the products of the Group are not controlled content, the *De Minimis* Rule under the EAR shall be inapplicable to the products manufactured by the Group;

- although our screening indicates certain customers of the Group are listed on the Entity List with footnote 1 designation, and one of the Group's subsidiaries acquired on December 31, 2025, has conducted certain exports to a neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR, given that:

  (1) *transactions with the entities with footnote 1 designation*: no software or technology specified in the Footnote 1 FDP rule (as defined below) is used or involved during the manufacture of the products sold to such entities; and items and components procured from the upstream suppliers during the manufacturing of the products to such entities are not subject to the product scope specified in the Footnote 1 Entity List FDP Rule. Therefore, the restrictive requirements under the Footnote 1 Entity List FDP are inapplicable to the products of the Group.

  (2) *transactions exported to a neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR*: the automotive interior models exported did not satisfy the "product scope" requirement set forth under the FPD Rule under Section 734.9(f) of the EAR (as defined below), consequently, the restrictive requirements under the aforementioned FDP Rule are inapplicable to the automotive interior models.

Solely relying on the information we obtained, we are of the view that the Group has not engaged in any unauthorized transaction from the perspective of U.S. export control from 2019 to the LPD.

2. ***From the economic sanctions perspective***:

Upon our screening of the Group and its counterparties (including customers, suppliers, and the known settlement bank), between 2019 and the LPD: -

- none of the Company and its subsidiaries is engaged in any Sanctioned Activities (as defined below);

- none of the members of the Group is located, incorporated, organized or resident in a Sanctioned Country (as defined below) or has been designated as a Sanctioned Target (as defined below) by any Relevant Jurisdiction (as defined below);

- although one of the Group's subsidiaries acquired on December 31, 2025, has conducted business relating to a neighboring country sanctioned under Executive Order 14024 ("**E.O. 14024**"), given the content and nature of transactions, sales by the said subsidiary limited to automotive interior products are unlikely to be deemed as providing material assistance to the sanctioned sector of the aforementioned country, the secondary sanctions risk under the U.S. sanctions regime against the aforementioned country arising from the relevant business is remote; and

- notwithstanding that the screening records indicate one settlement bank handling RMB settlements has been listed on the SDNs List, considering the identity of the recipient and, based on past enforcement cases of OFAC, no non-financial institution user has been sanctioned simply for receiving payments from a SDNs Listed financial institute, particularly, there have been no reported instances of entities not relating to the specific neighboring country sanctioned under E.O. 14024 being listed on the SDNs List for non-USD settlements through such a sanctioned bank, the sanctions risks (i.e., potential designation as a Sanctioned Target) on the Group and/or Relevant Persons resulting from such Secondary Sanctionable Activities (as defined below) are relatively low; and

- restrictions arising from the military list maintained by the U.S. are inapplicable to the Group.

Hence, we are of the view that the participation of the Sponsor, the overall coordinator, and/or the underwriters (as named in the Prospectus) in the Proposed Listing would not be subject to significant

sanctions risks. The participation in the Proposed listing would not likely result in the Sponsor, the overall coordinator, and/or the underwriters (as named in the Prospectus) being sanctioned (including being designated as a Sanctioned Target and/or imposed penalties) from the international sanctions perspective.

3. ***From the U.S. outbound investment review perspective***:

The U.S. outbound investment review mechanism in force is narrowly targeted at certain types of investments in the country and typically the restrictions target sensitive technologies and products critical for military, intelligence, mass-surveillance, or cyber-enabled capabilities. If no covered activity (as described below) is involved in the transaction, then the transaction is not within the scope of the U.S. outbound investment review.

Based on the public available information and the Group's responses to our sanction due diligence questionnaire, the Group primarily utilizes its manufacturing technologies, such as die-cutting, stamping, CNC, injection molding, MIM, and die-casting, to manufacture and produce hardware products like precision structural components. We understand the Group's businesses have no relation to any covered activities (as defined below).

Therefore, the Group's business does not fall into the prohibited scope nor the notifiable scope under the Final Rule. We are of the view that the Final Rule shall be inapplicable to the Group and the Offering.

4. From the Tariff perspective:

Based on the information provided by the Group, the Group has exported directly or indirectly relevant products to the U.S., and the HS Code of used for the declaration of these products include: 85369090, 85412900, 85045010, 85423100, 85322990, 85044021, 39269079, 85334030, and 35052000. Additionally, the Group confirmed that all products exported to the U.S., except for those under HS Code 85369090, were originated from India. Besides, products under HS Code 85369090 were originated from Vietnam. Therefore, based on our analysis of the U.S. additional tariffs effective as of the date of the memorandum, the cumulative tariff rate for products of the Group will be 0 to 10%.

Therefore, if the Group plans to further export these products to the U.S., the above-mentioned cumulative tariff rate will be applied. However, based on the Group's historical export data, exports to the U.S. have accounted for a negligible proportion of the Group's revenue (0.16% in 2023, 0.76% in 2024, and 0.36% in 2025), and the Group also stated that the tariffs incurred on products exported to the U.S. should be borne by the purchasers of the Group's products in the transaction, and thus the Group does not primarily bear the tariff costs. Hence, we believe that as of the date of the memorandum, the U.S. tariffs have not resulted in a material adverse impact on the Group's business operations in relation to the U.S.

Please see the detailed analysis as follows.

Part I: Export Control Analysis

I. U.S. Export Control

The EAR is administrated by the Bureau of Industry and Security ("**BIS**") to regulate the export of goods and technologies for national security and foreign policy purposes. "*Subject to the EAR*" is a term used in the EAR to describe those items and activities over which BIS exercises regulatory jurisdiction under the EAR. Conversely, items and activities that are not subject to the EAR are outside the regulatory jurisdiction of the EAR and are not affected by these regulations.[1]

1. Items Subject to the EAR

According to § 734.3 of the EAR, the following items (including commodities, technology, and software) are deemed as items subject to the EAR:

a) All items in the United States, including in a U.S. Foreign Trade Zone or moving in transit through the United States from one non-U.S. country to another;

b) All U.S. origin items wherever located;

c) Non-U.S.-made commodities that incorporate controlled U.S.-origin commodities, non-U.S.-made commodities that are 'bundled' with controlled U.S.-origin software, non-U.S.-made software that is commingled with controlled U.S.-origin software, and non-U.S.-made technology that is commingled with controlled U.S.-origin technology which exceeds a certain threshold ("***De minimis* Rules**"); and

d) Certain non-U.S.-produced "direct products" of specified "technology" and "software"; and certain non-U.S.-produced products of a complete plant or any major component of a plant that is a "direct product" of specified "technology" or "software" ("**Foreign Direct Product Rules, FDP rules**").

However, certain publicly available technology and software (such as technology or software which is published, arises during, or results from, fundamental research, a patent or a published available patent application, or in relation to standards-related activity) is not subject to the EAR.[2]

Based on the above, according to the *De Minimis* Rules and FDP rules, certain non-U.S. origin items are still subject to the EAR under specific circumstances. We further elaborate the relevant rules as follows:

***De Minimis* Rules:**

According to § 734.4 and Supplement No. 2 to § 734 of the EAR, a non-U.S.-produced item or non-U.S.-produced item is subject to the EAR if:

Foreign-produced Items	Non-U.S.-produced commodity '***incorporates***' controlled U.S.-origin commodities;
	Non-U.S.-produced commodity is '***bundled***' with controlled U.S.-origin software;
	Non-U.S.-produced software '***incorporates***' controlled U.S.-origin software; or
	Non-U.S.-produced technology commingled with or drawn from controlled U.S.-origin technology;

AND the value of the incorporated[3] U.S.-origin controlled content (i.e., content requiring a license to be exported or reexported to the destination of the non-U.S.-made item and not eligible for License Exception GBS[4]):

[1] 15 CFR 734.2
[2] 15 CFR 734.7, 734.8, and 734.10.
[3] According to Note to paragraph (a)(1) of Supplement No. 2 to Part 734—Guidelines for *De Minimis* Rules: U.S.-origin controlled content is considered 'incorporated' for *de minimis* purposes if the U.S.-origin controlled item is: essential to the functioning of the foreign equipment; customarily included in sales of the foreign equipment; and re-exported with the foreign produced item.
[4] License Exception GBS authorizes exports and reexports to Country Group B (as provided under Supplement No. 1 to part

0%	Exceeds 0 % of total value of the non-U.S.-made item (no *de minimis* level): • Certain high performance computers containing ECCN 3A001 semiconductors (other than memory circuits) or ECCN 4A994.j high speed interconnect devices destined for Cuba, Iran, North Korea, and Syria; • ECCN 5E002, encryption technology incorporating U.S. origin encryption technology; • ECCN 3B993.f.1 equipment destined for use in the "development" or "production" of logic integrated circuits using a non-planar transistor architecture or with a "production" 'technology node' of 16/14 nanometers or less; • Hot section technology controlled under ECCN 9E003.a.1 through a.6, a.8, .h, .i, and .l; • Foreign-made military commodities incorporating ECCNs 6A002, 6A003, or 6A993.a items (having a maximum frame rate equal to or less than 9 Hz) destined for Country Group D:5; • .a through .x of 9x515 or "600 series"[5] items destined for Country Group D:5, • 9x515 or .y of "600 series" items destined for China, Belarus, Russia, or Country Group E:1 or E:2.; • For items related to the SME FDP rule (see below), commodity meeting the parameters in ECCNs 3B001.a.4, c, d, f.1, f.5, f.6, k to n, p.2, p.4, r, or 3B002.c contains a U.S.-origin integrated circuit specified under Category 3, 4, or 5 of the CCL, and the commodity is destined for Macau or a destination specified in Country Group D:5; • For items related to the Footnote 5 FDP rule (see below), item meeting the parameters in ECCNs specified in Category 3B (except 3B001.a.4, c, d, f.1, f.5, f.6, k to n, p.2, p.4, r, or 3B002.c) when the commodity contains a U.S.-origin integrated circuit specified under Category 3, 4, or 5 of the CCL, and the commodity is destined for an entity with a Footnote 5 designation in the license requirement column of the Entity List , or to an end-user "facility" located in Macau or a destination specified in Country Group D:5 when there is "knowledge" that the commodities will be used in the "production" of logic or DRAM "advanced-node integrated circuits"; and • Certain encryption, cryptanalytic items or digital forensics items controlled under ECCNs 5A002, 5A004, 5B002, 5D002 that don't meet specified requirements.
10%	Exceeds 10% of the total value of the non-U.S.-made item, when destined for Country Group E:1 or E:2: • Most or all of Commerce Control List ("**CCL**") items; and • EAR99 items to Cuba, North Korea and Syria (*e.g., with some exceptions for food and medicine)*.
25%	Exceeds 25% of the total value of the non-U.S.-made item, when NOT going to Country Group E:1 or E:2 (Cuba, Iran, North Korea, and Syria) • Many CCL items; and • EAR99 items to Crimea region of Ukraine (e.g., except food, medicines and certain software).

***Foreign Direct Product* Rules**

According to § 734.9 of the EAR, non-U.S. produced items are subject to the EAR if they are determined to be a "direct product" of specified technology or software—i.e., an immediate product (including processes and devices) produced directly by the use of such technology or software, or are produced by a complete plant or "major component"[6] of a plant that itself is a "direct product" of specified technology or software. Not all transactions involving non-U.S.-produced items that are subject to the

740), except Sudan and Ukraine. *See* EAR § 740.4.

[5] 9x515 ECCNs describe spacecraft-related items once subject to the International Traffic in Arms Regulations (ITAR), whereas "600 series" ECCNs describe military items previously controlled on the U.S. Munitions List or that are covered by the Wassenaar Arrangement Munitions List (WAML).

[6] Major component means equipment that is essential to the production of an item, including testing equipment.

EAR require a license. A transaction involving a non-U.S.-produced item incorporating certain U.S. controlled software or technology may require a license if it meets the product scope and end-user or country scope.

Given the nature of the Company's business, we summarize the major applicable FDP rules related to the Company's business as follows:

Entity List FDP rule: *Footnote 1*	
Product Scope	A foreign-produced item (e.g. products manufactured by the Company in the PRC) meets the product scope of this rule if the foreign-produced item is: (a) a "direct product" of "technology" or "software" subject to the EAR and specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991 of the CCL; or (b) produced by any complete plant or "major component" of a plant that is located outside the United States, when the complete plant or "major component" of a plant, whether made in the U.S. or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991 of the CCL.
End-User Scope	A foreign-produced item meets the end-user scope if there is "knowledge" that: (a) the foreign-produced item will be incorporated into, or will be used in the "production" or "development" of any "part," "component," or "equipment" produced, purchased, or ordered by any entity with a footnote 1 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR; or (b) any entity with a footnote 1 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR is a party to any transaction involving the foreign-produced item, e.g., as a "purchaser," "intermediate consignee," "ultimate consignee," or "end-user."
Entity List FDP rule: *Footnote 4*	
Product Scope	A foreign-produced item meets the product scope of this rule if the foreign-produced item is: (a) a "direct product" of "technology" or "software" subject to the EAR and specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002 or 5E991 of the CCL; or (b) produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the U.S. or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002 or 5E991 of the CCL.
End-User Scope	A foreign-produced item meets the end-user scope if there is "knowledge" that: (a) the foreign-produced item will be incorporated into, or will be used in the "production" or "development" of any "part," "component," or "equipment" produced, purchased, or ordered by any entity with a footnote 4 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR; or

