

Memorandum



Privileged & Confidential

Date 9 April 2026

To Gpixel Microelectronics Inc.
CITIC Securities (Hong Kong) Limited
CLSA Limited
Guotai Junan Capital Limited
Guotai Junan Securities (Hong Kong) Limited
(Together with Hong Kong and international underwriters/managers)
(collectively, the “Addressees”)

From King & Wood

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

King & Wood (“we”) have acted as the international compliance legal counsel to Gpixel Microelectronics Inc. (“Gpixel” or 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”); and 3) as well as the Offering trigger the U.S. outbound investment review, 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.

This Memorandum can only be disclosed to and relied upon by the Addressees, the Addressees’ professional advisors (acting only in that capacity and for the purpose of the Offering) and used for the purpose of the Offering by the Offering authorities, which means:

- a) this Memorandum may be made available for public inspection (if required);
- b) the disclosure of this Memorandum should be permitted at least for the following purposes:
 - i. delivery of the Memorandum as a condition in the underwriting agreements;
 - ii. disclosure to affiliates and legal advisers of the Addressees;
 - iii. disclosure to the extent required by law or regulations;
 - iv. disclosure for the purpose of seeking to establish any defense in any legal or regulatory proceeding or investigation; and
 - v. the submission of this Memorandum being part of the documents used for filing with The Stock Exchange of Hong Kong Limited (SEHK/HKEX), the Securities & Futures Commission of Hong Kong (SFC) and the China Securities Regulatory Commission (CSRC).

Business Overview and Executive Summary

We understand that the Group is focusing on the research and development, manufacturing and sales of off-the-shelf and semi/fully-customized complementary metal-oxide-semiconductor (“CMOS”) image sensors that meet the demands of scientific, industrial, professional and medical imaging markets. The Group has currently three domestic offices in Mainland China and two foreign design centers in Belgium and Japan respectively.

Based on the Company’s confirmation, as of the Latest Practicable Date (“LPD”):

1. From the export control perspective:

According to the Company’s confirmation, we learned that:

- products sold by the Group are non-U.S.-origin CMOS and are not in the U.S. or moving in transit through the U.S.;
- products of the Group are unlikely subject to the EAR according to the *De Minimis* Rules due to the export licensing requirements and the properties of the products; and
- despite that certain downstream customers of the Company are listed on the Entity List with various footnote designations, given that 1) transactions with footnote 1 designated entity do not involve the transfer of any items subject to the EAR; and 2) no transaction occurred between the Company and those entities listed on the Entity List during the time that the entity was footnoted, we conclude that no unauthorized transaction has occurred due to the restrictions under FDP Rules of the EAR since 2019.

Therefore, we are of the view that there is no indication that the Group’s business may trigger any violation concerning export control.

2. From the economic sanctions perspective:

Upon screening, certain customers in history are listed on the SDNs List (as defined below). Despite that the Group had sale and purchase transactions with a Sanctioned Target¹ based on the transaction records provided by the Company, given that

- the Group shall not be deemed as a Sanctioned Trader² in accordance with the Sanctions Guidance due to its limited portion of business with a Sanctioned Target in history and no presence of business in any Sanctioned Country³;
- Transactions with such Sanctioned Target were Secondary Sanctionable Activities⁴ without the occurrence of any Primary Sanctioned Activities⁵, and such Secondary Sanctionable Activities engaged by the Group will not materially infringe the statutory objectives of the sanctions program;
- the Group has suspended its business with the sole Sanctioned Target; and apart from that, there has not been any subsequent new transaction after the closing of the transactions between the Group and other sanctioned entities since their designation to the SDN List; and

¹ Under the Sanctions Guidance, “*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).

² Under the Sanctions Guidance, “*Sanctioned Trader*” means any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Sanctioned Country entities or persons.

³ Under the Sanctions Guidance, “*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.

⁴ Under the Sanctions Guidance, “*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.

⁵ Under the Sanctions Guidance, “*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.

- the Group has established an export control and sanctions compliance framework covering the basic key elements of export control and sanctions compliance for the avoidance of potential non-compliance.

We are of the view that sanctions risks (i.e. potential designation as a Sanctioned Target) on the Group and/or Relevant Persons resulting from such Secondary Sanctionable Activities shall be low.

