Execution Copy

TO	**Red Avenue New Materials Group Co., Ltd. (彤程新材料集團股份有限公司)** (the "**Company**")	
CC:	Haitong International Capital Limited (the "**Sole Sponsor**")	
FROM	Stephen Peepels	**TELEPHONE: +852 9097 3997**
DATE	September 21, 2026	
	Privileged and Confidential	***By Electronic Mail***
SUBJECT	**Memorandum of Advice – International laws and Regulations Relating to Trade Sanctions and Export Controls**	

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1. INTRODUCTION AND SCOPE

1.1 I am instructed to act as the international sanctions counsel to the Company. This memorandum assesses the applicability to the Company, and its subsidiaries (the Company and its subsidiaries together, the **"Group"**) of United States ("**U.S.**"), European Union ("**EU**"), United Nations ("**UN**") and Australian regulations and rules related to economic sanctions programs and export controls ("**International Sanctions**"). My analysis has been prepared in the context of the proposed initial public offering and listing of the Company's H shares on The Stock Exchange of Hong Kong Limited (the "**Offering**"). However, my advice is applicable whether or not the Company proceeds with the Offering.

1.2 This memorandum provides analysis of the Group's international business transactions and operations based on the facts and information provided by the Group as of the date of the memorandum. To prepare this memorandum, I have conducted due diligence on the Group's transactions in countries or jurisdictions that may be subject to international sanctions laws and regulations. In response, I was provided information to allow me to understand the Group's business and operations, and updated this information through the date of this memorandum. In addition, I was afforded the opportunity to request any follow-up information as I deemed necessary to prepare this memorandum, and had the opportunity to interact with the Group via telephone and e-mail communications. Further, I was given the opportunity to participate in the preparation of the Group's prospectus prepared in connection with the Offering (the "**Prospectus**"), and have reviewed the disclosures in the Prospectus as of the date of this memorandum. The information that I have reviewed as set forth in this paragraph 1.2 is referred to in this memorandum as the "**Group Information**".

1.3 This memorandum is not intended as a full due diligence review of these issues, nor is it intended to provide any assessment of the Group's existing policies or wider procedures implemented to manage its compliance with International Sanctions. I regularly advise on the implementation of sanctions compliance programs and internal controls policies and would be happy to assist the Company in this manner if requested.

1.4 For the purpose of this memorandum, the countries/regions to which International Sanctions may apply to the Group's business (as described in the Prospectus) is Russia (the "**Relevant Country**"), which country is subject to International Sanctions programs. I note specifically and the Company has confirmed, on behalf of the Group that Group does not have sales or operations in the Crimean, Donetsk, Luhansk and Sevastopol Regions of Ukraine (the "**Sanctioned areas of Ukraine**", which are comprehensively sanctioned) during the years ended December 31, 2023, 2024 and 2025, and the six months ended June 30, 2026 (together, the "**Track Record Period**"), and these areas are not included in the Relevant Country.

1.5 In addition, my due diligence investigation and review of the Group's business and operations was designed to identify details of the Group's business transactions with persons, companies, organizations or entities that are named on any of the (i) entity list (the "**Entity List**") administered by the U.S. Department of Commerce, Bureau of Industry and Security (the "**BIS**"), (ii) Non-SDN Chinese Military-Industrial Complex Companies List ("**NS-CMIC List**") under U.S. Presidential Executive Order 13959, as amended by U.S. Presidential Executive Order 14032 ("**Executive Order 14032**"), (iii) Denied Persons List, Unverified List, Military End-User List and Military Intelligence End User List maintained by the BIS, or (iv) list of Specially Designated Nationals and Blocked Persons (the "**SDN List**") maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"), or similar lists maintained by any U.S. government agency, the United Nations, the European Union, the United Kingdom, Australia, (collectively, the "**Restricted Lists**").

1.6 Lastly, I am engaged to provide advice on any issues arising in connection with the Group's approximately 16% equity interest in 北京石墨烯研究院有限公司 (English translation - Beijing Graphene Research Institute Co., Ltd.) a PRC-established entity on the Entity List, and this memorandum has considered any issues arising from the Group's equity interest in that entity.

1.7 It is important to note that international sanctions laws, rules and regulations are subject to ongoing review by the governments and governmental organizations that implement and enforce them. It is my advice that companies such as the Group that conduct international business operations make the efforts required to keep abreast of the developments in international sanctions regulations to assure that their business practices continue to comply with all applicable regulations. This memorandum is current as of its date, but I undertake no obligation to update this memorandum to reflect developments in the international sanctions area after the date hereof.

1.8 This memorandum is based on the understanding and assumptions detailed herein. In particular, I have relied on the Group to provide accurate, complete and not misleading information about its international business and operations. If any of the assumptions are incorrect, it may adversely impact the accuracy of my analysis herein. The Group is recommended to inform the Sole Sponsor and myself if it becomes aware of any fact that may make my assumptions invalid.