	(b) any entity with a footnote 4 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR is a party to any transaction involving the foreign-produced item, e.g., as a "purchaser," "intermediate consignee," "ultimate consignee," or "end-user."
Entity List FDP rule: *Footnote 5*	
Product Scope	The product scope applies if a foreign-produced commodity is specified in ECCN 3B001 (except 3B001.a.4, c, d, f.1, f.5, f.6, g, h, k to n, p.2, p.4, r), 3B002 (except 3B002.c), 3B903, 3B991 (except 3B991.b.2.a through 3B991.b.2.b), 3B992, 3B993, or 3B994, and meets the conditions of either of the following: (a) a foreign-produced item meets the product scope if the foreign-produced commodity is a "direct product" of "technology" or "software" subject to the EAR and specified in ECCN 3D001 (for 3B commodities), 3D901(for 3B903), 3D991 (for 3B991 and 3B992), 3D993, 3D994, 3E001 (for 3B commodities), 3E901 (for 3B903), 3E991 (for 3B991 and 3B992), 3E993, or 3E994 of the CCL in supplement no. 1 to part 774 of the EAR; or (b) a foreign-produced commodity meets the product scope if the foreign-produced commodity meets at least one of the following conditions: - is produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001 (for 3B commodities), 3D901, 3D991 (for 3B991 and 3B992), 3D992, 3D993, 3D994, 3E001 (for 3B commodities), 3E901 (for 3B903), 3E991 (for 3B991 and 3B992), 3E992, 3E993, or 3E994 of the CCL; or - contains a commodity produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001 (for 3B commodities), 3D901, 3D991 (for 3B991 and 3B992), 3D992, 3D993, 3D994, 3E001 (for 3B commodities), 3E901 (for 3B903), 3E991 (for 3B991 and 3B992)), 3E992, 3E993, or 3E994 of the CCL.
End-User Scope	A foreign-produced item meets the end-user scope if there is "knowledge" that: (a) the foreign-produced commodity will be incorporated into any "part," "component," or "equipment" produced, purchased, or ordered by any entity with a Footnote 5 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR or by an entity located at a "facility" in Macau or a destination specified in Country Group D:5 where the "production" of logic or DRAM "advanced-node integrated circuits" occurs; or (b) any entity with a Footnote 5 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR or an entity located at a "facility" located in Macau or a destination specified in Country Group D:5 of supplement no. 1 to part 740 where the "production" of logic or DRAM "advanced-node integrated circuits" occurs is a party to any transaction involving the foreign-produced commodity (e.g., as a "purchaser," "intermediate consignee," "ultimate consignee," or "end-user").
Russia/Belarus/Temporarily occupied Crimea region of Ukraine FDP rule	
Product Scope	The product scope applies if a foreign-produced item meets the conditions of either of the following: (a) a foreign-produced item meets the product scope if the foreign-produced item meets both of the following conditions:

	- the foreign-produced item is the "direct product" of U.S.-origin "technology" or "software" subject to the EAR that is specified in any ECCN in product groups D or E of the CCL; and - the foreign-produced item is specified in any ECCN on the CCL or in supplement no. 6 or 7 to part 746 of the EAR; or (b) a foreign-produced item meets the product scope if it meets both of the following conditions: - a foreign-produced item meets the product scope if the foreign-produced item is produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in any ECCN in product groups D or E of the CCL; and - the foreign-produced item is specified in any ECCN on the CCL or in supplement no. 6 or 7 to part 746 of the EAR.
Destination Scope	A foreign-produced item meets the destination scope if there is "knowledge" that the foreign-produced item is destined to Russia, Belarus, or the temporarily occupied Crimea region of Ukraine or will be incorporated into or used in the "production" or" development" of any "part," "component," or "equipment" specified in any ECCN on the CCL or in supplement no. 6 or 7 to part 746 of the EAR and produced in or destined to Russia, Belarus, or the temporarily occupied Crimea region of Ukraine.
Russia/Belarus-Military End User and Procurement FDP rule	
Product Scope	The product scope applies if a foreign-produced item meets the conditions of either of the following: (a) a foreign-produced item meets the product scope if the foreign-produced item is a "direct product" of "technology" or "software" subject to the EAR and specified in any ECCN in product groups D or E in any categories of the CCL; or (b) a foreign-produced item meets the product scope if the foreign-produced item is produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in any ECCN in product groups D or E in any categories of the CCL.
End-User Scope	A foreign-produced item meets the end-user scope if there is "knowledge" that: (a) the foreign-produced item will be incorporated into, or used in the "production" or "development" of any "part," "component," or "equipment" produced, purchased, or ordered by any entity with a footnote 3 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR; or (b) any entity with a footnote 3 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR is a party to any transaction involving the foreign-produced item, e.g., as a "purchaser," "intermediate consignee," "ultimate consignee," or "end-user."
National Security FDP rule	
Product scope	The product scope applies if a foreign-produced item meets the conditions of either of the following: (a) a foreign-produced item meets the product scope if it meets both of the following conditions:

	- the foreign-produced item is the "direct product" of U.S.-origin "technology" or "software" that requires a written assurance as a supporting document for a license, as defined in paragraph (o)(3)(i) of supplement no. 2 to part 748 of the EAR, or as a precondition for the use of License Exception TSR at § 740.6 of the EAR; and - the foreign-produced item is subject to national security controls as designated in the applicable ECCN of the Commerce Control List in part 774 of the EAR. (b) a foreign-produced item meets the product scope if it meets both of the following conditions: - the foreign-produced item is a "direct product" of a complete plant or 'major component' of a plant that itself is the "direct product" of U.S.-origin "technology" that requires a written assurance as a supporting document for a license or as a precondition for the use of License Exception TSR in § 740.6 of the EAR; and - the foreign-produced item is subject to national security controls as designated on the applicable ECCN of the Commerce Control List at part 774 of the EAR.
Country Scope	A foreign-produced item meets the country scope if its destination is listed in Country Group D:1, E:1, or E:2 (See supplement no.1 to part 740 of the EAR).
Advanced Computing FDP rule	
Product Scope	The product scope applies if a foreign-produced item meets the conditions of either of the following: (a) a foreign-produced item meets the product scope if it meets both of the following conditions: - the foreign-produced item is the "direct product" of "technology" or "software" subject to the EAR and specified in 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D090, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E991, or 5E002 of the CCL; and - the foreign-produced item is specified in ECCN 3A090, 3E001 (for 3A090), 4A090, or 4E001 (for 4A090) of the CCL; or an integrated circuit, computer, "electronic assembly," or "component" specified in ECCN 3A001.z, 4A003.z, 4A004.z, 4A005.z, 5A002.z, 5A004.z, or 5A992.z. (b) a foreign-produced item meets the product scope if it meets both of the following conditions: - the foreign-produced item is produced by any complete plant or 'major component' of a plant that is located outside the United States, when the plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D090, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, 5E991, 5D002, or 5E002 of the CCL; and - the foreign-produced item is specified in ECCN 3A090, 3E001 (for 3A090), 4A090, or 4E001 (for 4A090) of the CCL; or an integrated circuit, computer, "electronic assembly," or "component" specified in ECCN 3A001.z, 4A003.z, 4A004.z, 4A005.z, 5A002.z, 5A004.z, or 5A992.z.
Destination Scope	A foreign-produced item meets the destination scope if there is "knowledge" that the foreign-produced item is:

	(a) destined to any location worldwide or will be incorporated into any "part," "component," "computer," or "equipment" not designated EAR99 destined to any location worldwide; or (b) "technology" "developed" by an entity headquartered in, or whose ultimate parent company is headquartered in, either Macau or a destination specified in Country Group D:5, for the "production" of a mask or an integrated circuit wafer or die.
"Supercomputer" FDP rule	
Product Scope	The product scope applies if a foreign-produced item meets the conditions of either of the following: (a) the foreign-produced item meets the product scope if the foreign-produced item is a "direct product" of "technology" or "software" subject to the EAR and specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002, or 5E991 of the CCL; or (b) a foreign-produced item meets the product scope if the foreign-produced item is produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002, or 5E991 of the CCL.
Country and End-use Scope	A foreign-produced item meets the country and end-use scope if there is "knowledge" that the foreign produced item will be: (a) used in the design, "development," "production," operation, installation (including on-site installation), maintenance (checking), repair, overhaul, or refurbishing of, a "supercomputer" located in or destined to the PRC or Macau; or (b) incorporated into, or used in the "development," or "production," of any "part," "component," or "equipment" that will be used in a "supercomputer" located in or destined to the PRC or Macau.
Semiconductor Manufacturing Equipment (SME) FDP rule	
Product Scope	The product scope applies to a foreign-produced commodity specified in ECCN 3B001.a.4, c, d, f.1, f.5, f.6, k to n, p.2, p.4, r, or 3B002.c that meets the conditions of either of the following: (a) a foreign-produced commodity meets the product scope if the foreign-produced commodity is the "direct product" of "technology" or "software" subject to the EAR and specified in 3D992 or 3E992 of the CCL; or (b) a foreign-produced commodity meets the product scope if it meets either of the following conditions: - is produced by any complete plant or 'major component' of a plant that is located outside the United States, when the plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001 (for 3B commodities), 3D901, 3D991 (for 3B991 and 3B992), 3D992, 3D993, 3D994, 3E001 (for 3B commodities), 3E901 (for 3B903), 3E991 (for 3B991 or 3B992), 3E992, 3E993, or 3E994 of the CCL; or

	- contains a commodity produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the U.S. or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001 (for 3B commodities), 3D901, 3D991 (for 3B991 and 3B992), 3D992, 3D993, 3D994, 3E001 (for 3B commodities), 3E901 (for 3B903), 3E991 (for 3B991 or 3B992), 3E992, 3E993, or 3E994 of the CCL.
Destination Scope	A foreign-produced item meets the destination scope if there is "knowledge" that the foreign-produced item is destined to Macau or a destination in Country Group D:5 of supplement no. 1 to part 740 of the EAR.
AI Model weights FDP rule	
Product Scope	The product scope applies if a foreign-produced item is specified in ECCN 4E091 and is produced by a complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the United States or a foreign country, is subject to the EAR and specified in ECCN 3A001.z, 3A090, 4A003.z, 4A004.z, 4A005.z, 4A090, 5A002.z, 5A004.z, or 5A992.z.
Destination Scope	A foreign-produced 4E091 item meets the destination scope if the foreign-produced item is destined to any location worldwide.

2. Activities subject to the EAR

According to §§ 734.13 to 734.16 of the EAR, the following activities are subject to the regulatory scope of the EAR:

1) Export

Under § 734.13 of the EAR, "Export" means:

(1) An actual shipment or transmission out of the U.S., including the sending or taking of an item out of the U.S., in any manner;

(2) Releasing[7] or otherwise transferring technology or source code (but not object code) to a non-U.S. person in the U.S. (a "deemed export");

(3) Transferring by a person in the U.S. of registration, control, or ownership of:

- A spacecraft subject to the EAR that is not eligible for export under License Exception STA (i.e., spacecraft that provide space-based logistics, assembly or servicing of any spacecraft) to a person in or a national of any other country; or

- Any other spacecraft subject to the EAR to a person in or a national of a Country Group D:5 country.

In addition to the above, any release in the U.S. of technology or source code to a non-U.S. person is a deemed export to the non-U.S. person's most recent country of citizenship or permanent residency.

2) Reexport

Under § 734.14 of the EAR, "Reexport" means:

(1) An actual shipment or transmission of an item subject to the EAR from one non-U.S. country to another non-U.S. country, including the sending or taking of an item to or from such countries in any manner;

[7] Pursuant to § 734.13, under § 734.15 of the EAR, technology and software could be released through: 1) Visual or other inspection by a non-U.S. person of items that reveals technology or source code subject to the EAR to a foreign person; or 2) Oral or written exchanges with a foreign person of technology or source code in the U.S. or abroad.

(2) Releasing or otherwise transferring technology or source code subject to the EAR to a non-U.S. person of a country other than the non-U.S. country where the release or transfer takes place (a deemed reexport);

(3) Transferring by a person outside the U.S. of registration, control, or ownership of:

- A spacecraft subject to the EAR that is not eligible for reexport under License Exception STA to a person in or a national of any other country; or

- Any other spacecraft subject to the EAR to a person in or a national of a Country Group D:5 country.

Similar to the above, any release outside of the U.S. of technology or source code subject to the EAR to a non-U.S. person of another country is a deemed reexport to the non-U.S. person's most recent country of citizenship or permanent residency.

3) Transfer (in-country)

Under § 734.16 of the EAR, "Transfer (in-country)" means a change in end use or end user of an item within the same non-U.S. country.

Summarizing the above, a transaction would be subject to the regulatory jurisdiction under the EAR only when the subject matter items and activities shall be subject to the EAR simultaneously. Further, BIS clarifies that providing services to non-U.S. entities is not subject to EAR jurisdiction unless the services involve the export, reexport, disclosure, or transfer of items controlled under the EAR (including hardware, software, or technology).

3. Entity List and Other Trade Restriction Lists Maintained by the BIS

BIS publishes various trade restriction lists which include certain foreign persons, entities, or governments subject to specific license requirements for the export or transfer of specified items. The main trade restrictions lists are as follows:

1) Entity List

BIS publishes the names of certain foreign persons – including businesses, research institutions, government and private organizations, individuals, and other types of legal persons - that are subject to specific license requirements for the export, reexport, and/or transfer (in-country) of specified items. These persons comprise the Entity List, which is found at Supplement No. 4 to Part 744 of the EAR.

The persons on the Entity List are subject to individual licensing requirements and policies supplemental to those found elsewhere in the EAR. Each entity on the Entity List is assigned a specific licensing requirement on the basis of the national security and/or foreign policy considerations associated with the entity's designation on the Entity List.

BIS amends the EAR in the interim final rule effective September 29, 2025 (which has been suspended for one year since November 10, 2025) to address diversion concerns involving entities on the Entity List and certain other restricted end users. Under the interim final rule, any entity that is at least 50 percent owned by one or more entities on the Entity List will itself automatically be subject to Entity List restrictions.

License requirements vary from "all items subject to the EAR," which includes items on the CCL as well as EAR99 items, to all items on the CCL, or to all items on the CCL except for specified items.

2) Unverified List

Parties listed on the Unverified List ("**UVL**") are ineligible to receive items subject to the Export Administration Regulations (EAR) by means of a license exception. In addition, exporters must file an Automated Export System record for all exports to parties listed on the UVL and obtain a statement

from such parties prior to exporting, reexporting, or transferring to such parties any item subject to the EAR which is not subject to a license requirement. Restrictions on exports, reexports and transfers (in-country) to persons listed on the UVL are set forth in Section 744.15 of the EAR. The Unverified List is set forth in Supplement No. 6 to Part 744 of the EAR.

3) Military End User List

The Military End User ("**MEU**") List (Supplement No. 7 to Section 744 of the EAR) identifies foreign parties that are prohibited from receiving items described in Supplement No. 2 of Part 744 of the EAR unless the exporter secures a license. These parties have been determined by the U.S. Government to be "military end users", as defined in Section 744.21(g) of the EAR, and represent an unacceptable risk of use in or diversion to a "military end use" or "military end user" in Belarus, Burma, Cambodia, China, Nicaragua, the Russian Federation, or Venezuela.

BIS amends the EAR in the interim final rule effective September 29, 2025 (which has been suspended for one year since November 10, 2025) to stipulate that any entity that is at least 50 percent owned by one or more entities on the MEU List will itself automatically be subject to MEU List restrictions.

It is worth noting that the MEU List is not exhaustive, and, pursuant to the license requirements in Section 744.21 of the EAR, exporters, reexporters, or transferors must conduct their own due diligence for entities not identified in Supplement No. 7 to Part 744 of the EAR.

4) Military-Intelligence End User

The Military-Intelligence End User ("**MIEU**"), as defined in Section 744.22(f)(2), identifies foreign parties that are prohibited from receiving items subject to the EAR, as well as certain support services provided by U.S. persons unless the exporter secures a license. Similar to the MEU List, the MIEU List is not exhaustive; however, the geographic limitation scope of the MIEU is various from the MEU. As of the date of this memorandum, restrictions imposed on MIEU apply to end-users and end-use in China, Russia, Venezuela, and the E:1 E:2 countries– currently Cuba, Iran, North Korea, and Syria.