In addition, despite that certain customers are listed on certain military-related sanctions lists maintained by the U.S. Department of Treasury and Department of Defense respectively, restrictions associated with the aforesaid sanctions lists are inapplicable to the transactions between the Group and such designated entities.

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 of concern entities and related to 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 shall fall outside the jurisdictional scope of the U.S. outbound investment review.

As the Treasury emphasizes that a U.S. person's (as defined under the Final Rule) acquisition of equity that is not yet publicly traded for purposes of facilitating an IPO, including as part of an underwriting arrangement, would not fall under the publicly traded securities exception under 31 CFR 850.501 and could be a covered transaction, given that the Group, to a certain extent, has engaged in the manufacturing processes (but not fabrication) of integrated circuits manufactured from gallium-based compound semiconductors (such as the GIR series InGaAs Image Sensor of the Group), U.S. persons shall bear the obligation to notify the Treasury, except through valid exceptions or unless such investments were completed prior to the effective date of the Final Rule. Nevertheless, once shares are issued and become publicly traded, then subsequent purchasers (including U.S. persons) are exempted under the publicly traded securities exception regardless of whether the Group engages in covered activities.

As such, if no U.S. persons (including their controlled foreign entities) will be involved before the publicly trading of shares, we are of the view that the Final Rule shall be inapplicable to the Group and the Offering.

There have been no material changes to the sanctions, export controls or outbound investment-related laws and regulations relevant to matters discussed in this Memorandum after December 31, 2025 and up to the Latest Practicable Date (as defined in the Company's prospectus) and after the Latest Practicable Date and up to the date of this Memorandum. Assuming that the Company's factual representations with respect to its activities during the Track Record Period (as defined in the Company's prospectus) are accurate, complete, and not misleading, and are also representative of practices up to the Latest Practicable Date then the conclusions set forth herein are applicable to the Company's activities between December 31, 2025 and the Latest Practicable Date and between the Latest Practicable Date and the date of this Memorandum.

Please see the detailed analysis as follows.

Export Control Analysis

I. Overview of the EAR

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.⁶

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.⁷

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 on 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 is subject to the EAR if:

Foreign-produced Items	Non-U.S.-produced commodity ‘ <i>incorporates</i> ’ controlled U.S.-origin commodities;
	Non-U.S.-produced commodity is ‘ <i>bundled</i> ’ with controlled U.S.-origin software;
	Non-U.S.-produced software ‘ <i>incorporates</i> ’ controlled U.S.-origin software; or
	Non-U.S.-produced technology commingled with or drawn from <u>controlled U.S.-origin technology</u> ;

AND the value of the incorporated⁸ 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 GBS⁹):

⁶ 15 CFR 734.2

⁷ 15 CFR 734.7, 734.8, and 734.10.

⁸ 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.

⁹ License Exception GBS authorizes exports and reexports to Country Group B (as provided under Supplement No. 1 to part 740), except Sudan and Ukraine. *See* EAR § 740.4.

0%	<p>Exceeds 0% of total value of the non-U.S.-made item (no <i>de minimis</i> level):</p> <ul style="list-style-type: none"> • 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”¹⁰ 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%	<p>Exceeds 10% of the total value of the non-U.S.-made item, when destined for Country Group E:1 or E:2:</p> <ul style="list-style-type: none"> • Most or all of Commerce Control List (“CCL”) items; and • EAR99 items to Cuba, North Korea and Syria (<i>e.g., with some exceptions for food and medicine</i>).
25%	<p>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)</p> <ul style="list-style-type: none"> • Many CCL items; and • EAR99 items to Crimea region of Ukraine (<i>e.g., except food, medicines and certain software</i>).

¹⁰ 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).

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”¹¹ 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 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: <i>Footnote 1</i>	
Product Scope	<p>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:</p> <ul style="list-style-type: none"> (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	<p>A foreign-produced item meets the end-user scope if there is “knowledge” that:</p> <ul style="list-style-type: none"> (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: <i>Footnote 4</i>	
Product Scope	<p>A foreign-produced item meets the product scope of this rule if the foreign-produced item is:</p> <ul style="list-style-type: none"> (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,

¹¹ Major component means equipment that is essential to the production of an item, including testing equipment.

