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COMMERCE & FINANCE LAW OFFICES

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To:	Shanghai FourSemi Semiconductor Co., Ltd. Room 303, Building 4, Second Street, Gangcheng Square No. 88 Yunjuan Road, Lane 11, Lin-gang Special Area China (Shanghai) Free Trade Pilot Zone (the "**Company**")
CC:	Guotai Junan Capital Limited 26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central, Hong Kong Orient Capital (Hong Kong) Limited 28/F-29/F, 100 Queen's Road Central, Central Hong Kong (the "**Joint Sponsors**") Guotai Junan Securities (Hong Kong) Limited 26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central, Hong Kong Orient Securities (Hong Kong) Limited 28/F-29/F, 100 Queen's Road Central, Central Hong Kong (the "**Overall Coordinators**" or "**Sponsor-OCs**") AND The persons named in Schedule 1 of the Hong Kong Underwriting Agreement as Hong Kong Underwriters (the "**Hong Kong Underwriters**")
From:	Commerce & Finance Law Offices LLP
Date:	March 23, 2026
Topic:	Regulatory Risks under U.S. Export Control and Economic Sanctions Laws and Regulations

Contents

1. Executive Summary

Shanghai FourSemi Semiconductor Co., Ltd. ("FourSemi" or the "Company") has engaged Commerce & Finance Law Offices LLP (the "Firm" or "we") to provide a legal analysis on potential regulatory risk under the U.S. export control and economic sanctions regimes, as well as international sanctions regimes, including but not limited to Export Administration Regulations ("EAR") administered by the Bureau of Industry and Security of the U.S. Department of Commerce ("BIS"), and economic sanctions programs administered by the Office of Foreign Assets Control of the Treasury ("OFAC"), and the U.S. Department of Defense ("DoD"), as well as sanctions regimes implemented by the United Nations ("UN"), the European Union ("EU"), and the United Kingdom ("UK").

In preparing this memorandum, we focused on the following key question: whether the Company has engaged in any transactions that may constitute a violation of primary or secondary sanctions?

Our short answer is:

Based on the due diligence conducted to date, which included a reasonable investigation into transactions with parties subject to sanctions lists, we have not identified any transactions that would constitute a violation of applicable U.S. primary or secondary sanctions laws, or comparable international sanctions regimes. The Company has confirmed that it does not operate in, nor maintain direct customer relationships with parties located in, or affiliated with, comprehensively sanctioned jurisdictions such as Iran, North Korea, or Russia. Our review of customer and supplier data during the three years ended 31 December 2024 and the ten months ended 31 October 2025 (the "Track Record Period"). Based on our review of customer and supplier data during the Track Record Period, several counterparties were identified as being designated under sanctions programs, see Chapter 4.2 of this memorandum.

Upon further review of the related transactions with SMIC and its affiliates, including procurement records and the Company's statement, we concluded that (i) U.S. sanctions targeting SMIC do not apply to the relevant commercial activities, and such transactions do not violate current U.S. export control laws or sanctions regulations; and (ii) the GDSII design files delivered by the Company are not "subject to the EAR," which contain no U.S.-origin content, and therefore do not trigger any EAR filing requirement. Accordingly, there is no requirement for the Company to make any EAR filings, and no penalty exposure for not doing so. The detailed reasoning is set out in Sections 4 and 5 below.

Accordingly, the Company's overall exposure to international sanctions is

assessed to be manageable.

2. Assumptions and Qualifications

The memorandum is confidential and for the internal use and is subject to the restrictions on use and distribution specified in the consultant agreement. No party is entitled to rely on the memorandum for any purpose whatsoever and we accept no responsibility or liability to any party in respect of the contents of the memorandum.

We have relied on the facts, materials and information provided by the Company in response to our questions focusing on areas related to the scope of this memorandum. In addition, where necessary, we conducted targeted due diligence focusing on key potential exposures. While we have no reasons to doubt the facts, materials or information provided by the Company, our analysis and conclusions might be affected if any of the underlying facts, materials or information provided by the Company are found to be incomplete or incorrect.

Our analysis in this memorandum is based on the U.S. export control and international economic sanctions laws and regulations that exist as of the date of this memorandum, which may be subject to change. Our conclusion may change if the underlying facts, laws, and regulations change.

Should the Company subsequently procure U.S.-origin technology, engage with additional jurisdictions, or materially modify its product architecture, the risk assessment and conclusions in this memorandum shall be revisited accordingly.

3. Due Diligence Steps

3.1. Document Review

The following materials were submitted by the Company, which were taken into consideration during the risk assessment process:

(1) All available customers' and suppliers' name list for the Track Record Period;

(2) Available transaction records involving parties designated under sanction programs;

(3) Interviews conducted with the Company regarding business scope and procurement practices;

(4) The Company's and its suppliers' representations regarding whether any procured items are subject to the EAR;

(5) Other documents obtained through publicly available sources.

3.2. Background Search and Name Screening

Based on the list of customers and suppliers during the Track Record Period submitted upon our request, we conducted sanctions screening on all customer and supplier entities disclosed by the Company.

For each disclosed entity, we performed name-based sanctions screening using the Dow Jones Sanctions Screening System ("Dow Jones System"). All potential matches were verified against official government-issued watchlists, including but not limited to:

- The U.S. Department of Commerce, Bureau of Industry and Security's Entity List (Entity List, BIS);
- The U.S. Department of the Treasury's Non-SDN Chinese Military-Industrial Complex Companies List (NS-CMIC, OFAC);
- The U.S. Department of the Treasury's Specially Designated Nationals and Blocked Persons List (SDN List, OFAC);
- The European Union Consolidated Financial Sanctions List (EU CFSP);
- The United Nations Consolidated List;
- The United Kingdom Sanctions List (UK HMT).

The methodology we performed was as follows:

a. Entity Matching via Fuzzy Search: All entity names provided by the Company were input into the system using Dow Jones System's fuzzy name-matching algorithm to identify any potential matches against global sanctions and watch-lists.

b. False Positive Elimination: All flagged matches were reviewed manually to assess whether they represented true hits or false positives, based on name similarity, location, registration identifiers, and business scope.

c. Risk Relevance Evaluation: For all confirmed matches, we assessed whether the sanctioned party was directly involved in a disclosed transaction with FourSemi or its subsidiaries. Only confirmed, relevant designations with a material nexus to the Company's business operations were retained in our legal analysis. It is important to note that if a counterparty was not sanctioned at the time the relevant transaction occurred with the Company or its subsidiaries occurred, such a transaction will not be included in the scope of this assessment.

Screening on customers was conducted between July 29, 2025 and January 5, 2026. All relevant screening reports retrieved from the Dow Jones System have been retained for record-keeping.

We note that due to time constraints and limitations inherent in name-based screening, this process did not constitute a full-spectrum compliance analysis incorporating item classification, end-use, and end-user licensing risk as defined under the EAR or OFAC guidance. Accordingly, this screening should not be viewed as a comprehensive determination of sanctions exposure under all applicable laws.

We recommend that the Company implement ongoing screening of its counterparties using a current and reputable database, accompanied by enhanced due diligence on high-risk jurisdictions, transaction structures, or counterparties. Such review should be periodically updated and integrated with product classification and transaction-level screening to ensure sustained compliance.

4. Primary and Secondary Sanction Risk Screening

4.1. Destination and Jurisdictions of FourSemi's Foreign Transactions

Based on the records provided and the Company's representations, it has not conducted business in jurisdictions subject to comprehensive sanctions or heightened sanctions risk. We have reviewed the customer, supplier, and other counterparty information provided by the Company for the Track Record Period, and, based on our independent due diligence, did not identify any counterparty located in jurisdictions subject to U.S. comprehensive or regional sanctions (including, without limitation, Russia, Belarus, Iran, North Korea, Cuba, or the Crimea region).