5) Denied Persons List

The Denied Persons List ("**DPL**") identifies individuals and entities that have been denied export privileges. Parties on this list are prohibited from participating in any transactions involving items subject to the EAR, including the receipt of exported U.S. goods, software, and technology. This restriction serves as a critical enforcement mechanism to advance U.S. national security and foreign policy objectives by blocking these parties from acquiring controlled U.S.-origin items. All U.S. and foreign companies engaged in export activities are responsible for screening against the DPL to ensure compliance and avoid severe penalties.

4. Legal Consequences of Non-compliance

Violations of the EAR may be subject to both criminal and administrative penalties. Under the Export Control Reform Act of 2018 (50 U.S.C. §§ 4801-4852) ("**ECRA**"), criminal penalties can include up to 20 years of imprisonment and up to $1 million in fines per violation, or both. Administrative monetary penalties can reach up to $300,000 *per* violation or twice the value of the transaction, whichever is greater. In general, the administrative monetary penalty maximum is adjusted for inflation annually. In 2025, the administrative monetary penalty maximum per violation has been increased from $364,992 to $374,474.

Violators may also be subject to the denial of their export privileges as further described below. A denial of export privileges prohibits a person from participating in any way in any transaction subject to the EAR. Furthermore, it is unlawful for other businesses and individuals to participate in any way in an export transaction subject to the EAR with a denied person.

II. Analysis of Impact *in re* U.S. Export Controls on the Group

Based on the Group's feedback to our sanction due diligence questionnaire, the follow-up due diligence questionnaire, customer and supplier list, sales list, and various supporting documents and information provided,

we learned that 1) products of the Group manufactured in the U.S. are sold solely within the U.S., and the Group confirmed that such U.S.-origin products have never been exported to other countries/territories; 2) save for the foregoing products, products sold by the Group outside the U.S. are a) manufactured in the PRC, i.e., not U.S.-origin items; and b) are not in in the U.S. or moving in transit through the U.S..

As products manufactured by the Group in the U.S. are sold solely within the U.S. and involved no export activities, such products are not subject to the EAR. Accordingly, the analysis of "products" below excludes the products manufactured in the U.S., and we will separately analyze the applicability of the *De Minimis* Rules and FDP Rules to discuss whether transactions of the Group are subject to the EAR.

1. Applicability of the De Minimis Rules

Under the *De Minimis* Rules, the scope of U.S.-origin controlled content varies based on the non-U.S.-made product's country of destination. To identify U.S.-origin controlled content for purposes of the *De Minimis* Rules:

- First, the exporter has to determine the ECCN of each U.S.-origin item that is incorporated into a non-U.S.-made product; and

- Second, the exporter has to identify which, if any, of those U.S.-origin items would require a license from BIS if they were to be exported or reexported to the foreign-made product's country of destination.

If U.S.-origin items could be exported or reexported to the country of destination without a license or under License Exception GBS, then such portion shall not be taken into account as controlled content.

According to the Group's response to our sanction due diligence questionnaire and the information that the Group obtained from its supplier, we have learned that:

- The U.S.-origin 3M foam tapes imported by the Group are classified as EAR99; and

- Such U.S.-origin 3M foam tapes imported into the PRC do not require an export license from the BIS.

Given that export, reexport of a U.S.-origin item classified as EAR99 to the overwhelming majority of destinations do not require a license, and we have learned the products of the Group incorporated the U.S.-origin 3M foam tapes do not export to countries subject to additional embargo restrictions, such as Iran, Russia, or Belarus, the U.S.-origin 3M tapes eventually incorporated into the products of the Group do not constitute U.S.-origin controlled content. Accordingly, there is no further need to discuss the value of incorporated U.S.-origin items of the total value of non-U.S.-made items. The *De Minimis* Rule under the EAR shall be inapplicable to the products manufactured by the Group.

2. Applicability of the FDP Rules

Generally speaking, the Group's products are not subject to the EAR unless they would be transferred to a final destination or end-user that is subject to restrictions under a specific FDP rule, with the precondition that such non-U.S.-origin products are not subject to the restrictions of the *De Minimis* Rules under the EAR.

Based on the screening of the counterparties of the Group (including customers and suppliers) performed by us, we noted that from 2019 to the LPD: -

- Five customers of the Group are listed on the Entity List with Footnote 1 designation;

- Five customers of the Group are listed on the Entity List without any footnote designation; and

- Two customers of the Group are listed on the UVL.

Besides, five suppliers of the Group are listed on the Entity List with various footnote designations, and nine suppliers of the Group are listed on the Entity List without footnote designation. However, as the EAR does not restrict the Group from purchasing from any entity designated to the Entity List (unless the persons or entities are proceeding with transactions with knowledge that a violation has occurred or is about to occur),

we will not elaborate on this issue herein as we do not find evidence that the Group is proceeding or has proceeded with transactions with knowledge that a violation has occurred or is about to occur.

At present, transactions with products not subject to the EAR to entities on the UVL and/or Entity List without footnote designation will not trigger BIS's review under the EAR. Nevertheless, based on the FDP rules in force, authorization from the BIS is required if the products to be sold to any entity on the Entity List:

- *with a footnote 1 designation* is a "direct product" of "technology" or "software" subject to the EAR and specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991 of the CCL; or produced by any complete plant or "major component" of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the U.S. or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991 of the CCL;

Upon the Group's responses to our sanction due diligence questionnaire and confirmation pursuant to the trade records, from 2019 to the LPD, transactions with the entities listed on the Entity List with Footnote 1 designation are limited to stamping, die-cutting, and precision functional components. Moreover, according to the confirmation from the Group and the Group's suppliers, we have learned that: -

- No software or technology specified in the Footnote 1 FDP rule is used or involved during the manufacture of the products sold to such entities; and

- Items and components procured from the upstream suppliers during the manufacturing of the products to such entities are not subject to the product scope specified in the Footnote 1 Entity List FDP Rule.

Accordingly, we conclude that restrictive requirements under the Footnote 1 Entity List FDP are inapplicable to the products of the Group, and consequently, such products are not subject to the EAR.

On December 31, 2025, the Group acquired Jiangsu Kooda Stone Automotive Technology Co., Ltd. ("**Jiangsu Kooda**"). Given that Jiangsu Kooda has conducted business relating to specific neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR after the acquisition, specifically, Jiangsu Kooda sold automotive interior molds in January and March 2026 (to be further introduced below in "*Economic Sanctions Analysis*"). We will analyze whether such automotive interior molds are subject to the FDP Rule under Section 734.9(f) of the EAR ("**Section 734.9(f) FDP Rule**").

Under §734.9(f) of the EAR, a foreign-produced item is subject to the Section 734.9(f) FDP Rule if it meets both the destination scope and the product scope.

- The *destination scope* applies if there is "knowledge" that the foreign-produced item is destined to relevant countries subject to destination scope of Section 734.9(f) FDP Rule or will be incorporated into or used in the "production" or" development" of any "part," "component," or "equipment" specified in any ECCN on the CCL or in supplement no. 6 or 7 to part 746 of the EAR and produced in or destined to relevant countries subject to destination scope of Section 734.9(f) FDP Rule.

- The *product scope* applies if a foreign-produced item meets the conditions of either the following:

  1) the foreign-produced item is the "direct product" of U.S.-origin "technology" or "software" subject to the EAR that is specified in any ECCN in product groups D or E of the CCL and specified in any ECCN on the CCL or in supplement no. 6 or 7 to part 746 of the EAR; or

  2) the foreign-produced item is produced by any complete plant or "major component" of a plant that is located outside the United States, when the complete plant or "major component" of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in any ECCN in product groups D or E of the CCL and is specified in any ECCN on the CCL or in supplement no. 6 or 7 to part 746 of the EAR.

Based on the product introduction and information, and Harmonized System ("**HS**") Code relating to business exported to the specific neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR that we have obtained from the Group, we understand that: -

- the ECCN of the automotive interior molds exported to the specific neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR is classified as EAR99 based on our preliminary assessment, as the specifications and publicly available information in respect of the automotive interior molds do not meet the descriptive specifications of items listed on the CCL. However, such classification is non-binding. A definite and formal determination could be obtained through the Commodity Classification Automated Tracking System ("**CCATS**") of the BIS;

- the products exported to the specific neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR are not the chemical and biological items identified in Supplement no.6 to part 746 of the EAR; and

- the HS Code of products exported to the specific neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR does not match those identified in Supplement no.7 to part 746 of the EAR as part of the criteria for what foreign-made items are subject to the EAR. Specifically, the HS Code of the product exported to the specific neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR is 8708299000, which does not fall within the scope of Supplement no.7 to part 746 of the EAR.

As analyzed above, given that the products exported by Jiangsu Kooda to the specific neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR did not satisfy the "product scope" requirement set forth under the Section 734.9(f) FDP Rule, we conclude that the automotive interior models exported to the specific neighboring country subject to the FDP Rule under Section 734.9(f) of the EAR are not subject to the Section 734.9(f) FDP Rule.

Solely relying on the information we obtained, we are of the view that the Group has not engaged in any unauthorized transaction from the perspective of U.S. export control between 2019 and the LPD.

Part II. Economic Sanctions Analysis

I. Scenarios Subject to the Sanctions Guidance

Sanctions Guidance outlines a guidance on listing applicants whose activities expose the Relevant Persons (as defined below) to any risk as a result of sanctions under any law or regulation of the Relevant Jurisdiction (as defined below) and how such risk affects their suitability for listing. The following scenarios are subject to the Sanctions Guidance:

- a listing applicant has engaged in Primary Sanctioned Activity (as defined below);
- a listing applicant has engaged in Secondary Sanctionable Activity (as defined below); or
- a listing applicant is a Sanctioned Target, is located, incorporated, organized or resident in a Sanctioned Country, or is a Sanctioned Trader.

Relevant terms are defined in paragraph 4 of the Sanctions Guidance:

Terminology	Definition
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 a listing applicant incorporated or located in a Relevant Jurisdiction 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.
Secondary Sanctionable Activity	Means certain activity by a listing applicant 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 listing applicant is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction.
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 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). For the purpose of this memorandum, trade restriction lists concerning U.S. export controls (such as the Entity List maintained by the BIS) are excluded from the economic sanctions analysis, which has been analyzed in *Part I: Expert Control Analysis* of this memorandum.
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.
Relevant Jurisdictions	Means any jurisdiction that is relevant to the listing applicant 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, we consider that the Relevant Jurisdictions include the PRC, U.S., United Nations ("**UN**"), European Union ("**EU**"), United Kingdom ("**UK**") and Australia ("**AU**").
Relevant Persons	Means a listing applicant, 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 HKEX and related group companies, the joint sponsors, the overall coordinators and the underwriters of the Offering.

II. Applicable Jurisdictions Analysis

Economic sanctions can be divided into 1) Comprehensive country-based or regional sanctions ("comprehensive sanctions") that prohibit certain covered persons from dealing in any manner with a comprehensively Sanctioned Country and its government; and 2) List-based blocking sanctions ("selective sanctions") that prohibit certain covered persons from dealing with or facilitating dealings with individuals, entities, and organizations in the sanction lists. Doing business with individuals or entities from a country or region subject to selective sanctions maintained by Relevant Jurisdictions will not automatically trigger sanctions risks unless a Sanctioned Target is involved. Based on the information available to us, we understand that, from 2019 to the LPD:

- ***The Group itself is not a Sanctioned Target***: None of the members of the Group has been designated as a Sanctioned Target, nor is located, incorporated, organized or resident in a Sanctioned Country or is a Sanctioned Trader;

- ***No activities in relation to Sanctioned Countries***: The Group exports products to the following overseas countries and regions: *Brazil, South Korea, Cambodia, the United States, Japan, Thailand, Turkey, Singapore, India, Vietnam, Taiwan, Hong Kong SAR, United Arab Emirates, Argentina, Austria, Australia, Belgium, Bulgaria, Bermuda, Canada, Switzerland, Chile, Colombia, Costa Rica, the Czech Republic, Germany, Denmark, the Dominican Republic, Estonia, Spain, Finland, France, the United Kingdom, Hungary, Indonesia, Ireland, Israel, Italy, Mauritius, Mexico, Malaysia, the Netherlands, Norway, New Zealand, the Philippines, Pakistan, Poland, Puerto Rico, Romania, Sweden, Singapore, Slovenia, Slovakia, Thailand, Tunisia, Russia, and South Africa.* Given that none of the aforementioned countries/regions falls within the meaning of Sanctioned Countries under the Sanctions Guidance, namely *Cuba, Iran, North Korea, Syria, the Crimea region, the so-called Donetsk People's Republic and Luhansk People's Republic*, it means that the Group has no business activity in any of the aforementioned Sanctioned Countries.

Pursuant to the responses of the Group to our sanction due diligence questionnaire, we have learned that the Group operates one French subsidiary (primarily engaged in manufacturing and sales) and three Finnish subsidiaries (principally for investment, two of which serve downstream customers). We have conducted an accurate screening of the counterparties of the Group provided by us (including the aforesaid French and Finnish subsidiaries). Except for those counterparties mentioned in the above analysis listed on the Entity List and UVL maintained by the BIS:

- One supplier in history is listed on the Specially Designated Nationals and Blocked Persons ("**SDNs**") List. Meanwhile, one supplier, one customer, and one settlement bank are blocked because they are 50 percent or more (directly or indirectly) in the aggregate by one or more blocked entities on the SDNs List pursuant to the 50% Percent Rule of the OFAC;

- Two customers of the Group are listed on the Non-SDN Chinese Military Industrial Complex Companies ("**NS-CMIC**") List;

- Six customers and one supplier of the Group are listed on the Chinese Military Companies ("**CMC List**"); and

- One supplier ("**Party S**") and one customer ("**Party D**") are listed on the UK Sanction List.

The screening results indicate the Group (including its subsidiaries) has not engaged in Sanctioned Activity involving any person listed on the sanctions lists of the U.N., E.U., and AU. Except for one French subsidiary and three Finnish subsidiaries as mentioned above, the Group itself is a company incorporated under the laws of the PRC and is not located in the EU or AU. Considering the sanction measures of the UN, EU, and AU have no extraterritorial effect, and the Group's businesses have no nexus with UN, EU and AU (excluding the French and Finnish subsidiaries), we will accordingly not elaborate on the regulatory analysis concerning the Group's business in such Relevant Jurisdictions.

Next, we will examine separately: -

1. the potential U.S. sanctions risks associated with Jiangsu Kooda's businesses concerning specific neighboring country sanctioned under E.O. 14024;

2. the potential impact on the Group's business of the above counterparties on the U.S. sanction lists and the UK Sanction List; and

3. the potential impact of the EU sanctions in light of the French and Finnish subsidiaries.