	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	<p>A foreign-produced item meets the end-user scope if there is “knowledge” that:</p> <p>(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</p> <p>(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.”</p>
Entity List FDP rule: Footnote 5	
Product Scope	<p>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:</p> <p>(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</p> <p>(b) a foreign-produced commodity meets the product scope if the foreign-produced commodity meets at least one of the following conditions:</p> <ul style="list-style-type: none"> - 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	<p>A foreign-produced item meets the end-user scope if there is “knowledge” that:</p> <p>(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</p>

	(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	<p>The product scope applies if a foreign-produced item meets the conditions of either of the following:</p> <p>(a) a foreign-produced item meets the product scope if the foreign-produced item meets both of the following conditions:</p> <ul style="list-style-type: none"> - 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 <p>(b) a foreign-produced item meets the product scope if it meets both of the following conditions:</p> <ul style="list-style-type: none"> - 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	<p>The product scope applies if a foreign-produced item meets the conditions of either of the following:</p> <p>(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</p> <p>(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.</p>

<p>End-User Scope</p>	<p>A foreign-produced item meets the end-user scope if there is “knowledge” that:</p> <ul style="list-style-type: none"> (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.”
<p>National Security FDP rule</p>	
<p>Product scope</p>	<p>The product scope applies if a foreign-produced item meets the conditions of either of the following:</p> <ul style="list-style-type: none"> (a) a foreign-produced item meets the product scope if it meets both of the following conditions: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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.
<p>Country Scope</p>	<p>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).</p>
<p>Advanced Computing FDP rule</p>	
<p>Product Scope</p>	<p>The product scope applies if a foreign-produced item meets the conditions of either of the following:</p> <ul style="list-style-type: none"> (a) a foreign-produced item meets the product scope if it meets both of the following conditions: <ul style="list-style-type: none"> - 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

	<ul style="list-style-type: none"> - 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. <p>(b) a foreign-produced item meets the product scope if it meets both of the following conditions:</p> <ul style="list-style-type: none"> - 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.
<p>Destination Scope</p>	<p>A foreign-produced item meets the destination scope if there is “knowledge” that the foreign-produced item is:</p> <p>(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</p> <p>(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.</p>
<p>“Supercomputer” FDP rule</p>	
<p>Product Scope</p>	<p>The product scope applies if a foreign-produced item meets the conditions of either of the following:</p> <p>(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</p> <p>(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.</p>
<p>Country and End-use Scope</p>	<p>A foreign-produced item meets the country and end-use scope if there is “knowledge” that the foreign produced item will be:</p> <p>(a) used in the design, “development,” “production,” operation, installation (including on-site installation), maintenance (checking), repair, overhaul, or</p>

	<p>refurbishing of, a “supercomputer” located in or destined to the PRC or Macau; or</p> <p>(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.</p>
Semiconductor Manufacturing Equipment (SME) FDP rule	
Product Scope	<p>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:</p> <p>(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</p> <p>(b) a foreign-produced commodity meets the product scope if it meets either of the following conditions:</p> <ul style="list-style-type: none"> - 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) Releasing¹² 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;
- (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

¹² 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.

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.

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.

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.

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 Whether Transactions of the Group Are Subject to the EAR

According to the Company's feedback to our due diligence questionnaire as of LPD, products sold by the Group are CMOS image sensors manufactured in Israel, Japan, South Korea, and China. As products of the Group are not U.S.-origin items, and are not in the U.S. or moving in transit through the U.S., we will focus on the applicability of the *De Minimis* Rules and FDP Rules under the EAR as follows.

1. Applicability of the *De Minimis* Rules

Under the *De Minimis* Rules, the scope of U.S.-origin controlled content is varied 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 *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.

With the PRC as the destination, a non-U.S.-produced item is subject to the EAR if it incorporates controlled U.S.-origin commodities and the value of the incorporated U.S.-origin controlled content 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).