According to the foreign customer and supplier list disclosed by the Company, 9 customers appear to be foreign-registered entities, including:

- Samsung Electronics HK CO.LTD
- UPSTAR TECHNOLOGY (HK) LIMITED
- Anypower Limited
- Hong Kong Hanyu Technology Co., Limited
- HK DEEP RED ELECTRONIC LIMITED
- LONG SUCCESS INTERNATIONAL (HK) LIM ITED
- DAYA（HK）LIMITED
- HongKong Techtronics Industrial Ltd.
- YUNSHINE TECHNOLOGY CO LIMITED

All of the above entities are registered in Hong Kong. None are located in, or affiliated with entities based in, jurisdictions designated under international or

U.S. sanctions programs as comprehensively or regionally sanctioned (including, without limitation, Russia, Iran, North Korea, or the Crimea region).

Accordingly, we have not identified any evidence indicating that the Company has conducted transactions involving high-risk or restricted jurisdictions. For the avoidance of doubt, our conclusion is based on the Company's customer list made available to us during the Review Period, from which we have not identified any customers located in, or affiliated with entities in, such sensitive jurisdictions. Based on both the Company's representations and our review of the transaction records, the Company's exposure to jurisdictional sanctions risk is remote.

4.2. Parties Identified Subject to International Sanctions

Based on our screening results, no customers were identified as appearing on the sanction lists maintained by U.S., the United Nations, the European Union, or the United Kingdom.

However, the screening results identified the following suppliers as designated under applicable U.S. or other international sanctions regimes:

Suppliers:

- Semiconductor Manufacturing International Corporation (SMIC), a.k.a., Semiconductor Manufacturing International (Shanghai) Corporation, SMIC Shanghai, listed on the BIS Entity List and designated FN5, and designated on the Non-SDN CMIC List;

- Semiconductor Manufacturing International (Beijing) Corporation, SMIC Beijing, listed on the BIS Entity List and designated FN5;

- Semiconductor Manufacturing International (Tianjin) Corporation, SMIC Tianjin, listed on the BIS Entity List;

- Semiconductor Manufacturing International (Shenzhen) Corporation, SMIC Shenzhen, listed on the BIS Entity List.

In summary, based on the Company's representations, our review of the foreign customer and supplier lists, and our independent due diligence, we have not identified any customers located in, or affiliated with entities in, jurisdictions subject to comprehensive or regional sanctions, nor any customers appearing on sanctions lists maintained by the United States, the United Nations, the European Union, or the United Kingdom. The Company's exposure to jurisdictional sanctions risk from its customer base is therefore remote.

However, our screening identified certain suppliers-namely SMIC and its affiliates — as designated parties under multiple U.S. and other international

sanctions regimes, including the BIS Entity List, the Non-SDN Chinese Military-Industrial Complex Companies List, and the U.S. Department of Defense's FY2021 NDAA §1260H List. While these designations do not, in themselves, establish that the Company has engaged in any Primary Sanctioned Activity or Secondary Sanctionable Activity, they necessitate a focused transactional risk analysis, which is provided in Chapters 5 and 6 of this memorandum.

5. Overview of Applicable U.S. Export Controls and Sanctions Concerning FourSemi-SMIC Cooperation

5.1. U.S. Export Controls under the EAR

5.1.1. Items Subject to the EAR

"Subject to the EAR" is a term used in the Export Administration Regulations to describe those items and activities over which the BIS exercises regulatory jurisdiction under the EAR. Except for items in the United States and U.S.-origin items wherever located, foreign-made or foreign-produced commodities or software are subject to the EAR if:

(a) the calculation of U.S. controlled content exceeds *de minimis* level,

(b) the foreign-produced items are "direct product" of specified "technology" or "software," produced by a complete plant or 'major component' of a plant that itself is a "direct product" of specified "technology" or "software," or, for specified foreign-produced items in paragraph (e)(3)(i)(B)(2) of EAR § 734.9, consist of or incorporate an item produced by a complete plant or 'major component' of a plant that itself is a "direct product" of specified "technology" or "software."

5.1.2. BIS Entity List Restrictions

According to the EAR § 744.16, in addition to the license requirements for items specified on the Commerce Control List ("CCL"), any entity may not, without a license from BIS, export, reexport, or transfer (in-country) any items included in the License Requirement column of an entry on the Entity List (supplement no. 4 to the EAR § 744.16) when an entity associated with that entry or when any person using an address identified in the Entity List entry as a high-risk diversion address is a party to a transaction as described in § 748.5(c) through (f) of the EAR.

5.1.3. Foreign Direct Product Rule- Footnote 5 (FN5)

A foreign-produced item is subject to the EAR if it meets the product scope and end-user scope in Entity List FDP rule footnote 1, footnote 4 or footnote

5 provisions. The Entity List footnote 5 FDP rule (FN5 FDP) applies if foreign-produced item meets the below conditions:

(1) Product scope

The 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

(i) 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 Commerce Control List (CCL) in supplement no. 1 to part 774 of the EAR; or

(ii) the foreign-produced commodity is a product of a complete plant or 'major component' of a plant that is a "direct product," or a commodity that contains a product of a complete plant or 'major component' of a plant that is a "direct product." The term "major component" includes equipment essential to the operation of the plant, such as lithography tools.

(2) End-user scope

(i) Activities involving Footnote 5 designated entities and for entities located at "facilities" where the "production" of "advanced-node integrated circuits" occurs; or

(ii) Footnote 5 designated entities and for "advanced-node integrated circuits" "production" "facilities" as transaction parties.

5.1.4. SME Foreign Direct Product Rule

A foreign-produced commodity is subject to the EAR if it meets both the product scope and the destination scope specified in Semiconductor Manufacturing Equipment (SME) FDP rule.

(1) 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 which meets the direct product condition as described in § 734.9(h)(1).

(2) 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. To be more

specific, China is one of the countries designated in Country Group D:5.

5.2. U.S. Sanctions Measures Applicable to SMIC

5.2.1. Department of Defense NDAA §1260H List

Amended in 2025, 1260H List mostly prohibits the U.S. Department of Defense (DoD) from entering into, renewing, or extending contracts for goods, services, or technology with entities on the Chinese Military Company List or their affiliates. Contracts with companies controlled by these listed entities are also prohibited.

Although SMIC and its certain subsidiaries providing services to FourSemi are designated on 1260H lists, the relevant transactions between FourSemi and SMIC do not involve U.S. Department of Defense procurement and are therefore not subject to the list's restrictive impacts.

5.2.2. U.S. Treasury's Non-SDN CMIC List

Non-SDN Chinese Military-Industrial Complex Companies List, published by the Department of the Treasury's Office of Foreign Assets Control (OFAC) is designed as a reference tool that identifies persons subject to certain sanctions that have been imposed under statutory or other authorities.

A United States person is prohibited from certain purchase or sale of publicly traded securities of CMIC List entities, and any transaction that evades or avoids, is intended to evade or avoid, causes a violation of, or attempts to violate any of the prohibitions set forth is prohibited. OFAC published several new Frequently Asked Questions ("FAQs") on application of Non-SDN CMIC List, and FAQ 905 clarifies that US Persons are not prohibited from engaging in all activities with CMICs.

Therefore, although SMIC is designated on the Non-SDN CMIC List, FourSemi is not prohibited from procure manufacture services from SMIC.