III. Risk Analysis Concerning Transactions of the Group under the U.S. Sanction Laws

U.S. sanction laws are divided into "primary sanctions" and "secondary sanctions." Definitions of primary sanctions and secondary sanctions under the laws and regulations of the U.S. are basically consistent with the corresponding definitions under the Sanctions Guidance.

Transactions violating primary sanctions generally involve a U.S. nexus and a sanctioned person (including individuals and entities) or a sanctioned jurisdiction. Non-U.S. persons may violate U.S. primary sanctions by engaging in U.S.-nexus transactions. A U.S. nexus generally includes: (i) involvement of U.S. persons/entities (including U.S. citizens, lawful permanent residents, U.S.-registered entities—including their foreign branches—third-country entities owned/controlled by U.S. persons, and individuals/entities physically present in the U.S. during the transaction); (ii) use of U.S.-origin goods, software, technology, or services; (iii) U.S. dollar payments processed through the U.S. financial system; (iv) transactions conducted in U.S. dollars (even if cleared outside the U.S.); (v) involvement of U.S. banks as advising banks; (vi) participation of U.S. branches/affiliates in the transaction; and (vii) shipments transiting through the U.S.

For transactions without U.S. nexus, the U.S. government may still threaten to impose secondary sanctions (such as designation to SDN List or relevant sanction lists) to deter non-U.S. persons from engaging in specific activities involving Sanctioned Countries, industries, and/or persons. The SDN List publicly identifies persons determined by the U.S. government to be involved in activities that threaten or undermine U.S. foreign policy or national security objectives. Individuals, entities, vessels, governments, and organizations can all appear on the list pursuant to the various sanctions programs that are administered by OFAC. Persons on the SDN List include those who are owned or controlled by, or acting for, or on behalf of, targeted countries; or those who, such as terrorists and narcotics traffickers designated under programs that are not country-specific.

Any violation involving **Primary Sanctioned Activity** is subject to civil and criminal penalties as set forth in the *International Emergency Economic Powers Act* ("**IEEPA**"):

- ***Civil penalties***: Pursuant to OFAC's Economic Sanctions Enforcement Guidelines, a civil monetary penalty will be based on whether the violator voluntarily self-disclosed the violations, and whether the case is deemed to be "egregious" by OFAC after considering General Factors A ("willful or reckless violation of law"), B ("awareness of conduct at issue"), C ("harm to sanctions program objectives") and D ("individual characteristics"), with particular emphasis on General Factors A and B. The following base penalty matrix[8] represents the base amount of the proposed civil penalty for each category of violation:

		Egregious Case	
		NO	**YES**
Voluntary Self-Disclosure	**YES**	(1) One-Half of Transaction Value (capped at lesser of $188,850 or one-half of the applicable statutory maximum per violation)	(3) One-Half of Applicable Statutory Maximum
	NO	(2) Applicable Schedule Amount (capped at lesser of $377,700 or the applicable statutory maximum per violation)	(4) Applicable Statutory Maximum

- ***Criminal penalties***: A violation of IEEPA carries a maximum criminal penalty of $1,000,000, or if a natural person, be imprisoned for not more than 20 years, or both.

- ***Added to SDN List***: The Secretary of the Treasury can take any action authorized under IEEPA to designate certain entities who engage in Sanctioned Activities to the SDN List.

[8] eCFR: Appendix A to Part 501, Title 31 -- Economic Sanctions Enforcement Guidelines.

Any activity involving **Secondary Sanctionable Activity** would not be subject to civil and criminal penalties as set forth in the IEEPA. However, OFAC may designate the participants on the SDNs List or relevant sanction lists. Consequences of being designated on the SDNs List include:

- ***Prohibited transactions with SDNs***: U.S. persons (including individuals, companies, and financial institutions) are prohibited from engaging in transactions or conducting business with SDNs unless authorized by OFAC.

- ***U.S. property blocked***: Any property (including real estate, shares in U.S. companies, and movable items), money, or accounts within the U.S. and its territories, or that enters into the U.S. becomes blocked. Blocked means that the property, money, or account will be held or frozen in an interest-accruing account for as long as such a person remains on the SDNs List.

As indicated in the foregoing, the Group's businesses do not extend to any Sanctioned Countries, therefore unrelated to comprehensive sanction programs. Given that the Jiangsu Kooda has exported products to specific neighboring country sanctioned under E.O. 14024, a jurisdiction subject to the U.S. selective sanctions programs, we will conduct an analysis of selective sanction programs targeted at the specific neighboring country sanctioned under E.O. 14024.

1. Analysis of Business Relating to Specific Neighboring Country Sanctioned Under E.O. 14024

(1) Overview of U.S. Sanctions Against the Specific Neighboring Country Sanctioned Under E.O. 14024

U.S. sanctions impose no comprehensive sanctions against the specific neighboring country sanctioned under E.O. 14024. Sanctions measures against the specific neighboring country sanctioned under E.O. 14024 that might materially and negatively impact non-U.S. persons are mainly derived from Executive Orders 13662 ("**E.O.13662**") and 14024, respectively.[9]

E.O.13662, namely "*Blocking Property of Additional Persons Contributing to the Situation in Ukraine*", issued by President Obama on March 20, 2014, authorizing the U.S. government to impose blocking sanctions with respect to any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to operate or have operated in financial services, energy, metals and mining, engineering, and defense and related materiel sectors, and other determined sectors of the economy of the specific neighboring country sanctioned under E.O. 14024, or any other sector of the economy of the specific neighboring country sanctioned under E.O. 14024 as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State.

E.O.14024 issued by President Biden on April 15, 2022, authorizing the U.S. government to impose blocking and short-of-blocking sanctions with respect to any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to operate or have operated in the technology sector or the defense and related materiel sector of the economy of the specific neighboring country sanctioned under E.O. 14024, or any other sector of the economy of the specific neighboring country sanctioned under E.O. 14024 as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State. As of the date of this Memorandum, persons may be sanctioned pursuant to E.O.14024 for operating or having operated in the following sectors of the economy of the specific neighboring country sanctioned under E.O. 14024:

Sector of the Economy of the Specific Neighboring Country Sanctioned Under E.O. 14024	Date of Determination and Effectiveness
Technology	April 15, 2021
Defense and Related Materiel	
Financial Services	February 22, 2022
Aerospace	March 31, 2022
Electronics	
Marine	

[9] We do not provide an analysis of Executive Order 14114 as it is applicable to foreign financial institutions.

Accounting	May 8, 2022
Trust and Corporate Formation Services	
Management Consulting	
Quantum Computing	September 15, 2022
Metals and Mining	February 24, 2023
Architecture	May 19, 2023
Engineering	
Construction	
Manufacturing	
Transportation	
Energy	January 10, 2025

However, only persons who have operated in the above-identified sectors and are designated on the sanctions lists are subject to sanctions. OFAC's determination of a sector does not automatically impose sanctions on all persons who operate or have operated in the sector.

(2) - Business Relating to Specific Neighboring Country Sanctioned Under E.O. 14024 of Jiangsu Kooda

Pursuant to the responses and confirmation provided by the Group, we have learned that one of the subsidiaries of the Group, Jiangsu Kooda (acquired on December 31, 2025), has conducted two transactions after the acquisition in January and March 2026. Jiangsu Kooda sold automotive interior molds to one local auto parts company, namely JOINT STOCK COMPANY MS AUTOMOTIVE ("**MS AUTO**"). We will analyze whether such transactions relating to the specific neighboring country sanctioned under E.O. 14024 would trigger U.S. primary sanctions or secondary sanctions as follows.

(a) Primary Sanction Analysis

Primary sanction violations generally arise from activities that feature both a U.S. nexus and a sanctioned person or sanctioned country. Based on the feedback and the documents provided by the Group, the transactions relating to the specific neighboring country sanctioned under E.O. 14024 did not involve any U.S. persons or U.S.-origin items, did not occur in the U.S., and were all settled in RMB.

In light of the foregoing, no Primary Sanctioned Activity has occurred with respect to such transactions relating to the specific neighboring country sanctioned under E.O. 14024, as no U.S. nexus was involved.

(b) Secondary Sanction Analysis

Pursuant to E.O.14024, non-U.S. persons could be subject to designation (to the SDNs List) for

- operating in sanctioned sectors of the economy of the specific neighboring country sanctioned under E.O. 14024;

- having materially assisted[10], sponsored, or provided financial, material, or technological support for, or goods or services to or in support of SDNs List designated entities, regardless of the existence of the U.S. nexus; or

- being 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.

Pursuant to EO 13662, Blocking Property of Additional Persons Contributing to the Situation in Ukraine, implements secondary sanctions as to all foreign persons who "knowingly facilitate[s] significant transactions" for entities designated under EO 13662.[11]

[10] While EO 14024 does not define material assistance, material assistance under § 8901 of the Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine ("**SSIDES**") Act "means the provision of assistance that is significant and of a kind directly relevant to" the point of the EO at question.

[11] *See, e.g.,* Treasury Disrupts Russia's Sanctions Evasion Schemes | U.S. Department of the Treasury. EO 13662 is a covered Executive Order under the SSIDES Act. *See* 31 CFR § 589.305.

The U.S. Department of Treasury may consider the totality of the facts and circumstances and set forth a list of broad factors that can play a role in the determination of whether transactions are significant, including:

- the size, number, and frequency of the transactions;
- the nature of the transactions, or the goods or services for sale, supply, or transfer, including their type, complexity, and commercial purpose;
- the level of awareness of management and whether the transactions are part of a pattern of conduct;
- the nexus of the person that engaged in the transactions and the prohibited activities;
- the impact of the transactions on the statutory objectives;
- whether the transactions attempt to obscure or conceal the actual parties or true nature of the transactions, or evade sanctions; and
- other relevant factors that the Secretary of the Treasury deems relevant.

Based on the Group's responses to us, our sanctions screening on the counterparties, we understand that from the acquisition (i.e., December 31, 2025) to the LPD: -

- Jiangsu Kooda maintains no operating entity based in the specific neighboring country sanctioned under E.O. 14024, the transactions were conducted between Jiangsu Kooda and MS AUTO. In this business model, the Group has less exposure to the economy of the specific neighboring country sanctioned under E.O. 14024, as no direct contact with the local business service or technology provider, banks;
- products Jiangsu Kooda sold to the specific neighboring country sanctioned under E.O. 14024 did not include any products listed on the Critical Items Determination issued pursuant to subsection 11(a)(ii) of E.O. 14024;
- except for one settlement bank (see the analysis below), the entity that the Jiangsu Kooda transacted with, namely MS AUTO, has not been designated on the sanctions lists;
- products sold to the specific neighboring country sanctioned under E.O. 14024 are used exclusively for automotive interior, in light of the definitions of sanctioned sectors set forth in OFAC FAQ 1126[12], such application scenario is unlikely to be deemed as providing material assistance to the sanctioned sectors;
- the revenue therefrom has accounted for less than USD130,00;

Based on the foregoing, considering the transaction content application scenario, and the business model relating to the specific neighboring country sanctioned under E.O. 14024, we are of the view that the secondary sanctions risk under the U.S. sanction regime against the specific neighboring country sanctioned under E.O. 14024 arising from the relevant business is remote.

2. Analysis of Transactions Involved Parties on SDNs List

(1) Overview of the SDNs List

The SDNs List is a list maintained by OFAC that publicly identifies persons determined by the U.S. government to be involved in activities that threaten or undermine U.S. foreign policy or national security objectives. Individuals, entities, vessels, governments, and organizations can all appear on the list pursuant to the various sanctions programs that are administered by OFAC. Persons on the SDN List

[12] https://ofac.treasury.gov/faqs/1126

could be those who are owned or controlled by, or acting for, or on behalf of, targeted countries; or those who, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Assets of those SDN-designated persons are blocked and U.S. persons are generally prohibited from dealing with them.

Under the "50 Percent Rule", any entity owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons (i.e. persons whose property and interests in property are blocked pursuant to an executive order or regulations administered by OFAC, such as SDNs designated entities) is itself considered to be a blocked person. The property and interests in property of such an entity are blocked regardless of whether the entity itself is listed in the annex to an executive order or otherwise placed on the SDN List, unless exempt or authorized by OFAC.

(2) Impact in re SDNs List to the Group

Upon the screening of the Group's counterparties, one supplier is listed on the SDNs List, and one customer and one supplier are blocked under the SDNs List based on the 50% rule. According to the Group's responses to our sanction due diligence questionnaire and the confirmation by the trade records, we have learned that three of the aforementioned entities (apart from one supplier blocked based on the 50% rule) merely have profiles in the financial records ***with no actual transactions conducted***, and the profiles have all been created prior to the designation on the SDNs List. Consequently, the sanctions risks arising from the three entities on the SDNs List are inapplicable to the Group.

Furthermore, one settlement bank ("**Bank A**") used by Jiangsu Kooda for the business relating to the specific neighboring country sanctioned under E.O. 14024 is listed on the SDNs List. On June 12, 2024, several addresses and aliases of the parent bank of Bank A were updated by OFAC to help clarify the risk foreign financial institutions face by conducting or facilitating significant transactions or providing any service involving designated banks of the specific neighboring country sanctioned under E.O. 14024. Among such, Bank A was included.

(a) Primary Sanction Analysis

Pursuant to the feedback of the Group, we have learned that the settlements through Bank A involved no U.S. person, no U.S. items, and no U.S. financial institution, as all settlements were in RMB. Given no U.S. jurisdiction nexus, settlements through Bank A without OFAC's authorization are not non-compliance activities under the current applicable sanction regime, and primary sanctions of the U.S. would not be triggered.

(b) Secondary Sanction Analysis

As expressly stated in OFAC FAQ[13], the definition of the "financial services" sector of the economy of the specific neighboring country sanctioned under E.O. 14024 is set forth below:

> *"Economic or financial services in, involving …, including government-operated and private banks, depository institutions, credit card companies, investment banking services, foreign exchange services, money services businesses, payday lenders, mortgage companies, securities exchanges, securities dealers, asset managers, insurance companies, other financial institutions, and any persons in the business of accepting deposits, transferring funds, facilitating investment, making, granting, transferring, holding, or brokering loans or credits, or purchasing or selling foreign exchange, securities, commodity futures or options, or procuring purchasers and sellers thereof, as principal or agent; and any related activities, including the provision or receipt of goods, services, or technology involving the financial services sector of..."*

Accordingly, the aforesaid definition embraces the financial institutions or persons conducting activities relating to the specific neighboring country sanctioned under E.O. 14024 of capital intermediation, risk management, asset allocation, wealth management, or any analogous economic functions.