Since the Company is not involved in the wafer manufacturing process, it does not currently have a complete picture of the percentage of controlled U.S. origin in its CMOS image sensor products that are taped out from abroad. However, we understand that:

- These CMOS image sensor products imported into the PRC do not require an export license from the BIS; and
- According to the Company's feedback to our ECCN classification questionnaire, products designed by the Company do not meet the following ECCN¹³ criteria (i.e. items under such ECCN shall be considered as controlled items to be exported or reexported to the PRC) based on their appropriate category numbers and product group letters:

- 9A515 (including .d and .e);

¹³ An ECCN has five digits. The first digit is always a number (0-9) and represents the ***Category Number***:

0. Nuclear Materials Facilities & Equipment (and Miscellaneous Items)
1. Materials Chemicals Microorganisms and Toxins
2. Materials Processing
3. Electronics Design Development and Production
4. Computers
5. Part 1-Telecommunications; Part 2-Information Security
6. Sensors and Lasers
7. Navigation and Avionics
8. Marine
9. Aerospace and Propulsion.

The second digit is always a letter (A-E) and represents the ***Product Group Letter***:

- A. End Items, Equipment, Accessories, Attachments, Parts, Components, and Systems
- B. Test, Inspection and Production Equipment
- C. Materials
- D. Software
- E. Technology.

- 3A611 (including .a, .f, .g, .h, .x, and .y);
- 3A001 (including .a.1, .a.2);
- 3A090 (including .a and .b);
- 3A101 (including .a and .b);
- 3A901.a;
- 3A991 (including .a, .b, .c, .d, .n, and .p); or
- 6A002.

Although we cannot exclude the possibility that the CMOS image sensor products taped out overseas may incorporate some U.S.-origin contents, in consideration of the specifications of CMOS image sensor products of the Group and the export licensing requirements in practice, we are preliminarily of the view that such U.S.-origin contents contained in the CMOS image sensor products are not controlled items when destined to the PRC; or even if they are controlled items, the value of the incorporated U.S.-origin controlled content does not exceed 25% of the total value of the non-U.S.-made CMOS image sensor products. If all of the foregoing conditions are true, we conclude that the products of the Groups are unlikely subject to the EAR according to the *De Minimis* Rules.

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 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, as of the date of LPD, we noted that since 2019:

- One of the customers of the Company is listed on the Entity List designated with footnote 1;
- Three of the customers of the Company are listed on the Entity List designated with footnote 3;
- Three of the customers of the Company are listed on the Entity List and were designated with footnote 4 from October 21, 2022 to March 2, 2023; and
- Twenty-seven of the customers of the Company are listed on the Entity List without any footnote designation.

Besides, six of the suppliers of the Group are listed on the Entity List (one of which has been designated with footnote 3 on December 19, 2022). However, as the EAR does not restrict the Group from purchasing from any entity designated to the Entity List, we will not elaborate on this issue herein.

As mentioned before, based on the FDP rules in force, selling products not subject to the EAR to entities on the Entity List without footnote designation will not trigger BIS's review under the EAR at present. Nevertheless, authorization from the BIS is required if the product of the Company is 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;

- *with a footnote 4 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, 5D002, 5D991, 5E001, 5E002 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, 5D002, 5D991, 5E001, 5E002 or 5E991 of the CCL; or
- *with a footnote 3 designation* 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 is produced by any complete plant or 'major component' of a plant that is located outside the U.S., 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 any ECCN in product groups D or E in any categories of the CCL.

Upon the Company’s confirmation pursuant to its trade records,

- transactions with footnote 1 designated entity do not involve the transfer of any items subject to the EAR; and
- no transaction occurred between the Company and those entities listed on the Entity List during the time that the entity was footnoted.

Solely relying on the information we obtained, we conclude that no unauthorized transaction has occurred due to the restrictions under FDP Rules of the EAR since 2019.

Regarding the Group’s procurement, given that no license was received from the suppliers during the procurement of raw materials, nor were any license requirements communicated by the suppliers, we are of the view that raw materials procured by the Group should not be controlled by the U.S. export controls.

Summarizing the above, we are of the view that there is no indication that the Group’s business may trigger any violation concerning export control.

For the avoidance of potential non-compliance, the Group has established an export control and sanctions compliance framework covering the basic key elements of export control and sanctions compliance, such as the identification of counterparties and controlled properties of items, and the corresponding transaction approval policies for each of the above counterparties and items.