6. Transactional Risk Analysis: FourSemi-SMIC Cooperation

U.S. export controls and economic sanctions focus on four dimensions: items, countries, end-users, and end-uses. Given that the transactions involving SMIC occur entirely within Mainland China, this analysis addresses the compliance of the transaction by examining: (i) the items exchanged between FourSemi and SMIC during the transaction, and (ii) the restrictive requirements imposed on SMIC and its affiliates as sanctioned entities.

6.1. SMIC Entities and Their Regulatory Status

6.1.1. SMIC entities and restrictions in the EAR

On Jan 5, 2022, FourSemi and Semiconductor Manufacturing International

(Shanghai) Corporation (hereinafter referred as SMIC Shanghai), entered into the SMIC Processing Agreement. Upon execution of the SMIC Processing Agreement, while SMIC and several affiliates are subject to Entity List designations and related export restrictions, FourSemi's engagement with these entities—limited to non-EAR-covered items and manufacturing conducted within China—does not, in this context, trigger any regulatory prohibitions under the EAR or U.S. economic sanctions programs:

(1) Semiconductor Manufacturing International Corporation (SMIC), a.k.a., Semiconductor Manufacturing International (Shanghai) Corporation, SMIC Shanghai, listed on the BIS Entity List and designated FN5.

(2) Semiconductor Manufacturing International (Beijing) Corporation, SMIC Beijing, listed on the BIS Entity List and designated FN5.

(3) Semiconductor Manufacturing International (Tianjin) Corporation, SMIC Tianjin, listed on the BIS Entity List.

(4) Semiconductor Manufacturing International (Shenzhen) Corporation, SMIC Shenzhen, listed on the BIS Entity List.

(5) Semiconductor Manufacturing Oriental Corporation, SMOC, is not currently designated on the Entity List.

For all entities designated under FN5 (1-2), FourSemi shall not deliver any items subject to the EAR to them, unless it obtains a license from BIS.

For other entities on the Entity List (3-4), FourSemi shall not deliver any items subject to the EAR to them, unless obtain license from BIS.

For SMOC (5), there are no end-user export control restrictions.

6.2. Deliveries from FourSemi to SMIC and its affiliates

6.2.1. Assessment of GDSII Files under the EAR

As FourSemi stated, the Company procures and utilizes Siemens EDA design software, with plans to potentially acquire certain products as domestic alternatives under contingency planning. It delivers GDSII files to SMIC, without procurement of IP items. Pursuant to rules identifying items subject to the EAR, GDSII files are not subject to the EAR, because:

(1) GDSII files are designed entirely in mainland China, which is neither in the United States nor U.S.-origin items.

(2) *De minimis* rules: the *de minimis* rules apply when determining the percentage value of U.S-origin controlled content incorporated in, commingled with, or "bundled" with the foreign produced item. For GDSII files, if designers procure U.S-origin Semiconductor Intellectual Property

(IP), which are pre-designed and pre-verified components, then *de minimis* rules may apply. Since FourSemi does not procure IP items, there is no U.S-origin items incorporated in, commingled with, or "bundled" with GDSII files, so it does not meet the prerequisites for application of the *de minimis* rules.

(3) FDP rules: FN5 FDP Rule and SME FDP Rule applies to certain foreign-produced commodity specified in ECCN Category 3B, which are "Test", "Inspection" and "Production Equipment". GDSII files are not equipments and shall not be classified as Category 3B items as defined under the FN5 FDP Rule and SME FDP Rule. They do not fall within the scope of ECCNs listed in either the FN5 or SME FDP Rules. Furthermore, there are no other applicable FDP rules implicated by the covered transactions.

Consequently, the GDSII files are not subject to the EAR on this basis.

6.2.2. Assessment of Sanction Compliance

Based on the above regulations, FourSemi's transactions with SMIC and its affiliates do not violate current U.S. sanctions programs. The manufacturing service provided by SMIC and its affiliates take place entirely within mainland China, thus fall outside the scope of sanctions measures of 1260H List and CMIC List.

In conclusion, FourSemi delivering GDS files to SMIC and its affiliates, for manufacturing of semiconductor products not subject to the EAR, which, under current laws and regulations, is subject to immaterial sanction risk exposure regarding U.S. export controls and economic sanctions.

6.3. Deliveries from SMIC and its affiliates to OSAT companies

6.3.1. EAR Classification of Manufactured Wafers

Pursuant to the Company's representations, SMIC and its affiliates manufacture audio amplifier wafers for FourSemi, used for mobile phones, tablets, and smartwatches. These wafers are produced at mature technology nodes of 180nm to 90nm and classified as EAR99. Mature-node chips (i.e., ≥28nm or older) are currently not a priority target of U.S. export control restrictions. Classification EAR99 indicates that the items shall not be classified as any ECCN in the Commerce Control List of the EAR, therefore EAR99 items are subject to the lowest level of export controls according to the EAR.

6.3.2. Contractual Safeguards and Representations

FourSemi's manufacturing processes range from 180nm to 90nm, which do not involve advanced technology nodes. Article 13 of the Processing

Agreement executed with SMIC explicitly stipulates that both parties shall comply with all applicable laws, regulations, and approval requirements pertaining to export controls, economic sanctions, data protection, and licensing agreements. Based on FourSemi's understanding and SMIC's warranties, the transaction is not subject to export control restrictions.

6.3.3. Absence of Compliance Red Flags

FourSemi has not received any formal notice from SMIC indicating any violation of the export control provisions under the Agreement. Throughout the performance of the Agreement, FourSemi has received no formal notice from SMIC regarding production capacity degradation due to procurement restrictions. Nor has FourSemi been informed of any violations by SMIC in procuring controlled items subject to export control regulations.

6.4. FourSemi-SMIC Related Operations: Compliant with Low Risk

While SMIC and its affiliates are subject to U.S. export control measures and economic sanctions—including Entity List designations, FN5 applicability, and restrictions under the CMIC and NDAA §1260H lists—these restrictions do not render FourSemi's current transactions noncompliant. The GDSII design files delivered to SMIC are not subject to the EAR, and the mature-node wafers produced are EAR99 and not destined for prohibited end-uses or end-users.

Therefore, FourSemi's business operations involving SMIC and its affiliates do not violate the EAR or current U.S. sanctions laws and entail only minimal regulatory risk under present circumstances.

7. Conclusion

Sanctions Risk

Based on the information provided by the Company, our independent review of supporting documentation, and publicly available sources, we have not identified any transactions by the Company that would constitute violations of U.S. primary or secondary sanctions, or comparable international sanctions regimes. The Company does not operate in, or maintain direct customer relationships with parties located in, or affiliated with, comprehensively sanctioned jurisdictions such as Iran, North Korea, or Russia. While certain counterparties appeared on applicable sanctions lists, these relationships do not, in themselves, constitute any Primary Sanctioned Activity or Secondary Sanctionable Activity under applicable U.S. or other international sanctions laws.

EAR Jurisdiction

We have conducted a rule-by-rule assessment of the GDSII design files

delivered by the Company to SMIC and its affiliates under the EAR. First, the files are created entirely in mainland China and do not incorporate any U.S.-origin hardware, software, or technology, and are therefore not U.S.-origin items for EAR purposes. Second, the *de minimis* rule, which can extend EAR jurisdiction to certain foreign produced items incorporating above threshold levels of U.S.-origin controlled content, is not triggered: the Company does not procure or embed U.S.-origin semiconductor intellectual property (IP) blocks or other controlled content in its GDSII files, and no such content is commingled or bundled with the files. Third, the foreign direct product (FDP) rules potentially applicable to entities designated under Footnote 5 of the BIS Entity List or to certain semiconductor manufacturing equipment (SME) do not apply: GDSII files are neither production, test, nor inspection equipment under ECCN Category 3B, nor do they fall within any ECCN referenced in the FN5 FDP Rule or SME FDP Rule. We have also considered other potentially relevant FDP rules under the EAR and concluded that none are implicated by the transactions at issue.