Based on the information provided by the Group: -

[13] https://ofac.treasury.gov/faqs/1126

First, at present, Jiangsu Kooda is only receiving payments from Bank A and is not involved in any other activities concerning financial services in the specific neighboring country sanctioned under E.O. 14024 enumerating in OFAC's FAQ 1126;

Second, the past enforcement cases of OFAC have shown that no non-financial institution user has yet been sanctioned simply for receiving payments from financial institutions listed on the SDNs List, particularly, there have been no reported instances of entities not relating to the specific neighboring country sanctioned under E.O. 14024 being listed on the SDNs List for non-USD settlements through Bank A.

Therefore, given that Jiangsu Kooda commits to terminate the settlement through the bank on the SDNs List, and currently, the U.S. law enforcement efforts remain focused on operators in the financial services sector of the economy of the specific neighboring country sanctioned under E.O. 14024 rather than users of a sanctioned financial institute, we are of the view that the Group's exposure to secondary sanctions risks under the U.S. sanctions regime against the specific neighboring country sanctioned under E.O. 14024 shall be relatively low.

3. Analysis of Transactions Involved Parties on NS-CMIC List

(1) Overview of the NS-CMIC List

The NS-CMIC List, published and maintained by OFAC, identifies entities subject to certain investment prohibitions related to Chinese companies that the U.S. government deems a threat to U.S. national security. Executive Order 13959 ("**E.O.13959**") introduced the Non-SDN Communist Chinese Military Companies ("**NS-CCMC**") sanctions regime in November 2020. It was subsequently amended by Executive Orders 13974 and 14032 ("**E.O.14032**") to rename the targets as "Chinese Military Industrial Complex Companies" refine its scope and clarify ambiguities related to the companies to which the prohibitions apply. E.O.13959, as amended by E.O.14032, primarily applies to U.S. persons, meaning:

- any U.S. citizen or legally permitted U.S. resident (e.g., green card holder), wherever located;
- any person, of any nationality, within the U.S.; and
- any entity organized under the laws of the U.S. or any jurisdiction within the U.S. (including foreign branches of U.S. companies).

Upon the sanctions taking effect, U.S. persons are prohibited from engaging in the purchase or sale of any:

- publicly traded securities[14];
- publicly traded securities that are derivatives of publicly traded securities; or
- publicly traded securities that are designed to provide investment exposure to publicly traded securities of any entity on the NS-CMIC List ("**Affected Securities**").

Under E.O.14032, all transactions, whether by a U.S. person or non-U.S. person, that evade or avoid, have the purpose of evading or avoiding, cause a violation of, or attempt to violate the prohibitions above are also prohibited, as are conspiracies to violate the prohibitions. Therefore, a non-U.S. investment firm that aids a U.S. person to invest in Affected Securities could be subject to an enforcement action under this provision.

[14] Security is defined in section 3(a)(10) of the U.S. Securities Exchange Act of 1934 (Securities Exchange Act), denominated in any currency, that trades on a securities exchange or through "over-the-counter" trading, in any jurisdiction.

Notably, E.O.14032 does not apply to a subsidiary of a company listed on the NS-CMIC List unless such subsidiary itself is publicly listed on the NS-CMIC List. OFAC's 50 percent rule[15] does not apply to entities listed solely pursuant to EO 13959, as amended.[16]

(2) Impact *in re* NS-CMIC List to the Group

Upon screening the Group and the list of counterparties provided by the Group, two customers have been designated on the NS-CMIC List. As introduced above, the NS-CMIC prohibitions apply to any "security" denominated in any currency that trades on a securities exchange or through "over-the-counter" trading, in any jurisdiction. However, on the one hand, the Group's transactions with such designated entity do not involve any sale or purchase of any Affected Securities; on the other hand, the Group itself is a company incorporated in the PRC, and is not a U.S. person, nor is it a subsidiary of a U.S. company in the PRC. Hence, we are of the view that dealing with such designated entity on the NS-CMIC List should not be affected by the NS-CMIC prohibitions.

Accordingly, we are of the view that the Group's current business does not appear to violate or be materially exposed to sanctions risks under applicable U.S. sanctions laws and regulations.

4. Analysis of Transactions Involved Parties on CMC List

(1) Overview of the CMC List

The CMC List, published and maintained by the Department of Defense ("**DoD**"), identifies those "Chinese military companies" that are "operating directly or indirectly in the United States" in accordance with the statutory requirement of Section 1260H of *the National Defense Authorization Act for Fiscal Year 2021* ("**FY21 NDAA**"), P.L. 116-283.

According to the updated Section 1260H under *the Servicemember Quality of Life Improvement and National Defense Authorization Act for Fiscal Year 2025* ("**FY25 NDAA**") on January 2, 2025, CMC means as an entity (i) directly or indirectly owned by, controlled by, or beneficially owned by, affiliated with, or in an official or unofficial capacity acting as an agent of or on behalf of the People's Liberation Army or any other component of the Central Military Commission of the Chinese Communist Party, etc., or (ii) that is a "military-civil fusion contributor to the Chinese defense industrial base," and, in both cases, is engaged in providing commercial services, manufacturing, producing, or exporting. In addition, under Section 1346 of FY25 NDAA, if an entity itself meets the definition of a CMC, then its parent company or subsidiaries (if owning or being owned by the entity with 50% or more equity control) can also be deemed CMC.

Originally, the main impact of inclusion on the CMC List was limited to reputational harm, however, CMC List listed entities may face the following direct and indirect implications pursuant to the updated FY24/25 NDAAs:

- ***Prohibition on U.S. Defense Contracts***: Under Section 805 of FY 2024 NDAA, effective on June 30, 2026, DoD will be prohibited from directly entering into, renewing, or extending contracts for goods, services, or technology with entities on the CMC List or their affiliates. Contracts with companies controlled by these listed entities are also prohibited. Additional restrictions on indirect procurement by DoD of goods and services will take effect on June 30, 2027.

- ***Prohibition on Lobbying Service***: Under Section 851 of FY25 NDAA, effective on June 30, 2026, DoD will also be prohibited from contracting with any company (including its subsidiaries or parent company) that engages with individuals or entities involved in lobbying activities on behalf of entities on the CMC List.

[15] OFAC's 50 Percent Rule states that the property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked. If the 50 Percent Rule were to be adapted to apply to the CMIC prohibitions, it would result in prohibitions on U.S. persons investing in publicly traded securities of subsidiaries of CMICs; it would not result in blocking sanctions, as does inclusion on the SDNs List.
[16] *See* OFAC FAQ 857.

(2) Impact *in re* CMC List to the Group

Upon the Group's response to our sanction due diligence, despite six customers and one supplier are listed on the CMC List maintained by the U.S. Department of Defense, as i) the Group itself has not been listed on the CMC List, ii) the Group does not provide any lobbying service; and iii) the Group has no nexus and no intention to conduct business with the U.S. Department of Defense, restrictions associated with the CMC List are inapplicable to the transactions between the Group and entities on the CMC List.

IV. Risk Analysis Concerning Transactions of the Group under the UK Sanction Laws

1. Overview of UK Sanctions

UK sanctions regulations made under the Sanctions Act apply in the whole of the UK, including in Northern Ireland. The prohibitions and requirements in these regulations apply to conduct by UK persons. This includes anyone in the UK (including its territorial waters), UK nationals outside of the UK, and bodies incorporated or constituted under the law of any part of the UK. It is government policy for UK sanctions measures to be given effect in the British Overseas Territories and Crown Dependencies to make sanctions as effective as possible.

UK sanctions include complying with UN and other international obligations, supporting foreign policy and national security objectives, as well as maintaining international peace and security, and preventing terrorism. The UK implements a range of sanctions regimes through regulations made under the Sanctions and Anti-Money Laundering Act 2018 (the "**Sanctions Act**"). The Sanctions Act provides the main legal basis for the UK to impose, update and lift sanctions. Some sanctions measures apply through other legislation, such as the Immigration Act 1971 and the Export Control Order 2008.

The UK may impose the following types of sanctions measures: trade sanctions, including arms embargoes and other trade restrictions; financial sanctions, including asset freezes; immigration sanctions, known as travel bans; aircraft and shipping sanctions, including de-registering or controlling the movement of aircraft and ships.

2. Impact *in re* UK Sanctions on the Group

At present, UK sanctions apply to any company incorporated under the laws of the UK, any UK nationals, and any business conducted in part or in whole within the UK; however, UK sanctions shall not be applicable to non-UK nationals, or any company (including a subsidiary of a UK company) that is not incorporated under the laws of UK, which acts in a wholly independent manner from its parent company and which does not carry out any activities in the UK.

The screening results of the Group's counterparties show that one supplier (Party S) and one customer (Party D) are listed on the UK Sanction List. Pursuant to the information provided by the Group, we learned that:

- Transaction with Party S was completed before the designation on the UK Sanction List, and no subsequent new transaction has occurred after the designation.

- One transaction with Party D has occurred in 2025 after Party D's designation on the UK Sanction List. Such transaction is a freight-fee order, and no UK nexus has been involved in the transaction (e.g., pound currency settlement, UK parties, or UK-origin items).

In view of the foregoing facts,

- Given that Party S was not a Sanction Target at the time the transactions were completed, such transactions shall not be deemed as Sanctioned Activities in spite of the subsequent designation of Party S on the UK Sanction List; and

- Given the absence of a UK nexus in the transaction with Party D and the non-extraterritorial nature of UK sanctions, the restrictive measures imposed by the UK government are inapplicable to the transactions with Party D.

Therefore, we are of the view that the sanction risks arising from the UK Sanction List are inapplicable to the Group.

V. Risk Analysis Concerning Transactions of the Group under EU Sanction Laws

1. Overview of EU Sanctions

The EU implements all sanctions adopted by the United Nations Security Council to maintain or restore international peace and security. UN sanctions are automatically transposed into EU law. Occasionally, the EU applies additional measures to complement and reinforce United Nations sanctions. The EU also adopts autonomous sanctions to fight against terrorism financing, defend human rights and democratic institutions, or prevent the proliferation of chemical weapons or weapons of mass destruction.

Most sanctions adopted by the EU are targeted at individuals and entities consisting of asset freezes, travel bans, and the prohibition of making funds and economic resources available to listed entities or individuals. The freezing of funds and economic resources includes assets owned or controlled by targeted individuals or organizations (such as cash, bank deposits, stocks, shares, etc.) that may not be accessed, moved, or sold, and real estate that may not be sold or rented. Visa or travel bans prevent individuals from entering the territory of the EU.

The EU also adopts targeted sectoral sanctions, such as economic and financial measures (e.g. import and export restrictions of goods and technologies, restrictions on banking services) or arms embargoes to prohibit exporting weapons and other goods that could be used in conflicts or for internal repression. The scope of the sectoral sanctions covers sectors such as trade, energy, transport, finance, and media.

The EU has close to 50 sanctions regimes in place, and almost 5,000 individuals and entities worldwide are subject to EU sanctions. Geographical sanctions regimes address the specific situation of third countries and currently apply to over 40 countries.

EU sanctions shall apply: (i) within the territory of the EU; (ii) on board any aircraft or any vessel under the jurisdiction of a member state; (iii) to any person inside or outside the territory of the EU who is a national of a member state; (iv) to any legal person, entity or body, inside or outside the territory of EU, which is incorporated or constituted under the law of a member state; (e) to any legal person, entity or body in respect of any business done in whole or in part within the EU. As of the date of this memorandum, the EU still claims that EU sanctions do not have extraterritorial application[17], despite certain elements introduced that at least reminiscent of secondary sanctions in its sanctions regulations targeting the specific neighboring country sanctioned under E.O. 14024.

2. Impact *in re* EU Sanctions Risk to the Group

Given that the Group itself is a PRC incorporated entity, based on the Group's response to our sanction due diligence questionnaire and our screening of the counterparties provide by the Group, we have learned that the Group's activities (excluding the French and Finnish subsidiaries) have no nexus with the EU, in addition, as no counterparties of the Group are sanctioned by the EU. Therefore, we conclude that the EU sanctions shall not be applicable to the Group.

3. Impact *in re* EU Sanctions Risk to the French and Finnish Subsidiaries

The Group currently has a French subsidiary (primarily engaged in manufacturing and sales) and three Finnish subsidiaries (principally for investment, two of which serve downstream customers), and such three subsidiaries are obligated to comply with the EU sanctions requirements. According to the counterparty list and trade records provided by the Group, we have conducted an accurate screening. The screening results and trade records indicate no activity with any Sanctioned Target or Sanctioned Country. Hence, we conclude that the Group's French and Finnish subsidiaries do not engage in any activities that may trigger EU sanctions review so far.

[17] https://www.europarl.europa.eu/EPRS/TD_EU_restrictive_measures.pdf

VI. Conclusion

Summarizing the above, from 2019 to the LPD:

1) none of the Group and its subsidiaries is engaged in any Sanctioned Activities;

2) none of the members of the Group is located, incorporated, organized or resident in a Sanctioned Country or has been designated as a Sanctioned Target by any Relevant Jurisdiction;

3) although the one of the Group's subsidiaries acquired on December 31, 2025, has conducted business relating to the specific neighboring country sanctioned under E.O. 14024, given the content and nature of transactions, sales by the said subsidiary limited to automotive interior products are unlikely to be deemed as providing material assistance to the sanctioned sector of the specific neighboring country sanctioned under E.O. 14024, the secondary sanctions risk under the U.S. sanctions regime against the aforementioned country arising from the relevant business is remote; and

4) notwithstanding that the screening records indicate one settlement bank handling RMB settlements has been listed on the SDNs List, considering the identity of the recipient and, based on past enforcement cases of OFAC, no non-financial institution user has yet been sanctioned simply for receiving payments from SDNs Listed financial institutes, particularly, there have been no reported instances of entities not relating to the specific neighboring country sanctioned under E.O. 14024 being listed on the SDNs List for non-USD settlements through such a sanctioned bank, the sanctions risks (i.e., potential designation as a Sanctioned Target) on the Group and/or Relevant Persons resulting from such Secondary Sanctionable Activities are relatively low; and

5) the restrictions arising from the military list maintained by the U.S. are inapplicable to the Group.

Hence, considering all factors above, we understand that the participation of the Sponsor, the overall coordinator, and/or the underwriters (as named in the Prospectus) in the Proposed Listing would not be subject to significant sanctions risks. The participation in the Proposed listing would not likely result in the Sponsor, the overall coordinator, and/or the underwriters (as named in the Prospectus) being sanctioned (including being designated as a Sanctioned Target and/or imposed penalties) from the international sanctions perspective.