Even though to our knowledge, there is no potential export control rule or policy change that could materially affect the Group in the near future, we would like to underline herein that the U.S. export control policies remain under constant review. Therefore, the scope and application of the measures discussed above are subject to change and should be carefully monitored.

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
<i>Primary Sanctioned Activity</i>	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.
<i>Secondary Sanctionable Activity</i>	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.
<i>Sanctioned Activity</i>	Means Primary Sanctioned Activity and Secondary Sanctionable Activity.
<i>Sanctioned Country</i>	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.
<i>Sanctioned Target</i>	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).
<i>Sanctioned Trader</i>	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.
<i>Relevant Jurisdictions</i>	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, the Relevant Jurisdictions include the PRC, the U.S., United Nations (“U.N.”), European Union (“E.U.”), United Kingdom (“U.K.”) and Australia.
<i>Relevant Persons</i>	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. ¹⁴

II. Applicable Jurisdictions Analysis

Based on the information available to us, as of LPD, we understand that:

¹⁴ In this project, the scope of Relevant Persons includes the HKEX, CITIC Securities (Hong Kong) Limited and Guotai Junan Capital Limited (as the joint sponsors); CLSA Limited and Guotai Junan Securities (Hong Kong) Limited (as the overall coordinators); and related group companies

- ***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;
- ***No activities in relation to Sanctioned Countries:*** The Group currently has three domestic offices in Mainland China and two foreign design centers in Belgium and Japan respectively, and products of the Group have been exported to the following countries and regions since 2019: *Japan, South Korea, E.U., U.S., U.K., and Canada*. 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.

However, according to the screening of the counterparties of the Group (including customers and suppliers) performed by us, except for those customers mentioned in the above analysis who were listed on the Entity List and the UVL maintained by the BIS:

- Nine of the customers in history are listed on the Specially Designated Nationals and Blocked Persons (“SDNs”) List; and
- Four customers and two suppliers are listed on the Non-SDN Chinese Military Industrial Complex Companies List (“NS-CMIC List”); and
- Four customers and one supplier are listed on the Chinese Military Companies (“CMC List”).

All of the above sanctions lists are maintained by the U.S. government, and apart from this, no cases have been identified where the counterparties of the Group have been sanctioned by other countries (such as U.N., E.U., U.K., and Australia); in other words, conducting business with the above-mentioned entities sanctioned by the U.S. government is not prohibited by U.N., E.U., U.K., or Australia. Therefore, we will examine separately the impact on the Group’s business of the above customers’ addition to the U.S. sanctions lists.

III. Summary and Impacts of U.S. Economic Sanctions

In general, economic sanctions maintained by the U.S. government could be categorized 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 Sanctions Guidance.

Transactions violating primary sanctions shall generally involve a U.S. nexus (such as U.S. persons, U.S.-origin products/software/technology, or if it causes or involves activity within the U.S. territory such as transactions involving the U.S. financial system or U.S. commodity brokers) 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.

For transactions without U.S. nexus, the U.S. government may still threaten to impose secondary sanctions (such as designation to relevant sanction lists) to deter non-U.S. persons from engaging in specific activities involving sanctioned countries, industries, and/or persons.

In light of the foregoing, whether a transaction triggers primary or secondary sanctions of the U.S. mainly depends on whether there is any U.S. nexus for such a transaction.

1. SDNs List

1) Overview of the SDNs List

The SDNs List is a list maintained by the Office of Foreign Assets Control (“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 SDNs List 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% Rule” of OFAC, a person that is owned, directly or indirectly, 50% or more by one or more SDN-designated persons is blocked as well, regardless of whether the person appears on the SDNs List, unless exempt or authorized by OFAC.

2) Impact *in re* SDNs List on the Group

According to publicly available information, those nine sanctioned customers of the Group were designated pursuant to Executive Order 14024 (“**E.O.14024**”).