Accordingly, based on the information currently available to us, we are of the view that the Company's current exposure to international sanctions and U.S. export controls, including under the EAR, does not present a legal impediment to its suitability for listing under Chapter 4.4 of the Hong Kong Listing Guide.

8. Future Risks and Recommendations

Sanction List Designation

The sanctions lists are updated frequently. Entities not currently listed on any sanctions list may become sanctioned in the future.

The Company must continuously monitor its customers and suppliers against updated designations, and promptly suspend or reassess business dealings where applicable.

Further, based on the internal governance documentation provided by the Company, as well as our review of the procurement and transaction records of its subsidiaries, we have not identified any evidence indicating that such subsidiaries have engaged in transactions involving items "subject to the EAR" that would violate export control restrictions or otherwise trigger U.S. sanctions jurisdiction. Moreover, the Company has indicated that each subsidiary maintains independent operational, R&D, and procurement systems and does not rely on the Listed Entity for controlled inputs or support.

Nonetheless, we cannot entirely rule out the possibility that one or more of the Company's subsidiaries could be subject to future regulatory action by the U.S. government, either due to evolving policy positions or geopolitical considerations. Should such an action occur—such as the inclusion of a

subsidiary on the BIS Entity List—it may give rise to additional compliance requirements or limitations on its commercial activities. Accordingly, we recommend that the Company continue to monitor its subsidiaries' operations for any elevated compliance risk and maintain strict internal controls and record-keeping practices.

Supply Chain Uncertainty and Licensing Exposure

As of the issuance date of this memorandum, the Company has contacted certain suppliers requesting written export control declaration. However, the Company has not yet obtained full confirmation regarding the export classification or jurisdictional status of some upstream components. If future disclosures from these suppliers or their sub-tier vendors confirm that items incorporated into the Company's products are subject to the EAR, and such items are later sold to restricted jurisdictions or sanctioned parties, the Company may face mandatory licensing obligations.

The absence of conclusive documentation on export classifications for upstream content creates residual exposure, especially where the Company supplies complete solutions that include embedded or bundled controlled items.

BIS-Specific Notification Authority

The analyses contained herein are predicated on export control and sanctions rules effective as of the initial issuance date of this Memorandum. Nevertheless, BIS may inform certain entities either individually by specific notice, through amendment to the EAR published in the Federal Register, or through a separate notification published in the Federal Register, that a license is required for specific exports, reexports, or transfers (in-country) of certain items. Such directives may take effect immediately upon publication in the Federal Register, irrespective of pre-existing contractual arrangements.

Geopolitical Risk and Catch-All Authorities

The U.S. government may exercise sanctions as an instrumentality, designating entities on sanctions lists or imposing export control restrictions based on broad, catch-all statutory grounds such as "U.S. national security", "foreign policy interests", or "military modernization". Notably, such entities may not be materially engaged in activities violating export control or economic sanctions laws and regulations.

Listed party may request to be removed from a list or have their listing modified. Formal removal procedures enable listed entities to submit requests and rationale for removing its status. In general, requests to be removed from a list could be approved, if conclusive evidence proves absence of sanctionable activities, or material change in circumstances that warrants such

delisting.

Risk of End-Use Misrepresentation

The Company conducts technical and commercial due diligence to assess the end-use and end-user of its products. However, it cannot guarantee that end-users will not misrepresent their intended use or that products will not be diverted for restricted purposes. If U.S.-origin items subject to the EAR are reexported or used in a manner inconsistent with applicable controls, the Company may be exposed to regulatory scrutiny or enforcement risk.

While no such violations were identified based on current disclosures and documentation provided by the Company, this risk remains inherent in the export of sensitive items or solutions.

This opinion is formed based on the information provided to us and our due diligence, and should be read in conjunction with the assumptions, limitations and diligence scope set out herein.

Recommendations

The Company should continue to strengthen its compliance program by:

- Regularly screening counterparties against updated sanctions lists;
- Obtaining detailed export classifications and origin certifications for upstream components;
- Implementing transaction-level risk assessments for high-risk exports;
- Seeking legal guidance when entering into new markets or product verticals involving potentially sensitive technologies.

These measures will reduce residual risk and support continued compliance with U.S. and international regulatory frameworks.

While no such violations were identified based on current disclosures and documentation provided by the Company, this risk remains inherent in the export of sensitive items or solutions.

*************Signature Page*************

Should you have any questions, comments, or require any further information in connection with this memorandum, please feel free to contact us.

Yours sincerely,

Commerce & Finance Law Offices LLP

Commerce & Finance Law Offices LLP

通商律師事務所
COMMERCE & FINANCE LAW OFFICES

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To:	Shanghai FourSemi Semiconductor Co., Ltd. Room 303, Building 4, Second Street, Gangcheng Square No. 88 Yunjuan Road, Lane 11, Lin-gang Special Area China (Shanghai) Free Trade Pilot Zone (the "**Company**")
CC:	Guotai Junan Capital Limited 26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central, Hong Kong Orient Capital (Hong Kong) Limited 28/F-29/F, 100 Queen's Road Central, Central Hong Kong (the "**Joint Sponsors**") Guotai Junan Securities (Hong Kong) Limited 26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central, Hong Kong Orient Securities (Hong Kong) Limited 28/F-29/F, 100 Queen's Road Central, Central Hong Kong (the "**Overall Coordinators**" or "**Sponsor-OCs**") AND The persons named in Schedule 1 of the Hong Kong Underwriting Agreement as Hong Kong Underwriters (the "**Hong Kong Underwriters**")
From:	Commerce & Finance Law Offices LLP
Date:	March 23, 2026
Topic:	Regulatory Risks under the U.S. Outbound Investment Security Program and the U.S. Tariff Policies

1. Introduction

1.1 Background

Commerce and Finance Law Offices LLP ("C&F", "we", "us" or "our") has been retained by Shanghai FourSemi Semiconductor Co., Ltd. ("FourSemi" or the "Company") as Sanctions Counsel in the Company's contemplated listing on the Main Board of the Hong Kong Stock Exchange (the "listing").

This memorandum has been prepared in response to the Company's inquiries on its suitability for listing, regarding (1) potential investment implications of the Final Rule entitled *Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern*[1] (the "OIR") issued by the U.S. Department of the Treasury (the "Treasury") under the Outbound Investment Security Program and (2) potential trade implications of the tariff policies implemented by the U.S. government since 2025 (the "U.S. Tariff Policies") with respect to the Company's business operations during the three years ended December 31, 2024 and the ten months ended October 31, 2025 (the "Track Record Period") and up to March 13, 2026 (the "Latest Practicable Date").

To address the relevant regulatory considerations, we prepared a detailed due diligence questionnaire and conducted a comprehensive review of the Company's responses and supporting materials.

1.2 Methodology and Review Procedure

To assess potential risks under the OIR and the U.S. Tariff Policies, we designed and issued a targeted due diligence questionnaire and reviewed responses and supporting materials provided by the Company. Our review covered:

(1) **Data Collection**: We collected data and documents through a Due Diligence Questionnaire regarding restrictions under the OIR and impacts of the U.S. Tariff Policies. This included collecting information of the Group, concerning the pre-listing transaction arrangements, the shareholding structure, the core business technologies, the export operations, measures adopted to mitigate tariff impacts, etc.

(2) **Background Search**: We verified if the Company has engaged activities covering semiconductors and microelectronics, quantum information technologies, and artificial intelligence sectors through publicly available information.