Part III: Outbound Investment Review Analysis

I. Overview of the U.S. Outbound Investment Regulations

On October 28, 2024, the U.S. Department of Treasury (the "**Treasury**") issued final regulations (the "**Final Rule**", regulated in 31 CFR 850) implementing Executive Order 14105 ("**E.O.14105**") which addresses U.S. investments in certain national security technologies and products in countries of concern. The Final Rule, which came into effect on January 2, 2025, aims to restrict *U.S. persons* (as defined below) *knowingly* or *knowingly directing* their *controlled foreign entities* (as defined below) from *investing in* ("covered transactions", as defined below) concerning *activities related to the semiconductor, quantum computing, and artificial intelligence* (i.e. covered activities) industries *in the PRC (including Hong Kong SAR and Macau SAR) and other specified countries or regions* ("person of country of concern", as defined below), and to impose different investment restrictions (i.e., "Prohibited Transactions" and "Notifiable Transactions") depending on the nature, purpose and advanced level of the underlying activity. Therefore, key elements of the jurisdictional scope of the Final Rule are as follows:

- ***Requirements on U.S. persons***: The Final Rule places obligations on U.S. persons, including the prohibition of certain transactions and a notification requirement for certain other transactions. In addition, U.S. persons are required to take all reasonable steps to prohibit and prevent a controlled foreign entity from engaging in a prohibited transaction; and are obligated to file a notification with respect to a notifiable transaction undertaken by a controlled foreign entity no later than 30 calendar days after the completion date of the regulated transaction.

- ***Specific categories of covered transactions:*** The Final Rule applies to certain transactions by U.S. persons, including the acquisition of an equity interest or contingent equity interest; certain debt financing that affords certain rights to the lender; the conversion of a contingent equity interest; a greenfield investment or other corporate expansion; entrance into a joint venture; and certain investments as a limited partner or equivalent in a non-U.S. person pooled investment fund. Activities that do not meet the definition of a covered transaction are not subject to the program except where they are undertaken to evade or avoid the Final Rule.

- ***Knowledge standard:*** The obligations of a U.S. person under the Final Rule apply if such person has knowledge of relevant facts or circumstances related to a transaction.

- ***Investment target should be a covered foreign person:*** The Final Rule applies to certain transactions by a U.S. person that involve a covered foreign person—that is, a person of a country of concern that is engaged in a covered activity related to defined sub-sets of technologies and products or a person that has a voting or equity interest, board seat, or certain powers with respect to such a person of a country of concern where more than 50 percent of one of several key financial metrics of the person is attributable to one or more such persons of a country of concern.

- ***Excepted Transactions:*** The Final Rule excepts certain types of transactions from the rule's coverage, provided that such transactions do not afford a U.S. person certain rights that are not standard minority shareholder protections. If there is no applicable exception, the transaction may still fall into the jurisdictional scope of the Final Rule.

If any of the above elements is not satisfied, then the transaction shall not be subject to review under the Final Rule, and investors do not need to notify the Treasury.

1. Definition

Under 31 CFR Part 850, key concepts of the Final Rule are defined as follows:

U.S. Person
Under 31 CFR Part 850.229, "U.S. person" means any of the following: - United States citizen; - Lawful permanent resident;

- Entity organized under the laws of the United States or any jurisdiction within the United States, including any foreign branch of any such entity; or

- Any person in the United States (regardless of nationality).

Controlled Foreign Entities

Under 31 CFR Part 850.206, "Controlled foreign entities" means any entity incorporated in, or otherwise organized under the laws of, a country other than the United States of which a U.S. person is a parent[18].

For purposes of this term, the following rules shall apply in determining whether an entity is a parent of another entity in a tiered ownership structure:

- Where the relationship between an entity and another entity is that of parent and subsidiary, the holdings of voting interest or voting power of the board, as applicable, of a subsidiary shall be fully attributed to the parent;

- Where the relationship between an entity and another entity is not that of parent and subsidiary (i.e., because the holdings of voting interest or voting power of the board, as applicable, of the first entity in the second entity is 50 percent or less), then the indirect downstream holdings of voting interest or voting power of the board, as applicable, attributed to the first entity shall be determined proportionately;

- Where the circumstances in the above 2 paragraphs apply (i.e., because a U.S. person holds both direct and indirect downstream holdings in the same entity), any holdings of voting interest shall be aggregated for the purposes of applying this definition, and any holdings of voting power of the board shall be aggregated for the purposes of applying this definition. Voting interest shall not be aggregated with voting power of the board for the purposes of applying this definition.

Covered Foreign Person

Under 31 CFR Part 850.209, "Covered foreign person" means:

- A person of a country of concern that engages in a covered activity;

- A person that directly or indirectly holds a board seat on, a voting or equity interest (other than through securities or interests that would satisfy the conditions in § 850.501(a) if held by a U.S. person) in, or any contractual power to direct or cause the direction of the management or policies of any person or persons described in the above paragraph from or through which it.

    - Derives more than 50 percent of its revenue individually, or as aggregated across such persons from each of which it derives at least $50,000 (or equivalent) of its revenue, on an annual basis;

    - Derives more than 50 percent of its net income individually, or as aggregated across such persons from each of which it derives at least $50,000 (or equivalent) of its net income, on an annual basis;

    - Incurs more than 50 percent of its capital expenditure individually, or as aggregated across such persons from each of which it incurs at least $50,000 (or equivalent) of its capital expenditure, on an annual basis; or

[18] According to 31 CFR 850.219, The term parent means, with respect to an entity:
(a) A person who or which directly or indirectly holds more than 50 percent of:
(1) The outstanding voting interest in the entity; or
(2) The voting power of the board of the entity;
(b) The general partner, managing member, or equivalent of the entity; or
(c) The investment adviser to any entity that is a pooled investment fund, with "investment adviser" as defined in the Investment Advisers Act of 1940 (15 U.S.C. 80b-2(a)(11)).

- Incurs more than 50 percent of its operating expenses individually, or as aggregated across such persons from each of which it incurs at least $50,000 (or equivalent) of its operating expenses, on an annual basis.

Person of Country of Concern

Under 31 CFR Part 850.221, "Person of country of concern" means:

a) Any individual that is:

- a citizen or permanent resident of a country of concern;
- not a U.S. citizen; and
- not a permanent resident of the United States;

b) An entity with a principal place of business in, headquartered in, or incorporated in or otherwise organized under the laws of, a country of concern;

c) The government of a country of concern, including any political subdivision, political party, agency, or instrumentality thereof; any person acting for or on behalf of the government of a country of concern; or any entity with respect to which the government of a country of concern holds individually or in the aggregate, directly or indirectly, 50 percent or more of the entity's outstanding voting interest, voting power of the board, or equity interest, or otherwise possesses the power to direct or cause the direction of the management and policies of such entity (whether through the ownership of voting securities, by contract, or otherwise);

d) Any entity in which one or more persons identified in paragraph (a), (b), or (c) of this section, individually or in the aggregate, directly or indirectly, holds at least 50 percent of any of the following interests of such entity: outstanding voting interest, voting power of the board, or equity interest; or

e) Any entity in which one or more persons identified in paragraph (d) of this section, individually or in the aggregate, directly or indirectly, holds at least 50 percent of any of the following interests of such entity: outstanding voting interest, voting power of the board, or equity interest.

At present, the country of concern includes the PRC (including Hong Kong SAR and Macau SAR).

Covered Transaction

Under 31 CFR Part 850.210, "Covered transaction" means a U.S. person's direct or indirect:

- ***Equity and contingent equity:*** Acquisition of an equity interest or contingent equity interest in a person that the U.S. person knows at the time of the acquisition is a covered foreign person;
- ***Debt financing:*** Provision of a loan or a similar debt financing arrangement to a person that the U.S. person knows at the time of the provision is a covered foreign person, where such debt financing affords or will afford the U.S. person an interest in profits of the covered foreign person, the right to appoint members of the board of directors (or equivalent) of the covered foreign person, or other comparable financial or governance rights characteristic of an equity investment but not typical of a loan;
- ***Conversion of contingent equity interests:*** Conversion of a contingent equity interest into an equity interest in a person that the U.S. person knows at the time of the conversion is a covered foreign person, where the contingent equity interest was acquired by the U.S. person on or after January 2, 2025;
- ***Greenfield and brownfield investments:*** Acquisition, leasing, or other development of operations, land, property, or other assets in a country of concern that the U.S. person knows at the time of such acquisition, leasing, or other development will result in, or that the U.S. person plans to result in:

- the establishment of a covered foreign person; or
- the engagement of a person of a country of concern in a covered activity;

- ***Joint ventures:*** Entrance into a joint venture, wherever located, that is formed with a person of a country of concern, and that the subject U.S. person knows at the time of entrance into the joint venture that the joint venture will engage, or plans to engage, in a covered activity; or

- ***Investments made as a limited partner:*** Acquisition of a limited partner or equivalent interest in a venture capital fund, private equity fund, fund of funds, or other pooled investment fund (in each case where the fund is not a U.S. person) that a U.S. person knows at the time of the acquisition likely will invest in a person of a country of concern that is in the semiconductors and microelectronics, quantum information technologies, or artificial intelligence sectors, and such fund undertakes a transaction that would be a covered transaction if undertaken by a U.S. person.

2. Restrictive Measures Imposing on Certain Activities

The Final Rule defines prohibited and notifiable transactions with reference to whether a Covered Foreign Person engages in a covered activity; in addition, a notifiable transaction would be escalated to prohibit in the event that the Covered Foreign Person is included on one of several U.S. government lists maintained by several governmental departments.

1) Scope of Covered Activities

At present, covered activities under the Final Rule cover three sectors:

(1) Semiconductors and Microelectronics,

(2) Quantum Information Technologies, and

(3) Artificial Intelligence ("AI").

Each of these is divided into two categories: "Prohibited Transaction" and "Notifiable Transaction". Specifications of the covered activities are set out as follows:

Semiconductors and Microelectronics	
Prohibited Transaction	Develop or produce any electronic design automated software for the design of integrated circuits ("ICs") or advanced packaging; Develop or produce (1) front-end semiconductor fabrication equipment designed for performing volume fabrication of ICs; (2) equipment for performing volume advanced packaging; or (3) commodity, material, software or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment; Design IC that meets or exceeds the performance parameters in Export Control Classification Number 3A090.a in supplement No. 1 to 15 CFR part 774, or integrated circuits designed for operation at or below 4.5 Kelvin; Fabricate any of the following: - Logic integrated circuits using a non-planar transistor architecture or with a production technology node of 16/14 nanometers or less, including fully depleted silicon-on-insulator (FDSOI) integrated circuits; - NOT-AND (NAND) memory integrated circuits with 128 layers or more; - Dynamic random-access memory (DRAM) integrated circuits using a technology node of 18 nanometer half-pitch or less;

	- Integrated circuits manufactured from a gallium-based compound semiconductor; - Integrated circuits using graphene transistors or carbon nanotubes; or - Integrated circuits designed for operation at or below 4.5 Kelvin Package any integrated circuit using advanced packaging techniques. Develop, install, sell, or produce any supercomputer enabled by advanced integrated circuits that can provide a theoretical compute capacity of 100 or more double-precision (64-bit) petaflops or 200 or more single-precision (32-bit) petaflops of processing power within a 41,600 cubic foot or smaller envelope.
Notifiable Transaction	Design, fabricate or package any IC that does not meet the prohibited transaction parameters.
Quantum Information Technologies	
Prohibited Transaction	Develop quantum computers or the critical components required to produce quantum computers, such as dilution refrigerators or two-stage pulse tube cryocoolers; Develop or produce quantum sensing platforms designed for, or intended to be used for, military, government intelligence, or mass-surveillance end uses; or Develop or produce quantum networks or communication systems designed for, or intended to be used for, networking to scale up capabilities of quantum computers, secure communications, or any other application that has any military, government intelligence, or mass-surveillance end use.
Notifiable Transaction	None
Artificial Intelligence ("AI")	
Prohibited Transaction	Develop any AI system that is designed to be exclusively used for, or which the relevant covered foreign person intends to be used for, any: - Military end use (e.g., for weapons targeting, target identification, combat simulation, military vehicle or weapon control, military decision-making, weapons design (including chemical, biological, radiological, or nuclear weapons), or combat system logistics and maintenance); or - Government intelligence or mass-surveillance end use (e.g., through incorporation of features such as mining text, audio, or video; image recognition; location tracking; or surreptitious listening devices). Develop any AI system that is trained using a quantity of computing power greater than: - 10^25 computational operations (e.g., integer or floating-point operations); or - 10^24 computational operations (e.g., integer or floating-point operations) using primarily biological sequence data.
Notifiable Transaction	Develop any AI system that is not described in prohibited transactions and that is: - designed for military, government intelligence, or mass surveillance end uses (but not exclusively); - intended to be used for cybersecurity applications, digital forensics tools, penetration testing tools, or the control of robotics systems; or

	- trained using a specified quantity of computing power greater than 10^23 computational operations (i.e., at a threshold lower than that for prohibited transactions).

2) Scope of Prohibited End-Users

In addition to the above, if a covered foreign person is included on one of the following lists maintained by the U.S. government, a notifiable transaction would be escalated to prohibited transaction:

(1) included on the BIS's Entity List (15 CFR part 744, supplement No. 4);

(2) included on BIS's MEU List (15 CFR part 744, supplement no. 7);

(3) meets the definition of MIEU by BIS in 15 CFR 744.22(f)(2);

(4) included on the Treasury's SDN List, or is an entity in which one or more individuals or entities included on the SDN List, individually or in the aggregate, directly or indirectly, own a 50 percent or greater interest;

(5) included on the NS–CMIC List; or

(6) designated as a foreign terrorist organization by the Secretary of State under 8 U.S.C. 1189.

If a transaction does not satisfy any of the above criteria, then the transaction shall not be subject to the jurisdiction of the Final Rule.

3. Standard of knowledge

In determining whether a U.S. person violated the Final Rule, the Treasury will assess whether the U.S. person has or had knowledge of the relevant facts and circumstances with respect to a covered transaction. Under 31 CFR 850.216, "knowledge" means:

- Actual knowledge that a fact or circumstance exists or is substantially certain to occur;
- An awareness of a high probability of a fact or circumstance's existence or future occurrence; or
- Reason to know of a fact or circumstance's existence.

In other words, under the Final Rule, a U.S. person shall be deemed to have knowledge if the U.S. person possesses actual knowledge that a fact or circumstance exists or is substantially certain to occur, if the U.S. person possesses an awareness of a high probability of a fact or circumstance's existence or future occurrence, or if the U.S. person could have possessed such information through a reasonable and diligent inquiry.