E.O.14024, namely “*Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation*”, issued by President Biden on April 15, 2022, authorizing OFAC 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 Russian Federation economy, or any other sector of the Russian Federation economy 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 Russian Federation economy:

Sector of the Russian Federation Economy	Date of Determination and Effectiveness
Technology	April 15, 2021
Defense and Related Materiel	
Financial Services	February 22, 2022
Aerospace	March 31, 2022
Electronics	
Marine	
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

Besides, those who have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of any person whose property and interests in property are blocked pursuant to E.O.14024 may be sanctioned as well.

According to the transaction records provided by the Company, we learned that the Company had several transactions with a listed entity (“**Party CS**”) after its designation into the SDNs List pursuant to E.O.14024. Apart from the aforesaid, the rest of the transactions with SDN-designated customers were completed prior to their designation into the SDNs List. We will then analyze separately whether transactions between the Company and Party CS are subject to primary or secondary sanctions risk.

Further, regarding the relationship between the Party CS and Changchun UP Optotech Co., Ltd. (“**UP OPTOTECH**”), according to the public information, Party CS and UP OPTOTECH are both partially owned by a same shareholder with no direct shareholding relationship. However, the UP OPTOTECH will not be deemed as an entity on the SDN List because it has not been designated on the SDN List and it also does not fall within the scope of “50% Rule”, which states that a person that is owned, directly or indirectly, 50% or more by one or more SDN designated persons is blocked as well.

a) Primary Sanction Analysis *re* Transactions with Party CS

Based on the Company’s feedback to our due diligence questionnaire as of LPD, we learned that:

- **No U.S. Persons:** From the Company side, no U.S. persons (no matter whether U.S. natural person or legal person) were engaged in relevant transactions, including (i) none of the directors or senior management of the Group are U.S. Persons; and (ii) the Group is not owned or controlled by any U.S. Person;
- **No U.S. Items:** Subject matter involved in the transactions with Party CS are non-U.S.-origin items;
- **No Transit in the U.S.:** All transactions with Party CS were conducted domestically within the PRC without passing through the U.S.;
- **No U.S. Financial Institution Involved in the Settlement:** All transactions were settled in RMB between banks in the PRC.

Given that none of the transactions with Party CS engaged by the Company has any U.S. jurisdiction nexus, transacting with Party CS without OFAC's authorization is not a non-compliance activity under the current applicable laws and regulations, and primary sanctions of the U.S. will not be triggered under such a scenario.

b) Secondary Sanction Analysis *re* Transactions with Party CS

OFAC expressly emphasizes that non-U.S. persons may be subject to designation (to the SDNs List) if they have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, certain activities, a person whose property and interests in property are blocked pursuant to E.O. 14024, or (in certain circumstances) a blocked government.¹⁵, regardless of the existence of the U.S. nexus.

However, OFAC also indicates that a range of factors will be evaluated when developing sanctions targets, consistent with foreign policy and national security goals. Specifically, OFAC 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, financial services, and financial transactions are significant, including:

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

Upon interviews with key personnel of the Group, from the perspective of the Group, it was commercially unreasonable to immediately terminate its commercial activities with Party CS, due to the fact of their long-term cooperation relationship in history. Besides,

- under the compliance clause of sale and purchase agreement, items sold to Party CS are for civil-use purposes only and not for military or aerospace uses; and

¹⁵ <https://ofac.treasury.gov/faqs/980>

- according to the Confirmation Letter issued by Party CS, items purchased by Party CS from the Group were utilized domestically without overseas nexus.

Therefore, despite its business with a Sanctioned Target i.e. Party CS in history, given that:

- the Group is *not a Sanctioned Trader* as its business portion with Sanctioned Targets and Sanctioned Country entities or persons are approximately 1.1%;
- transactions between the Group and Party CS have no Russian-related nexus which will not deter the U.S.'s statutory objectives against Russia under E.O.14024; and
- the Group has suspended its cooperation with Party CS since 2025.

Considering the above, we are of the view that sanctions risks (i.e. designation as a Sanctioned Target) on the Group and/or Relevant Persons resulting from such Secondary Sanctionable Activity conducted by the applicant shall be low.

In terms of sanctions impacts on persons who might be involved in permitting the listing, trading, clearing, and settlement of its shares, as of the date of this memo, the Moscow Exchange (MOEX) is the only exchange sanctioned by OFAC as U.S.-designated Russian President Vladimir Putin has approved a series of measures to further attract capital through MOEX from both Russian and non-Russian persons which provide opportunities for both Russians and non-Russians to profit through making investments in Russian sovereign debt, Russian corporations, and leading Russian defense entities.