(3) **Data Review and Analysis**: We reviewed and analyzed the data and documentation received to determine:

1) Whether the Company shall be deemed as a "covered foreign person" and has

[1] Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern, https://www.federalregister.gov/documents/2024/11/15/2024-25422/provisions-pertaining-to-us-investments-in-certain-national-security-technologies-and-products-in.

engaged in "covered activities" under the OIR;

2) Whether investments in the Company fall within the scope of notifiable, prohibited or excepted transaction under the OIR for the purpose of the Company's listing; and

3) The impact and potential risks of the U.S. tariff policies changes on the Company's U.S. export business and overall operations.

1.3 Assumptions and Qualifications

The memorandum is confidential to and has been prepared solely for the purpose of assisting with the proposed initial public offering of the Company's shares. It is provided pursuant to and subject to the terms of the engagement agreement between us and the Company.

This memorandum may not be relied upon by any third party (except for the sponsors, the overall coordinators and the members of the underwriting syndicate of the listing) for any purpose, nor may it be reproduced, disseminated, quoted, or referred to, in whole or in part, without our prior written consent. We accept no responsibility or liability whatsoever to any third party in connection with this memorandum or its contents.

We have relied on the facts, materials and information provided by the Company in response to our questions focusing on areas related to the scope of this memorandum. In addition, where necessary, we conducted targeted due diligence focusing on key potential exposures. While we have no reasons to doubt the facts, materials or information provided by the Company, our analysis and conclusions might be affected if any of the underlying facts, materials or information provided by the Company are found to be incomplete or incorrect.

Our analysis in this memorandum is based on the OIR and U.S. Tariff Policies that are applicable to the Company as of the date of this memorandum, which may be subject to change. Our conclusion may change if the underlying facts, laws, and regulations change. In that event, the risk assessment and conclusions in this memorandum shall be revisited accordingly.

2. Executive Summary

According to the OIR, U.S. persons are either (1) prohibited from engaging in certain equity, financing, leasing, and investment transactions with a People's Republic of China ("PRC") entity if the PRC entity engages in certain categories of "covered activities" involving advanced semiconductors and microelectronics, quantum information technologies, and AI sectors; or (2) required to submit a notification to the Treasury regarding certain equity, financing, leasing, and investment transactions with a PRC entity if the PRC entity engages in certain other categories of "covered activities" involving the same sectors. Based on the current regulatory scope and provided representations, the Company does engage in "covered activities" (i.e., integrated circuit designing) under the OIR. Subsequently, it is a "covered foreign

person" under the OIR definition. U.S. persons are required to file notifications with the U.S. Treasury Department when investing in the Company, but they are not prohibited from doing so. Moreover, key exceptions to the notification requirements include passive investments in the Company—such as acquisition of its publicly traded securities, which are expressly excluded from the definition of "covered transactions." **On this basis, the OIR would not impact the Company's current business or its suitability for listing.**

Moreover, with minimal exposure to the U.S. market, the operation of the Company has shown resilience and ability to sustain profitability amid the U.S. tariff policies. Given the Company's well-diversified business operations across other foreign countries and its domestic market, **the impact of the U.S. Tariff Policies is not expected to impair the Company's suitability for listing, or materially impair the Company's overall business operation and financial performance**. We recommend that the Company closely monitor potential changes in China-U.S. trade policies and proactively assess the potential implications of such changes on its business, financial condition and results of operation.

3. Impact Assessment of the U.S. Outbound Investment Rule

3.1 Overview

On October 28, 2024, the Treasury issued a final rule on outbound investment, or the Outbound Investment Rule (the "OIR"), to implement the executive order of August 9, 2023, which became effective on January 2, 2025. The OIR imposes investment prohibition and notification requirements on U.S. persons (including their controlled foreign entities, if applicable), for a wide range of investments in entities associated with the PRC (including Hong Kong and Macau) (collectively "country of concern"), collectively defined as "covered foreign persons," that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems.

Pursuant to 31 C.F.R. § 850.301-302, and § 850.401-402, U.S. persons are required to provide notification of information relative to certain transactions involving "covered foreign persons" ("Notifiable Transactions Requirement") and U.S. persons are prohibited from engaging in certain other transactions involving "covered foreign persons" ("Prohibited Transactions Requirement"). The OIR also prescribes "excepted transactions" which are exceptions to "covered transactions" and additionally provides for a mechanism for the Secretary of Treasury to exempt certain covered transactions from the OIR on a case-by-case basis.

3.2 U.S. persons

Pursuant to 31C.F.R. § 850.229, the term "U.S. person" means:

> *any 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*.

3.3 Covered Transaction

Pursuant to 31 C.F.R. § 850.210, the term "Covered Transaction" means:

> *(a) ... a U.S. person's direct or indirect:*
>
> *(1) 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;*
>
> *(2) 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;*
>
> *(3) 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;*
>
> *(4) 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:*
>
> *(i) The establishment of a covered foreign person; or*
>
> *(ii) The engagement of a person of a country of concern in a covered activity;*
>
> *(5) 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*
>
> *(6) 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.*

Notwithstanding paragraph (a) of 31 C.F.R. § 850.210, a transaction is not a covered transaction if it is:

> *(1) An excepted transaction as set forth in § 850.501; or*

(2) For the conduct of the official business of the United States Government by employees, grantees, or contractors thereof.

3.4 Covered Foreign Person

Pursuant to 31 C.F.R. § 850.209, the term "Covered Foreign Person" means:

(1) A person of a country of concern that engages in a covered activity; or

(2) 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 paragraph (a)(1) of this section from or through which it:

(i) 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;

(ii) 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;

(iii) 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

(iv) 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.

(3) With respect to a covered transaction described in § 850.210(a)(5), the person of a country of concern that participates in the joint venture is deemed to be a covered foreign person by virtue of its participation in the joint venture.

3.5 Covered Activity

Pursuant to 31 C.F.R. § 850.208, the term "Covered Activity" means:

in the context of a particular transaction, any of the activities referred to in the definition of notifiable transaction in § 850.217 or prohibited transaction in § 850.224.

The chart below sets out activities of the covered foreign person or joint venture relevant to each prohibited transactions or notifiable transactions.

Sector	Prohibited Transactions	Notifiable Transactions
Semiconductors and	*(a) Develops or produces any electronic design automation software for the design of integrated*	Design, fabricate or package any integrated circuit ("IC")

Microelectronics	*circuits or advanced packaging*[2]*;* *(b) Develops or produces any:* *(1) Front-end semiconductor fabrication equipment designed for performing the volume fabrication of integrated circuits, including equipment used in the production stages from a blank wafer or substrate to a completed wafer or substrate (i.e., the integrated circuits are processed but they are still on the wafer or substrate);* *(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.* *(c) Designs any integrated circuit that meets or exceeds the performance parameters in Export Control Classification Number 3A090.a in supplement No. 1 to 15 CFR part 774 (https://www.ecfr.gov/current/title-15/part-774), or integrated circuits designed for operation at or below 4.5 Kelvin;* *(d) Fabricates any of the following:* *(1) 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;* *(2) NOT-AND (NAND) memory integrated circuits with 128 layers or more;* *(3) Dynamic random-access memory (DRAM) integrated circuits using a technology node of 18 nanometer half-pitch or less;* *(4) Integrated circuits manufactured from a gallium-based compound semiconductor;*	that does not meet the technical parameters for prohibited transactions.

[2] Pursuant to 31C.F.R. § 850.201, the term "advanced packaging" means to *package integrated circuits in a manner that supports the two-and-one-half-dimensional (2.5D) or three-dimensional (3D) assembly of integrated circuits, such as by directly attaching one or more die or wafer using through-silicon vias, die or wafer bonding, heterogeneous integration, or other advanced methods and materials*.