Under 31 CFR 850.104, the Treasury will consider the totality of the relevant facts and circumstances in assessing whether a US person undertook a reasonable and diligent inquiry, including the following:

(1) The inquiry a U.S. person has made regarding an investment target or other relevant transaction counterparty (such as a joint venture partner), including questions asked of the investment target or relevant counterparty, as of the time of the transaction;

(2) The contractual representations or warranties the U.S. person has obtained or attempted to obtain from the investment target or other relevant transaction counterparty (such as a joint venture partner) with respect to the determination of a transaction's status as a covered transaction and status of an investment target or other relevant transaction counterparty (such as a joint venture partner) as a covered foreign person;

(3) The efforts by the U.S. person as of the time of the transaction to obtain and consider available non-public information relevant to the determination of a transaction's status as a covered transaction and the status of an investment target or other relevant transaction counterparty (such as a joint venture partner) as a covered foreign person;

(4) Available public information, the efforts undertaken by the U.S. person to obtain and consider such information, and the degree to which other information available to the U.S. person as of the time of the transaction is consistent or inconsistent with such publicly available information;

(5) Whether the U.S. person purposefully avoided learning or seeking relevant information;

(6) The presence or absence of warning signs, which may include evasive responses or non-responses from an investment target or other relevant transaction counterparty (such as a joint venture partner) to questions or a refusal to provide information, contractual representations, or warranties; and

(7) The use of available public and commercial databases to identify and verify relevant information of an investment target or other relevant transaction counterparty (such as a joint venture partner).

Besides, the Final Rule also prohibits U.S. persons from knowingly directing a non-U.S. person to engage in a prohibited transaction. Under 31 CFR 850.303, a U.S. person "knowingly directs" a transaction when such person:

(1) has the authority, individually or as part of a group, to make or substantially participate in the decisions of a non-US person, and

(2) exercises that authority to direct, order, decide upon, or approve a transaction. An officer, director, and a person who otherwise possesses executive responsibilities is deemed to have such authority.

However, a U.S. person who has the authority described above and recuses themselves from each of the following activities will not be considered to have exercised their authority to direct, order, decide upon, or approve a transaction:

(1) Participating in formal approval and decision-making processes related to the transaction, including making a recommendation;

(2) Reviewing, editing, commenting on, approving, and signing relevant transaction documents; and

(3) Engaging in negotiations with the investment target (or, as applicable, the relevant transaction counterparty, such as a joint venture partner).

4. Excepted Transactions

Certain types of transactions are excepted from the rule's coverage, and therefore not covered transactions under the Final Rule, reasoning that such excepted transactions do not afford a U.S. person certain rights that are not standard minority shareholder protections. Under 31 CFR 850.501, excepted transactions include the following:

(1) ***Publicly traded securities:*** An investment by a U.S. person in a publicly traded security[19]

[19] The term "***security***" is defined in section 3(a)(10) of the Securities Exchange Act of 1934, as amended, at 15 U.S.C. 78c(a)(10), means any note, stock, treasury stock, security future, security-based swap, **bond**, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.

denominated in any currency, and that trades on a securities exchange or through the method of trading that is commonly referred to as "over-the-counter," in any jurisdiction; or a security issued by a registered investment company, such as an index fund, mutual fund, or exchange traded fund, or issued by any company that has elected to be a business development company.

(2) ***Certain limited partner investments:*** A U.S. person's investment made as a limited partner or equivalent in a venture capital fund, private equity fund, fund of funds, or other pooled investment fund where:

- The limited partner or equivalent's committed capital is not more than $2,000,000, aggregated across any investment and co-investment vehicles of the fund; or

- The limited partner or equivalent has secured a binding contractual assurance that its capital in the fund will not be used to engage in a transaction that would be a prohibited transaction or notifiable transaction, as applicable, if engaged in by a U.S. person.

(3) ***Derivatives:*** A U.S. person's investment in certain derivative securities, so long as such derivative does not confer the right to acquire equity, any rights associated with equity, or any assets in or of a covered foreign person.

(4) ***Buyouts of country of concern ownership:*** A U.S. person's full buyout of all interests of any person of a country of concern in an entity, such that the entity does not constitute a covered foreign person following the transaction.

(5) ***Intracompany transactions:*** An intracompany transaction between a U.S. person and its controlled foreign entity to support operations that are not covered activities or to maintain ongoing operations with respect to covered activities that the controlled foreign entity was engaged in prior to January 2, 2025.

(6) ***Certain pre-Final Rule binding commitments:*** Fulfillment of a U.S. person's binding, uncalled capital commitment entered into prior to January 2, 2025.

(7) ***Certain syndicated debt financings:*** The acquisition of a voting interest in a covered foreign person upon default or other condition involving a loan, where the loan was made by a lending syndicate and a U.S. person participates passively in the syndicate.

(8) ***Equity-based compensation:*** A U.S. person's receipt of employment compensation in the form of an award or grant of equity or an option to purchase equity in covered foreign person, or the exercise of such option.

(9) ***Third-country measures:*** Certain transactions involving a person of a country or territory outside of the United States may be excepted transactions where the Secretary of the Treasury determines that the country or territory is addressing national security concerns related to outbound investment and the transaction is of a type for which associated national security concerns are likely to be adequately addressed by the actions of that country or territory.

In addition to the above, the Final Rule allows a U.S. person to seek an exemption from the application of the prohibition or notification requirement on the basis that a transaction is in the national interest of the U.S.

5. Legal Consequences of Non-compliance

A violation of the above outbound investment regulations would have been subject to civil and criminal penalties as set forth in *the International Emergency Economic Powers Act of 1977* ("**IEEPA**"):

- ***Civil penalties:*** a civil penalty that does not exceed the greater of $377,700 or twice the amount of the transaction may be imposed on any person who violates, attempts to violate, conspires to violate, or causes a violation of the above outbound investment;

- ***Criminal penalties:*** a person who willfully commits, willfully attempts to commit, willfully conspires to commit, or aids or abets in the commission of a violation, attempt to violate, conspiracy to violate, or causing of a violation of the above outbound investment regulations shall, upon conviction, be fined not more than $1,000,000, or if a natural person, be imprisoned for not more than 20 years, or both.

Other than the above, the Secretary of the Treasury can take any action authorized under IEEPA to nullify, void, or otherwise require divestment of any prohibited transaction.

However, despite U.S. persons are prohibited from undertaking certain transactions and are required to notify the Treasury of certain other transactions, there will not be a case-by-case review of transactions. The relevant U.S. person undertaking a transaction has an obligation to determine whether the given transaction is prohibited, permissible but subject to notification, or not covered by the Final Rule because either it is an excepted transaction or it is not within the jurisdiction set forth under the Final Rule.

6. Notification Requirements

A U.S. person subject to the notification requirement is required to file a notification form with the Treasury that includes information related to the transaction, such as details about the U.S. person, the covered foreign person, the covered transaction, and the relevant national security technologies and products. The Final Rule requires that a notification be filed no later than 30 days after the relevant covered transaction is completed or, where a U.S. person acquires actual knowledge after the completion date of a transaction that the transaction would have been a covered transaction if such knowledge had been possessed at the time of the transaction, no later than 30 days after the U.S. person's acquisition of such knowledge. Notifications are required to be submitted via electronic filing.

II. Outbound Investment Restrictions Reprogrammed by the COINS Act

On December 18, 2025, President Trump signed into law the FY 2026 NDAA, which includes the Comprehensive Outbound Investment National Security Act of 2025 ("**COINS Act**") that constitutes a continuation of U.S. efforts to prevent the exploitation of U.S. capital by countries of concern to undermine national security and foreign policy interests. The COINS Act codifies a screening system for outbound investments by U.S. persons in certain technology transactions with target entities that have connections to countries of concern, including but not limited to, the PRC.

As certain requirements under the COINS Act are inconsistent with the existing OIR, the Secretary of the Treasury has 450 days from enactment of the COINS Act to issue regulations regarding an investor's obligation to notify the Secretary of "a covered national security transaction" to be followed by time for public notice and comment. As a result, it may not be until 2027 before the COINS Act is fully implemented. In other words, U.S. persons may not have obligations under the COINS Act until the Secretary issues the required regulations; in the meantime, parties should continue to act in full compliance with the Treasury Department's current regulations at 31 CFR part 850.

III. Analysis of the Applicability of the Final Rule to the Group

As discussed above, the Final Rule does not prohibit all investment activity in countries of concern. Instead, the Final Rule is narrowly targeted at certain types of investments in country of concern entities and related to sensitive technologies and products critical for military, intelligence, mass-surveillance, or cyber-enabled capabilities.[20] If no covered activity is involved in the transaction, then the transaction shall fall outside the jurisdictional scope of the Final Rule.

In addition, an investment by a U.S. person in publicly traded securities is excepted by the Final Rule, regardless of whether the Group is a person of a country of concern, or whether the underlying activities undertaken by the Group are covered activities. In other words, once the stocks issued by the Company become publicly traded, restrictions set out by the Final Rule are inapplicable to investments in relation to such publicly traded securities.

[20] See Office of Investment Security's "*Additional Information on Final Regulations Implementing Outbound Investment Executive Order (E.O. 14105)*", https://home.treasury.gov/system/files/206/TreasuryOutboundFinalRuleAdditionalInformation_0.pdf

Based on the Group's response to our sanction due diligence questionnaire and publicly available information, the Group primarily utilizes its manufacturing technologies, such as die-cutting, stamping, CNC, injection molding, MIM, and die-casting, to manufacture and produce hardware products like precision structural components. We understand the Group's business does not fall within the definition of quantum information technologies or artificial intelligence. Moreover, public information indicates that products of the Group include miniaturized GaN chargers. We will next analyze: 1) whether the production and manufacturing of such GaN charger meet the criteria of "fabricate integrated circuits manufactured from gallium-based compound semiconductors," and thus fall within the scope of prohibited transactions; and 2) even if the activity does not fall within the prohibited transaction scope, whether manufacturing such GaN charger meets the criteria of a notifiable transaction.

The definition of "fabrication" has not yet been illustrated in the Final Rule. According to the FAQ published by BIS and Section 772.1 of the EAR[21], BIS interprets that a *semiconductor fabrication* "facility" is "a building where *the production at the restricted technology level occurs*. Subsequent steps at facilities, such as assembly, test, and/or packaging facilities, that do not alter the technology levels are not covered". Hence, based on the BIS's FAQ, we are of the view that semiconductor fabrication refers to the production at the restricted technology level, and subsequent steps, such as assembly, test, and/or packaging, that do not alter the technology levels are not covered. As such, if the Group's participation in manufacturing does not alter the technology levels of the products (e.g., assembly), such activities will not be deemed as "fabrication" under the EAR and it is unlikely to be deemed as prohibited activities under the Final Rule.

Pursuant to the Group's response to our sanction due diligence questionnaire, we learned that the Group only provides OEM/ODM design and assembly of GaN chargers. As the Group's activities consist solely of assembly that does not alter the technology level, the Group's operations do not constitute "fabrication" under the EAR and fall outside the definition of prohibited activity. Equally, the Group has expressly confirmed that the Group neither researches, develops nor manufactures any integrated circuits. Hence, the Group's activities have no relation to the definitions of semiconductor and microelectronics under the Final Rule and accordingly do not meet the criteria of notifiable categories.

Therefore, the Group's business does not fall into the prohibited scope nor the notifiable scope under the Final Rule. We are of the view that the Final Rule shall be inapplicable to the Group and the Offering, the Offering is not a "covered transaction" and does not constitute a "covered activity". The engagement by the Sponsor, the overall coordinator, and/or the underwriters (as named in the Prospectus) with the Group in connection with the Offering and the subsequent underwriting does not and will not constitute a "covered transaction" as defined in the Final Rule.

[21] https://www.bis.doc.gov/index.php/documents/product-guidance/3181-2022-10-28-bis-faqs-advanced-computing-and-semiconductor-manufacturing-items-rule-2/file

Part IV: U.S. Tariffs Analysis

I. IEEPA Tariffs of the U.S.

1. Tariffs Related to Fentanyl

On February 1, 2025, President Trump placed 25 percent tariffs on products from Mexico and Canada (10 percent on Canadian "energy resources") and 10 percent on all products from China through the IEEPA "because of the major threat of illegal aliens and deadly drugs killing our Citizens, including fentanyl." On March 3, President Trump further increased the IEEPA tariffs from 10 percent to 20 percent on all products from China (including Hong Kong), which became effective on March 4, 2025. However, on October 30, 2025, based on the announcement by the China and U.S. government after the Sino-U.S. talk, the tariffs related to fentanyl of 10% will be cancelled[22].

IEEPA grants the president broad authority to regulate various financial transactions upon declaring a national emergency. Since its enactment, IEEPA has become an important tool to impose economic sanctions, justify export controls, and restrict certain transactions and outbound investments. Under the IEEPA, the president can take a wide variety of economic actions "to deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy or economy" of the country.

Previously, no president of the U.S. has used IEEPA to place tariffs on imported products from a specific country or on products imported to the U.S. in general.[23] During his first term, President Trump has placed tariffs on designated (not all) products from China via Section 301 and Section 232 investigations. On May 30, 2019, President Trump announced his intention to use IEEPA to impose and gradually increase a five percent tariff on all goods imported from Mexico until "the illegal migration crisis is alleviated through effective actions taken by Mexico."[24] The tariffs were scheduled to be implemented on June 10, 2019, with five percent increases to take effect at the beginning of each subsequent month. On June 7, 2019, President Trump announced that the tariffs scheduled to be implemented by the U.S. on June 10, against Mexico, were indefinitely suspended.[25]On February 20, 2026, the U.S. Supreme Court held that the IEEPA does not authorize the president to impose tariffs, affirming the U.S. Court of Appeals for the Federal Circuit's August 2025 ruling. On the same day, the White House issued an Executive Order "Ending Certain Tariff Actions"[26], that terminated the collection of the additional ad valorem duties imposed pursuant to the IEEPA. According to the Notice issued by U.S. Customs and Border Protection[27], tariffs related to fentanyl, including all modifications and amendments, will no longer be in effect and will no longer be collected for goods entered for consumption or withdrawn from warehouse for consumption, on or after 12:00 a.m. eastern time on February 24, 2026.