Since the HKEX itself and other persons who might be involved in permitting the listing, trading, clearing, and settlement of shares have no intention to materially support the U.S. Sanctioned Target, it is unlikely for OFAC to impose sanctions against the HKEX and its related group companies, as well as the Hong Kong Securities and Futures Commission and the China Securities Regulatory Commission, who may be considered to be involved in permitting the listing, trading, clearing and settlement of the Company's shares, unless the approval of listing from these organizations would be deemed to provide material assistance or support for sanctioned persons or sanctionable activities.

2. NS-CMIC List

1) Overview of the NS-CMIC List

The Non-SDN Chinese Military Industrial Complex Companies (“**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 securities¹⁶;

¹⁶ 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.

- publicly traded securities that are derivative 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.14302, 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.

Notably, E.O.14302 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 rule¹⁷ does not apply to entities listed solely pursuant to EO 13959, as amended.¹⁸

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

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 parties on the NS-CMIC List 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 these designated entities on the NS-CMIC List should not be affected by the NS-CMIC prohibitions.

In conclusion, the presence of customers and suppliers of the Group on the NS-CMIC List shall have no impact on the proposed listing application of the Company.

3. **CMC List**

1) **Overview of the CMC List**

Unlike the above-mentioned sanctions lists maintained by the Treasury, the Chinese military companies (“**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 NDAA:

¹⁷ 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.

¹⁸ See OFAC FAQ 857.

- ***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.

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

Upon the Company's confirmation and based on our due diligence, 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 with the DoD of the U.S., restrictions associated with the CMC List are inapplicable to the transactions between the Group and such designated entities.

Summarizing the above, from the economic sanctions perspective:

- The Group shall not be deemed as a Sanctioned Trader in accordance with the Sanctions Guidance due to its limited portion of business with a Sanctioned Target in history and no presence of business in any Sanctioned Country;
- Such Secondary Sanctionable Activities conducted by the Group will not materially infringe the statutory objectives of the U.S. sanctions against Russia;
- The Group has suspended its business with Party CS, the sole Sanctioned Target of the Group, since 2025;
- Apart from Party CS, as confirmed by the Company, there has not been any subsequent new transaction after the closing of the transactions between the Group and other sanctioned entities since their designation to the SDNs List; and
- Certain U.S. military-related sanctions lists that customers of the Group involved are inapplicable to the business of the Group.

As mentioned above, the Group has established an export control and sanctions compliance framework covering the basic key elements of export control and sanctions compliance for the avoidance of potential non-compliance, such as the identification of counterparties and controlled properties of items, and the corresponding transaction approval policies for each of the above counterparties and items. Considering the aforesaid, we are of the view that sanctions risks (i.e. designation as a Sanctioned Target) on the Group and/or Relevant Persons resulting from such Secondary Sanctionable Activities with Party CS shall be low.

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.
- **Transactions are not excepted:** 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:

<i>U.S. Person</i>
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

<ul style="list-style-type: none"> - Any person in the United States (regardless of nationality).
<p><i>Controlled Foreign Entities</i></p> <p>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 parent¹⁹.</p> <p>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:</p> <ul style="list-style-type: none"> - 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.
<p><i>Covered Foreign Person</i></p> <p>Under 31 CFR Part 850.209, “Covered foreign person” means:</p> <ul style="list-style-type: none"> - 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. <ul style="list-style-type: none"> • 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 • 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.
<p><i>Person of Country of Concern</i></p>

¹⁹ 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)).