	(5) Integrated circuits using graphene transistors or carbon nanotubes; or *(6) Integrated circuits designed for operation at or below 4.5 Kelvin;* *(e)Packages any integrated circuit using advanced packaging techniques;*	
Quantum Information Technologies	*(f) Develops, installs, sells, or produces 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;* *(g) Develops a quantum computer or produces any of the critical components required to produce a quantum computer such as a dilution refrigerator or two-stage pulse tube cryocooler;* *(h) Develops or produces any quantum sensing platform designed for, or which the relevant covered foreign person intends to be used for, any military, government intelligence, or mass-surveillance end use;* *(i) Develops or produces any quantum network or quantum communication system designed for, or which the relevant covered foreign person intends to be used for:* *(1) Networking to scale up the capabilities of quantum computers, such as for the purposes of breaking or compromising encryption;* *(2) Secure communications, such as quantum key distribution; or* *(3) Any other application that has any military, government intelligence, or mass-surveillance end use;*	N/A
AI Systems	*(j) Develops any AI system that is designed to be exclusively used for, or which the relevant covered foreign person intends to be used for, any:*	Develop any AI system that does not meet the technical parameters for prohibited transactions, and that is:

	(1) 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 *(2) 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);* *(k) Develops any AI system that is trained using a quantity of computing power greater than:* *(1) 10^25 computational operations (e.g., integer or floating-point operations); or* *(2) 10^24 computational operations (e.g., integer or floating-point operations) using primarily biological sequence data;*	(1) Designed to be used for any military end use; or government intelligence or mass-surveillance end use; (2) Intended by the covered foreign person or joint venture to be used for any of the following: (i) Cybersecurity applications; (ii) Digital forensics tools; (iii) Penetration testing tools; or (iv) The control of robotic systems; or (3) Trained using a quantity of computing power greater than 10^23 computational operations.
Transactions involving persons on certain sanctions- and export controls-related denied persons lists	Engages in a covered activity and is: (1) Included on the Bureau of Industry and Security's Entity List; (2) Included on the Bureau of Industry and Security's Military End User List; (3) Meets the definition of "Military Intelligence End-User" by the Bureau of Industry and Security in 15 CFR 744.22(f)(2); (4) Included on the Department of the Treasury's list of Specially Designated Nationals and Blocked Persons (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 Department of the Treasury's list of Non-SDN Chinese Military-Industrial Complex Companies (NS-CMIC List); or	N/A

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

3.6 Exceptions and Exemptions

3.6.1 Excepted transaction

Pursuant to 31 C.F.R. § 850.501, an excepted transaction is not subject to prohibited transaction or notifiable transaction requirements under the OIR. For the purpose of the Company's listing, we have identified the most relevant excepted transactions applicable here (as detailed below).

Passive Investments

Pursuant to 31 C.F.R. § 850.501(a)(1), the following transactions are excepted transactions:

(a)(1) An investment by a U.S. person:

(i) In any publicly traded "security," as defined under Section 3(a)(10) of the Securities Exchange Act of 1934, 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.

To be noted, in the comments to the OIR, the Treasury emphasizes that a U.S. person's acquisition of an equity interest in a covered foreign person that is not yet publicly traded for the purpose of facilitating an IPO, such as a purchase with the intent to create a market for the security or to resell the security on a secondary market (e.g., as part of an underwriting arrangement), is a "covered transaction." However, the provision of a service ancillary to an IPO that does not include the acquisition of an equity interest (or other interests set forth in the definition of § 850.210) generally is not a covered transaction.

(ii) In a security issued by:

(A) Any "investment company" as defined in section 3(a)(1) of the Investment Company Act of 1940, as amended, that is registered with the U.S. Securities and Exchange Commission, such as index funds, mutual funds, or exchange traded funds; or

(B) Any company that has elected to be regulated or is regulated as a business development company pursuant to section 54 of the Investment Company Act of 1940, as amended;

(iii) Made as a limited partner or equivalent in a venture capital fund, private equity fund, fund of funds, or other pooled investment fund other than as described in paragraph (a)(1)(ii) of this section where:

(A) 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

(B) 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; or

(iv) In a derivative, 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.

Pursuant to 31 C.F.R. § 850.501(a)(2), notwithstanding § 850.501(a)(1), an investment is not an excepted transaction if it affords the U.S. person rights beyond standard minority shareholder protections with respect to the covered foreign person. Such standard minority shareholder protections include:

(i) The power to prevent the sale or pledge of all or substantially all of the assets of an entity or a voluntary filing for bankruptcy or liquidation;

(ii) The power to prevent an entity from entering into contracts with majority investors or their affiliates;

(iii) The power to prevent an entity from guaranteeing the obligations of majority investors or their affiliates;

(iv) The right to purchase an additional interest in an entity to prevent the dilution of an investor's pro rata interest in that entity in the event that the entity issues additional instruments conveying interests in the entity;

(v) The power to prevent the change of existing legal rights or preferences of the particular class of stock held by minority investors, as provided in the relevant corporate documents governing such stock; and

(vi) The power to prevent the amendment of the Articles of Incorporation, constituent agreement, or other organizational documents of an entity with respect to the matters described in paragraphs (a)(2)(i) through (v) of this section.

Equity-based Compensation

Pursuant to 31 C.F.R. § 850.501(f), the receipt of employment compensation by an individual in the form of an award of equity or the grant of an option to purchase equity in a covered foreign person, or the exercise of such option is an "excepted transaction".

3.6.2 National Interest Exemption

Pursuant to 31 C.F.R. § 850.502, the OIR provides for a "national interest exemption,"

pursuant to which the Secretary of the Treasury, in consultation with the Secretaries of Commerce and State, and the heads of relevant agencies, as appropriate, may determine that a covered transaction is in the national interest of the United States and therefore is exempt from the prohibition or notification requirement.

3.7 Investments in FourSemi Constitute Notifiable Transactions Under the OIR; Critical Exceptions Include Investment in Publicly Traded Securities

FourSemi is a company established under the laws of the PRC, which is a "person of a country of concern." If the Company is a "covered foreign person," U.S. persons who participate in "covered transactions" (such as acquiring equity or contingent equity interests, providing debt financing that afford the lender certain rights, etc.) may be prohibited from doing so, or be required to make a notification to the Treasury. Therefore, in assessing the applicability of the OIR requirements, the first step is to determine whether FourSemi qualifies as a "covered foreign person."

3.7.1 FourSemi is a "Covered Foreign Person"

Pursuant to 31 C.F.R. § 850.208 and § 850.209, to constitute a "covered foreign person," FourSemi should either: (i) engage in a "covered activity"; or (ii) have a particular relationship with a person of a country of concern that is engaged in a "covered activity". Our analysis begins with the first prong of the definition.

Based on the Company's representations and information disclosed on its official website, FourSemi is primarily engaged in integrated circuits designing, which qualifies as a "covered activity" within the meaning of either 31 C.F.R. § 850.217(a) or § 850.224(c). Therefore, FourSemi falls within the scope of a "covered foreign person," which concludes the analysis under 31 C.F.R. § 850.209.

3.7.2 Investment by a U.S. Person in the Company likely Constitutes a Notifiable Transaction

Under the OIR framework, different investment restrictions apply depending on the technical performance parameters of the integrated circuits involved in the "covered activities". Pursuant to 31 C.F.R. § 850.217(a), where a "covered foreign person" is engaged in the design of integrated circuits, such transaction shall at minimum constitute a notifiable transaction, and may further constitute a prohibited transaction if the integrated circuits in question satisfy certain technical thresholds.