2. Retaliatory Tariffs of the U.S.

On April 2, 2025, President Trump announced his "reciprocal tariff" strategy and unveiled a two-tier tariff structure under IEEPA: a baseline 10% tariff applied universally to imports from all countries with the exception of Canada and Mexico, and additional country-specific "reciprocal" tariffs based on what the administration deemed unfair trade practices by approximately 60 individual nations. The 10% baseline tariff would begin at 12:01 a.m. EDT on April 5, 2025 (04:01 UTC), while the higher country-specific rates would commence at 12:01 a.m. EDT on April 9, 2025. During the event, President Trump also signed Executive Order 14257 "*Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits*" ("E.O.14257"), which

[22] https://www.mofcom.gov.cn/syxwfb/art/2025/art_e8453c07ce374814ba65bdb6ff5813c4.html
[23] https://crsreports.congress.gov/product/pdf/R/R45618/8
[24] Statement from the President Regarding Emergency Measures to Address the Border Crisis, May 30, 2019, available at https://www.whitehouse.gov/briefings-statements/statement-president-regarding-emergency-measuresaddress-border-crisis/.
[25] President Donald J. Trump, Twitter Post, June 7, 2018, 5:31 p.m., https://twitter.com/realdonaldtrump/status/1137155056044826626. The suspension preceded the release of a U.S. Mexico Joint Declaration on migration. Department of State, Office of the Spokesperson, U.S.-Mexico Joint Declaration, June 7, 2019, available at https://www.state.gov/u-s-mexico-joint-declaration/.
[26] https://www.whitehouse.gov/presidential-actions/2026/02/ending-certain-tariff-actions/
[27] https://content.govdelivery.com/bulletins/gd/USDHSCBP-40b11c9

outlined extensive global tariff policies which he described as the "declaration of economic independence" of the U.S. Over the next few days, President Trump kept raising tariffs on Chinese goods. After several rounds of adjustments, currently according to the Executive Order "*Modifying Reciprocal Tariff Rates to Reflect Discussions with the People's Republic of China*", the reciprocal tariff rate of U.S. duty on goods from China has been retained as 10%, and additional 24 percentage points of that rate has been suspended for an initial period of 90 days starting at 12:01 a.m. EDT on May 14, 2025. On August 11, the U.S. government further issued Executive Order to extend the above period till November 10, 2025. However, also based on the above-mentioned announcement by the China and U.S. government after the Sino-U.S. talk, the reciprocal tariffs of 24% will further be suspended for a year.

On May 28, 2025, the United States Court of International Trade ("**CIT**") issued the ruling[28] (Court No. 25-00066 and Court No. 25-00077) and held that IEEPA does not authorize any of the Worldwide, Retaliatory, or Trafficking Tariff Orders. Thus, the challenged Tariff Orders will be vacated and their operation permanently enjoined. However, the Trump administration lodged an appeal within minutes of the ruling. On August 29, 2025, the U.S. Court of Appeals for the Federal Circuit ("CAFC") affirmed CIT's merits judgment, and vacated the universal injunction issued by the CIT and remanded the case for further relief proceedings. In response to this outcome, the Trump administration filed an appeal with the U.S. Supreme Court ("SCOTUS").

On February 20, 2026, the U.S. Supreme Court held that the IEEPA does not authorize the president to impose tariffs, affirming the U.S. Court of Appeals for the Federal Circuit's August 2025 ruling. On the same day, the White House issued an Executive Order "Ending Certain Tariff Actions"[29], that terminated the collection of the additional ad valorem duties imposed pursuant to the IEEPA. According to the Notice issued by U.S. Customs and Border Protection[30], retaliatory tariffs imposed pursuant to the IEEPA, including all modifications and amendments, will no longer be in effect and will no longer be collected for goods entered for consumption or withdrawn from warehouse for consumption, on or after 12:00 a.m. eastern time on February 24, 2026.

II. Overview of Section 122 Tariffs

Section 122 of the Trade Act of 1974 authorizes the President to impose temporary import surcharges of up to 15 percent or quotas for no more than 150 days when the United States faces fundamental international payments problems, such as a serious balance-of-payments deficit or rapid dollar depreciation.

On February 20,2026, the presidential proclamation, "Imposing a Temporary Import Surcharge to Address Fundamental International Payments Problems"[31] was issued pursuant to Section 122 of the Trade Act of 1974, which imposed an additional 10% ad valorem duty on imported articles of every country, unless specifically exempt, on or after 12:01 a.m. eastern standard time on February 24, 2026, and through 12:01 a.m. eastern daylight time on July 24, 2026. Among the aforementioned, of particular note is that Section 122 tariffs shall not apply to all articles and parts of articles currently or that later become subject to additional import restrictions imposed pursuant to section 232 of the Trade Expansion Act of 1962.

On May 7, 2026, the U.S. Court of International Trade (CIT) ruled that the 10% global import tariffs imposed by the Trump administration under Section 122 are invalid. Although the ruling only enjoins the collection of tariffs against the plaintiffs—two private importers and the State of Washington—and orders the refund of duties plus interest specifically to them, it implies that other entities subjected to Section 122 tariffs may now seek to recover paid duties through litigation.

III. Overview of Section 301 Tariffs

Section 301 of the Trade Act of 1974 ((Pub. L. 93–618, 19 U.S.C. § 2411) authorizes the USTR to take all appropriate action (including tariff-based and non-tariff-based retaliation) to obtain the removal of any act, policy, or practice of a foreign government that 1) violates an international trade agreement or 2) is unjustified,

[28] See:https://www.govinfo.gov/content/pkg/USCOURTS-cit-1_25-cv-00066/pdf/USCOURTS-cit-1_25-cv-00066-0.pdf
[29] https://www.whitehouse.gov/presidential-actions/2026/02/ending-certain-tariff-actions/
[30] https://content.govdelivery.com/bulletins/gd/USDHSCBP-40b11c9
[31] https://www.federalregister.gov/documents/2026/02/25/2026-03824/imposing-a-temporary-import-surcharge-to-address-fundamental-international-payments-problems

unreasonable, or discriminatory, and that burdens or restricts U.S. commerce (including goods, services, and foreign direct investment by U.S. persons with implications for trade in goods or services).

1. Initiation of Section 301 Investigations

The following types of foreign government conduct may be subject to Section 301 investigations, including:

(1) a violation that denies U.S. rights under a trade agreement;

(2) an "unjustifiable" action that "burdens or restricts" U.S. commerce, or

(3) an "unreasonable" or "discriminatory" action that "burdens or restricts" U.S. commerce.

Section 301 investigations can be self-initiated by the USTR or as the result of a petition filed by an "interested party".[32] Upon initiating an investigation, the USTR must request consultations with the targeted foreign government regarding the issues raised, and will generally also solicit public comments and hold a hearing as part of its investigation.[33]

For cases involving trade agreements, the USTR is required to request formal dispute proceedings as provided by the trade agreements:

(1) that the rights of the United States under any trade agreement are being denied;

(2) that an act, policy, or practice of a foreign country violates, is inconsistent with, or otherwise denies the United States the benefits of any trade agreement; or

(3) that an act, policy, or practice of a foreign country is unjustifiable and burdens or restricts U.S. commerce.

If no mutually acceptable resolution is reached under the investigation involving a trade agreement, the USTR must request formal dispute settlement proceedings under the governing trade agreement. However, the Trade Act of 1974 does not require that the U.S. government should wait until it receives authorization from the World Trade Organization ("**WTO**").

2. Implementation and Retaliatory Action

Once the USTR determines that the alleged conduct is unfair or violates U.S. rights under trade agreements, then it may decide what action to take. Actions to be taken by the USTR can be divided into mandatory and discretionary categories. Mandatory action is required if the USTR concludes that there is a trade agreement violation or that an act, policy, or practice of a foreign government is "unjustifiable" and "burdens or restricts" U.S. commerce. Section 301 authorizes the USTR to:

(1) withdraw or suspend trade agreement concessions;

(2) impose duties or other import restrictions; or

(3) enter into a binding agreement with the foreign government to either eliminate the conduct in question (or the burden to U.S. commerce) or compensate the U.S. with satisfactory trade benefits.

The USTR must give preference to tariffs if action is taken in the form of import restrictions. The level of mandatory action under Section 301 should "affect goods or services of the foreign country in an amount equivalent in value to the burden or restriction being imposed by that country on" U.S. commerce. Once imposed, Section 301 tariffs must be terminated after four years unless an extension is requested.

We summarize the calculation formula for the U.S. tariff rate as follows:

Level 1	Import Tariff Rate for the Product	Depends on the HTSUS of the products

[32] 19 U.S.C. 2412.
[33] 19 U.S.C. 2413.

	+	
Level 2	Section 301 Tariffs (if applicable)	Varies from 7.5% to 100%
	+	
Level 3	Section 232 Tariffs (if applicable)	Different tax rates for different products
	+	
Level 4	Section 122 Tariffs (if applicable)	0% since May 8, 2026
	+	
Level 5	Anti-dumping Duties and Countervailing Duties (if applicable)	Different tax rates for different products
	+	
Level 6	IEEPA Tariffs - Tariffs related to Fentanyl	0% since February 24, 2026
	+	
Level 7	IEEPA Tariffs - Reciprocal Tariffs	0% since February 24, 2026

IV. Overview of Section 301 Tariffs

Section 301 of the Trade Act of 1974 ((Pub. L. 93–618, 19 U.S.C. § 2411) authorizes the USTR to take all appropriate action (including tariff-based and non-tariff-based retaliation) to obtain the removal of any act, policy, or practice of a foreign government that 1) violates an international trade agreement or 2) is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce (including goods, services, and foreign direct investment by U.S. persons with implications for trade in goods or services).

1. Initiation of Section 301 Investigations

The following types of foreign government conduct may be subject to Section 301 investigations, including:

(4) a violation that denies U.S. rights under a trade agreement;

(5) an "unjustifiable" action that "burdens or restricts" U.S. commerce, or

(6) an "unreasonable" or "discriminatory" action that "burdens or restricts" U.S. commerce.

Section 301 investigations can be self-initiated by the USTR or as the result of a petition filed by an "interested party".[34] Upon initiating an investigation, the USTR must request consultations with the targeted foreign government regarding the issues raised, and will generally also solicit public comments and hold a hearing as part of its investigation.[35]

For cases involving trade agreements, the USTR is required to request formal dispute proceedings as provided by the trade agreements:

(4) that the rights of the United States under any trade agreement are being denied;

(5) that an act, policy, or practice of a foreign country violates, is inconsistent with, or otherwise denies the United States the benefits of any trade agreement; or

(6) that an act, policy, or practice of a foreign country is unjustifiable and burdens or restricts U.S. commerce.

If no mutually acceptable resolution is reached under the investigation involving a trade agreement, the USTR must request formal dispute settlement proceedings under the governing trade agreement. However, the Trade Act of 1974 does not require that the U.S. government should wait until it receives authorization from the World Trade Organization ("**WTO**").

2. Implementation and Retaliatory Action

[34] 19 U.S.C. 2412.
[35] 19 U.S.C. 2413.

Once the USTR determines that the alleged conduct is unfair or violates U.S. rights under trade agreements, then it may decide what action to take. Actions to be taken by the USTR can be divided into mandatory and discretionary categories. Mandatory action is required if the USTR concludes that there is a trade agreement violation or that an act, policy, or practice of a foreign government is "unjustifiable" and "burdens or restricts" U.S. commerce. Section 301 authorizes the USTR to:

(4) withdraw or suspend trade agreement concessions;

(5) impose duties or other import restrictions; or

(6) enter into a binding agreement with the foreign government to either eliminate the conduct in question (or the burden to U.S. commerce) or compensate the U.S. with satisfactory trade benefits.

The USTR must give preference to tariffs if action is taken in the form of import restrictions. The level of mandatory action under Section 301 should "affect goods or services of the foreign country in an amount equivalent in value to the burden or restriction being imposed by that country on" U.S. commerce. Once imposed, Section 301 tariffs must be terminated after four years unless an extension is requested.

V. Impact of U.S. Tariffs on the Business of the Group

Based on the information provided by the Group, the Group has exported directly or indirectly relevant products to the U.S., and the information related to these products is as follows:

Name of products	Country of origin	HS Code
TERMINAL BUSBAR POSITIVE	VIETNAM	85369090
TERMINAL BUSBAR NEGATIVE	VIETNAM	85369090
INTER BUSBAR 1_FRONT	VIETNAM	85369090
INTER BUSBAR 2_FRONT	VIETNAM	85369090
INTER BUSBAR 1_REAR	VIETNAM	85369090
INTER BUSBAR 2_REAR	VIETNAM	85369090
Transistor	INDIA	85412900
Inductor	INDIA	85045010
IC	INDIA	85423100
capacitor	INDIA	85322990
diode	INDIA	85044021
Enclosure Lid	INDIA	39269079
resistor	INDIA	85334030
ADHESIVE	INDIA	35052000

It should be note that, according to information provided by the Group, all products exported to the U.S. were not originated from China. Therefore, the tariffs including 301 tariffs and tariffs related to fentanyl will not apply. However, it should be noted that we do not verify the accuracy of the declaration of HS Code and country of origin, and the analysis in this sector is based on the information provided by the Group.

Based on the above, as of the date of this legal memorandum, the U.S. additional tariffs applied on these products are as follows:

Country of origin	HS Code	Tariffs related to fentanyl rate	Reciprocal tariffs rate	122 tariff rate	301 duty rate	Cumulative tariff rate
VIETNAM	85369090	0%	0%	10%	0%	10%
INDIA	85412900	0%	0%	0%	0%	0%
	85045010	0%	0%	0%	0%	0%
	85423100	0%	0%	0%	0%	0%
	85322990	0%	0%	10%	0%	10%
	85044021	0%	0%	0%	0%	0%
	39269079	0%	0%	10%	0%	10%
	85334030	0%	0%	10%	0%	10%

	35052000	0%	0%	10%	0%	10%

Apart from the above, other U.S. additional tariffs relating to 201, antidumping and countervailing duties should not be applied to the above-mentioned products as of the date of the memorandum.

Therefore, we are of the view that if the Group plans to further export these products to the U.S., the above-mentioned cumulative tariff rate will be applied. However, based on the Group's historical export data, exports to the United States have accounted for a negligible proportion of the Group's revenue (0.16% in 2023, 0.76% in 2024, and 0.36% in 2025), and the Group also stated that the tariffs incurred on products exported to the U.S. should be borne by the purchasers of the Group's products in the transaction, and thus the Group does not primarily bear the tariff costs.

In sum, we believe that as of the date of the memorandum, the U.S. tariffs have not resulted and will not result in a material adverse impact on the Group's business operations. Nevertheless, we still remind that policy changes on tariffs are currently more frequent and do not rule out the possibility of further policy changes in the future.

************End************

If you have any questions or comments regarding this memorandum, or would otherwise like to discuss our analysis herein, please feel free to contact us.

Yours sincerely,

King & Wood

King & Wood

Disclosure

The statements set forth in the Prospectus prepared by the Company in connection with the Offering, under the headings "Summary", "Definitions", "Risk Factors", "Regulatory Overview" and "Business", to the extent such statements relate to matters of U.S. export controls, economic sanctions, and outbound investment regulations or our legal conclusions with respect thereto are fairly summarized and are true and accurate in all material respects and not misleading.

Disclaimer

The Company agrees to represent the information it provided to King & Wood is true, accurate, and complete, without misleading representation; and should timely notify King & Wood of any changes to the information provided. King & Wood relied on the afore-said information to provide services, and will not verify, or undertake any verification liabilities for the truthfulness, accuracy, and completeness of the information and documents the Company provided. This memorandum is based on the information and documents the Company provided. Any incorrect representation, facts or assumptions, information, and documents, whether in whole or in part, may negatively affect this memorandum or lead to different opinions, to which King & Wood undertakes no liabilities. The Company should make a judgment and decide to take appropriate action independently and undertake the consequence arising therefrom. King & Wood will not undertake any liabilities for the Company's decisions or actions.