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:

<i>Semiconductors and Microelectronics</i>	
<i>Prohibited Transaction</i>	<p>Develop or produce any electronic design automated software for the design of integrated circuits (“ICs”) or advanced packaging;</p> <p>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;</p> <p>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;</p> <p>Fabricate any of the following:</p> <ul style="list-style-type: none"> - 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

	<ul style="list-style-type: none"> - Integrated circuits designed for operation at or below 4.5 Kelvin <p>Package any integrated circuit using advanced packaging techniques.</p> <p>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.</p>
Notifiable Transaction	Design, fabricate or package any IC that does not meet the prohibited transaction parameters.
Quantum Information Technologies	
Prohibited Transaction	<p>Develop quantum computers or the critical components required to produce quantum computers, such as dilution refrigerators or two-stage pulse tube cryocoolers;</p> <p>Develop or produce quantum sensing platforms designed for, or intended to be used for, military, government intelligence, or mass-surveillance end uses; or</p> <p>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.</p>
Notifiable Transaction	None
Artificial Intelligence	
Prohibited Transaction	<p>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:</p> <ul style="list-style-type: none"> - 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). <p>Develop any AI system that is trained using a quantity of computing power greater than:</p> <ul style="list-style-type: none"> - 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	<p>Develop any AI system that is not described in prohibited transactions and that is:</p> <ul style="list-style-type: none"> - 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;
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- (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;

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- (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 security²⁰ 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:

²⁰ 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.

- 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.

While the substantive prohibitions of the Final Rule apply to U.S. persons (e.g. the investors), IEEPA provides for liability for *any person* who *conspires* to violate or causes a violation of the statute or any regulation issued thereunder (including the Final Rule), which could provide a basis for liability for non-U.S. persons involved in a prohibited investment by a U.S. person.

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. 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.²¹ If no covered activity is involved in the transaction, then the transaction shall fall outside the jurisdictional scope of the Final Rule. Besides, the Final Rule will only apply prospectively but not be retrospective, which means that a U.S. person's investment in a covered foreign person completed prior to the Final Rule takes effect will not be subject to 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.

According to the Company's feedback to our questionnaire, together with publicly available information, we understand that on 10th June 2025, the Group announced a new product series GIR, which consists of two products featuring an Indium-Gallium-Arsenide ("InGaAs") array on a silicon-based readout circuitry. To a certain extent, the Group has engaged in the manufacturing processes of its GIR series InGaAs image sensors. Given that such InGaAs image sensors could be categorized as "ICs manufactured from gallium-based compound semiconductors" under the Final Rule, the definition of "fabrication", which has not yet been defined under the Final Rule, becomes an essential element to clarify whether the aforesaid activities carried out by the Group fall into the scope of prohibited activities concerning semiconductors and microelectronics under Section 850.224 of the Final Rule. Referring to the FAQ published by BIS and Section 772.1 of the EAR, BIS is of the view that the 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. Even so, as the Group is engaging in IC development activities, and Section 850.211 of the Final Rule defines that the term "*develop*" means to "engage in any stages prior to serial production, such as *design* or substantive modification, design research, design analyses, design concepts, assembly and testing of prototypes, pilot production schemes, design data, process of transforming design data into a product, configuration design, integration design, and layouts", the Group's CMOS-related development activities shall be categorized as notifiable transactions under Section 850.217 of the Final Rule.

Notably, with respect to the listing application of the Company, the Treasury emphasizes that a U.S. person's acquisition of equity that is not yet publicly traded for purposes of facilitating an IPO, including as part of an

²¹ 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

underwriting arrangement, would not fall under the publicly traded securities exception under 31 CFR 850.501 and could be a covered transaction. Based on the foregoing analysis, U.S. persons shall bear the obligation to notify the Treasury, except through valid exceptions or unless such investments were completed prior to the effective date of the Final Rule. Nevertheless, once shares are issued and become publicly traded, then subsequent purchasers (including U.S. persons) are exempted under the publicly traded securities exception regardless of whether the Company engages in covered activities.

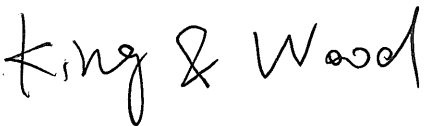
As such, if no U.S. persons (and their controlled foreign entities) will be involved before the publicly trading of shares, we are of the view that the Final Rule shall be inapplicable to the Company and the Offering.

*****End*****

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

Yours sincerely,

King & Wood

A handwritten signature in black ink that reads "King & Wood". The letters are cursive and connected, with a stylized ampersand between the words.

Disclaimer

The Company agrees to represent the information it provided 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.