According to the Company's representations and our review of the relevant transaction documents (including sales contracts and technical documents), its core products include audio amplifier chips and linear motor driver chips, which are predominantly fabricated using 65–180 nm process technologies. These products do not meet or exceed the performance parameters specified under Export Control Classification Number 3A090.a in Supplement No. 1 to 15 C.F.R. Part 774, nor are they designed for operation at or below 4.5 Kelvin, as described in 31C.F.R. § 850.224(c). Therefore, the Company's chip design business constitutes a "covered activity" under 31C.F.R. § 850.208 and § 850.217(a), which only triggers "Notifiable

Transactions Requirement", and does not constitute an activity referred to in the prohibited transaction part under the Final Rule.

We conclude that FourSemi is a "covered foreign person" that engages in a "covered activity" referred to in the definition of notifiable transaction in 31 C.F.R. § 850.217(a). Therefore, any U.S. investment in the Company, including acquiring the Company's non-public shares to facilitate its Listing, is likely a "notifiable transaction" under the OIR, which imposes an obligation on U.S. persons to notify the Treasury upon such investment. U.S. investors who acquire offer shares in the Company before the listing, including as part of an international underwriting arrangement, are therefore required to notify the Treasury within 30 calendar days of such acquisition.

Notwithstanding the above, pursuant to 31 C.F.R. § 850.501(a)(1)(i), investments in publicly traded securities on both U.S. and non-U.S. exchanges are typically considered excepted transactions, provided such investments do not afford the U.S. person rights beyond standard minority shareholder protections with respect to the covered foreign person. That means, absent additional facts, U.S. investors are exempted from the notification requirements when acquiring equity in the Company after its listing, provided that the equity is publicly traded at the time of acquisition. This applies regardless of when the agreement was entered into, unless the investment affords rights beyond standard minority shareholder protections with respect to the covered foreign person. The Treasury also clarified that proposal rights generally available to similarly situated shareholders of that entity solely by virtue of their minority shareholding would qualify as a standard minority shareholder protection.[3] In contrast, the right to appoint a director, regardless of whether such a right is accorded to similarly situated shareholders, does not constitute a minority shareholder protection.

3.8 Conclusion and Other Risk Factors

Based on the scope of our current review and the information available, we conclude that any investment by U.S. persons (including their controlled foreign entities) in FourSemi that constitutes a "covered transaction" is a notifiable transaction under the OIR, particularly in light of the fact that Company is engaged in the design of integrated circuits. Notwithstanding the above, certain exceptions apply under the OIR. In particular, for the purpose of the Company's listing, key excepted transactions include passive investments—such as purchases of publicly traded securities, which are expressly excluded from the definition of "covered transactions." That means, U.S. investors would not be restricted from investing in the publicly traded securities of the Company after being listed on the Stock Exchange, except to the extent that the investment does provide rights beyond minority shareholder protections. Based on the Company's representations and our review of the listing prospectus, we have not identified any indication that acquisitions of the Company's

[3] FAQ X.5 (Released on December 23, 2025), https://home.treasury.gov/policy-issues/international/outbound-investment-program/frequently-asked-questions

publicly traded securities would confer on minority shareholders rights beyond standard minority shareholder protections. **On this basis, the OIR would not materially impact the Company's suitability for listing.**

However, the future regulatory landscape governing U.S. outbound investments is subject to legislative change. On December 18, 2025, the U.S. President signed the "National Defense Authorization Act for Fiscal Year 2026" (S. 1071, the "NDAA 2026") into law, which provides authorities related to and makes other modifications to national security, foreign affairs, homeland, commerce, judiciary, and other related programs. Pursuant to § 8521 of the NDAA 2026, the NDAA 2026 mandates the issuance of new regulations that will amend, supersede, or otherwise modify the existing OIR framework within a defined timeframe. This rulemaking process introduces a forward-looking risk that the scope of covered activities, the definitions of key terms, or the applicable prohibitions and notification requirements could be substantively altered. Consequently, the regulatory status and associated risks for the Company, as outlined in the present analysis, are subject to change. Our legal analysis is based on the OIR as currently in force and may require reassessment upon the implementation of new regulations under the NDAA 2026.

4. Impact Assessment of the U.S. Tariff Policies

4.1 Overview of the U.S. Tariff Policies

In early 2025, trade tensions between China and the U.S. resulted in a series of significant tariff measures. The tariff dispute between the two countries has gradually eased pursuant to the "Joint Statement on U.S.-China Economic and Trade Meeting in Geneva" ("Geneva Joint Statement") dated May 12, 2025[4], "Joint Statement on U.S.-China Economic and Trade Meeting in Stockholm" ("Stockholm Joint Statement") dated August 12, 2025[5], and Kuala Lumpur Joint Arrangement dated October 30, 2025[6]. Below is an overview of the key U.S. tariff measures that have had a material impact on the export of Chinese-origin products to the U.S. since 2025:

- On February 1, 2025, pursuant to Executive Order (E.O.) 14195, the U.S. government implemented a 10% additional ad valorem duty on imports from China on or after 12:01 a.m. eastern time on February 4, 2025, citing the threat posed by illegal aliens and drugs, including deadly fentanyl, under the International Emergency Economic Powers Act ("IEEPA").[7]

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[4] https://www.whitehouse.gov/briefings-statements/2025/05/joint-statement-on-u-s-china-economic-and-trade-meeting-in-geneva/; https://www.gov.cn/yaowen/liebiao/202505/content_7023399.htm

[5] https://www.whitehouse.gov/briefings-statements/2025/08/joint-statement-on-u-s-china-economic-and-trade-meeting-in-stockholm/; https://www.gov.cn/yaowen/liebiao/202508/content_7036093.htm

[6] https://www.whitehouse.gov/presidential-actions/2025/11/modifying-reciprocal-tariff-rates-consistent-with-the-economic-and-trade-arrangement-between-the-united-states-and-the-peoples-republic-of-china/

[7] https://www.whitehouse.gov/presidential-actions/2025/02/imposing-duties-to-address-the-synthetic-opioid-supply-chain-in-the-peoples-republic-of-china/; https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-imposes-tariffs-on-imports-fr

• On March 3, 2025, pursuant to E.O. 14228, the U.S. government announced an amendment to E.O. 14195 regarding additional tariffs on goods originating from PRC, raising the additional tariffs rate from 10% to 20%.[8]

• On April 2, 2025, the U.S. government imposed reciprocal tariffs on all trading partners under E.O. 14257, with a reciprocal tariff rate of 34% applied to China.[9]

• On April 8, 2025, the U.S. government increased the reciprocal tariff rate on China from 34% to 84% under E.O. 14259.[10]

• On April 9, 2025, following the implementation of Chinese countermeasures, the U.S. government raised the reciprocal tariff rate on China to 125% under E.O. 14266.11

• On May 12, 2025, under the Geneva Joint Statement, the U.S. government lowered the reciprocal tariff rate on China from 125% to 34%, by (i) suspending 24 percentage points of that rate for an initial period of 90 days, and (ii) the retention of the remaining ad valorem rate of 10 percent on those articles pursuant to the terms of E.O. 14257; (iii) removing the modified additional ad valorem rates of duty on those articles imposed by E.O. 14259 and E.O. 14266.[12]

• On August 12, 2025, under the Stockholm Joint Statement, the U.S. government continued to modify the application of the additional ad valorem rate of duty on articles of China set forth in E.O. 14257, by suspending 24 percentage points of that rate for an additional period of 90 days, starting on August 12, 2025, while retaining the remaining ad valorem rate of 10 percent on those articles pursuant to the terms of said Order.[13]

• On September 5, 2025, the White House announced further scope adjustments (a modified Annex II) that changed which goods were covered by the reciprocal tariff program. The modifications took effect on September 8, 2025.[14]

• On November 1, 2025, the White House announced that, pursuant to the trade and economic deal reached between the United States and PRC in Korea, the United States will lower the tariffs on Chinese imports imposed to curb fentanyl flows by removing 10 percentage points of the cumulative rate, effective

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[8] https://www.govinfo.gov/content/pkg/FR-2025-03-07/pdf/2025-03775.pdf; https://www.whitehouse.gov/presidential-actions/2025/03/further-amendment-to-duties-addressing-the-synthetic-opioid-supply-chain-in-the-peoples-republic-of-china/

[9] https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/; https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-I.pdf

[10] https://www.whitehouse.gov/presidential-actions/2025/04/amendment-to-recipricol-tariffs-and-updated-duties-as-applied-to-low-value-imports-from-the-peoples-republic-of-china/

[11] https://www.federalregister.gov/documents/2025/04/15/2025-06462/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment.

[12] https://www.whitehouse.gov/briefings-statements/2025/05/joint-statement-on-u-s-china-economic-and-trade-meeting-in-geneva/

[13] https://www.whitehouse.gov/briefings-statements/2025/08/joint-statement-on-u-s-china-economic-and-trade-meeting-in-stockholm/

[14] https://www.whitehouse.gov/fact-sheets/2025/09/fact-sheet-president-donald-j-trump-modifies-the-scope-of-reciprocal-tariffs-and-establishes-procedures-for-implementing-trade-deals/

November 10, 2025, and will maintain its suspension of heightened reciprocal tariffs on Chinese imports until November 10, 2026. Additionally, the United States will further extend the expiration of certain Section 301 tariff exclusions, currently due to expire on November 29, 2025, until November 10, 2026.[15]

• On November 4, 2025, President Trump signed two Executive Orders, which respectively decided that (a) the United States, in accordance with the Kuala Lumpur Joint Arrangement, will continue the suspension of the heightened reciprocal tariffs on imports of the PRC, and to instead impose on articles of the PRC an additional *ad valorem* rate of duty of 10 percent;[16] and (b) reduce the additional *ad valorem* rate of duty applicable under Executive Order 14195, as amended, to 10 percent, effective November 10, 2025.[17]

• On February 20, 2026, the U.S. Supreme Court held that the IEEPA does not authorize the U.S. President to impose tariffs, and consequently ruled that certain tariffs previously imposed under IEEPA, including the reciprocal tariffs and the fentanyl-related tariffs, were unlawful.[18] In response, the February 20, 2026 Executive Order, "Ending Certain Tariff Actions," terminated the collection of the additional ad valorem duties imposed pursuant to the IEEPA.[19]

• On February 20, 2026, citing the existence of fundamental international payments problems in the U.S., the President impose, for a period of 150 days, a temporary import surcharge of 10 percent ad valorem on articles imported into the United States under Section 122 of the Trade Act of 1974 (19 U.S.C. § 2132), effective February 24, 2026, with exceptions for certain products (e.g., certain minerals and metals, energy and energy products, agricultural products, electronics and pharmaceuticals products) as detailed in Annexes I and II to the proclamation.[20]

4.2 The Company's Exposure to U.S. Tariff Risks Is Minimal and Controllable

From a broader perspective, the evolution of U.S. tariff policies throughout 2025 and 2026 reflects a gradual shift from escalation toward stabilization, driven by successive bilateral agreements with China and the U.S. Supreme Court's ruling against the presidential administration's alleged overreach of authority under the IEEPA. For exporters, given the track record of China and the U.S. in adhering to the multiple tariff agreements reached in 2025, it is reasonable to expect that tariff frictions

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15 https://www.whitehouse.gov/fact-sheets/2025/11/fact-sheet-president-donald-j-trump-strikes-deal-on-economic-and-trade-relations-with-china/

16 https://www.whitehouse.gov/presidential-actions/2025/11/modifying-reciprocal-tariff-rates-consistent-with-the-economic-and-trade-arrangement-between-the-united-states-and-the-peoples-republic-of-china/

17 https://www.whitehouse.gov/presidential-actions/2025/11/modifying-duties-addressing-the-synthetic-opioid-supply-chain-in-the-peoples-republic-of-china/

18 https://www.supremecourt.gov/opinions/25pdf/24-1287_4gcj.pdf?utm_

19 https://www.whitehouse.gov/presidential-actions/2026/02/ending-certain-tariff-actions/?utm_

20 https://www.whitehouse.gov/presidential-actions/2026/02/imposing-a-temporary-import-surcharge-to-address-fundamental-international-payments-problems/?utm_

between the two countries will remain at a controllable level. Furthermore, the Trump administration's imposition of a temporary import surcharge of 10 percent ad valorem on articles imported into the United States for a period of 150 days, is a substitute for rather than escalation of the previously terminated tariff measures. Notably, Section 122 of the Trade Act of 1974 (19 U.S.C. § 2132) authorizes the President to impose a temporary import surcharge of up to 15 percent ad valorem, establishing a foreseeable and acceptable ceiling. The foregoing developments may provide a more predictable regulatory environment for the Company's U.S.-bound activities.

More importantly, the Company has confirmed it currently engages in no export activities to the U.S. market during the Track Record Period and up to the Latest Practicable Date. This operational structure inherently shields the Company from direct financial impacts of U.S. tariff fluctuations. With regard to the potential knock-on effect due to the fluctuation of demand for electric vehicles and semiconductors on the Company's products, the Company has verified that no material order cancellations, revenue shortfalls, or operational disruptions have occurred due to tariff policy volatility. Therefore, the Company's confirmed lack of dependency on U.S.-facing supply chains further mitigates indirect risks.

In conclusion, the Company remains minimal exposure to U.S. markets, the U.S. tariff policies are reasonably assessed as posing immaterial threat to the Company's business operations, financial performance, or the Company's suitability for listing.

4.3 Future Policy Changes Are Unpredictable; Ongoing Monitoring Should Be Formalized

Given that electric vehicles and semiconductors industry is closely linked to the global macroeconomic situation, fluctuations in the macroeconomy will affect the supply-demand dynamics the market, which in turn may impact the demand for the Company's products. Changes in geopolitical relationships, barriers to trade or escalation of trade disputes, including the imposition of trade restrictions and tariffs, could negatively affect demand for the Company's products and services, and consequently could have adverse effects to the Company's business, financial condition and results of operation.

The U.S. tariff and trade policies are subject to continuous changes, driven by evolving geopolitical developments, economic priorities, and regulatory agendas. Such policies may be amended, expanded, or replaced with little or no advance notice. The Company should closely monitor potential changes in international trade policies and assess the potential impacts of these and other trade policy adjustments on its business operations and financial performance.

4.4 Conclusion

Currently, **the U.S. Tariff Policies have immaterial impacts on the Company's operations and financial performance, and are not expected to adversely affect the Company's suitability for listing**. Nonetheless, certain residual risks warrant attention: (i) uncertainty persists regarding the potential expansion or escalation of

U.S. tariffs as trade negotiations continue, which may impact the Company's future global strategic positioning; and (ii) demand for the Company's products remains linked to the broader markets, which is susceptible to macroeconomic and geopolitical shifts. Consequently, we recommend that the Company implement ongoing monitoring of these developments.

**********Signature Page**********

Should you have any questions, comments, or require any further information in connection with this memorandum, please feel free to contact us.

Yours sincerely,

Commerce & Finance Law Offices LLP

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