2. EXECUTIVE SUMMARY

2.1 The Group is based in the PRC and is a comprehensive new materials service provider focusing on advanced chemical products, including electronic materials, rubber additives, and fully biodegradable materials.

2.2 Founded in 1999, the Group originally focused on the international trading of chemical materials for the tire industry before expanding upstream into R&D and manufacturing. The Group has been listed on the Shanghai Stock Exchange since 2018.

2.3 As a platform enterprise, the Group operates a vertically integrated model, producing its own core products while increasingly manufacturing key intermediates and raw materials in-house to ensure supply chain stability and cost control.

2.4 During the Track Record Period, the Group's primary revenues were derived from the PRC (accounting for approximately 80% of revenue for the year ended December 31, 2025) and 82.2% during the six months ended June 30, 2026). However, it has established a significant global presence, and during the Track Record Period, the Group's international sales covered more than 40 countries and regions.

2.5 United States

2.5.1 On the basis of my review of the Group Information and due diligence process, together with the Company's declarations (for and on behalf of the Group) that:

2.5.1.1 no financing or financial assistance has been received by the Group, either directly or indirectly, from any company, entity or body incorporated or located in the United States;

2.5.1.2 no products supplied, sold, exported or otherwise transferred by the Group to the Relevant Country incorporate more than 10% value of U.S.-origin content;

2.5.1.3 none of the finished products sold to the Relevant Country were covered by U.S. owned intellectual property rights.

2.5.1.4 none of the Group's counterparties in the Relevant Country during the Track Record Period was an individual, entity or organization that has been designated as Specially Designated Nationals and Blocked Persons ("**SDNs**");

2.5.1.5 no services have been exported from the United States (either directly or indirectly) to any persons or entities identified on the Restricted Lists; and

2.5.1.6 the Group's services and activities did not involve industries or sectors that are currently subject to specific sanctions by the United States;

Based on the facts presented in paragraphs 2.5.1.1 – 2.5.1.6, my assessment is that the business dealings of the Group during the Track Record Period as described to me by the Group, do not represent a Primary Sanctioned Activity or Secondary Sanctionable Activity (as defined in Chapter 4.4 of the Guide for New Listing Applicants published by the Stock Exchange) or violation of U.S. export control laws.

2.6 United Nations

2.6.1 On the basis of my review of the Group Information and due diligence process, and the Company's declarations (for and on behalf of the Group) that:

2.6.1.1 the Group's activities involving any sanctioned countries were limited to the research and development, design, manufacturing and sales of new materials products and services that are not export-controlled; and

2.6.1.2 the Group has confirmed that it does not have business dealings with parties targeted by UN sanctions,

My assessment is that the Group's business dealings with the Relevant Country do not implicate restrictive measures adopted by the UN.

2.7 European Union

2.7.1 On the basis of my review of the Group Information and my due diligence process, and the Company's declarations (for and on behalf of the Group) that:

2.7.1.1 all activities involving the Relevant Country were negotiated, entered into and performed without any involvement (including in any approval or decision-making capacity) by any national of or entity incorporated, domiciled, or otherwise located in either the territories of the EU Overseas Territories;

2.7.1.2 the Group's activities are limited to research and development, design, manufacturing and sales of new materials products and services, which are not export-controlled in the EU Overseas Territories;

2.7.1.3 neither the Group nor any of its affiliates, agents, directors, officers, or employees are engaged in transactions, business or financial dealings that directly or indirectly involve or benefit a person or entity listed under EU Overseas Territories sanctions;

2.7.1.4 no financing or financial assistance received by the Group (either directly or indirectly) from any company, entity or body incorporated or located in the EU Overseas Territories (including the Cayman Islands and the British Virgin Islands) has been used in any way in relation to activities involving Relevant Country;

2.7.1.5 the Group's activities involving Relevant Country have not identified any person specifically designated (i.e. listed / targeted) under any existing EU sanctions regime; and

2.7.1.6 the Group has not been, directly or indirectly, involved in the export from the EU Overseas Territories of any items listed in the EU Common Military List or the EU Dual Use list (Annex I to EU Regulation 428/2009,

My assessment is that the Group's business activities with the Relevant Country do not implicate the prohibitions and wider restrictions under existing EU sanctions measures.

2.8 Australia

2.8.1 On the basis of my review of the Group Information and my due diligence process, and the Company's declarations (for and on behalf of the Group) that:

2.8.1.1 the Group is not:

(a) a person in Australia;

(b) an Australian citizen or Australian-registered body;

(c) owned or controlled by Australians or persons in Australia; or

(d) a person using an Australian flag vessel or aircraft to transport goods or transact services subject to Australian autonomous sanctions; and

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

2.8.1.3 the Group's dealings do not appear to involve products or services that are restricted under Australian export controls; and

2.8.1.4 the Group's transactional counterparties in the Relevant Country during the Track Record Period do not appear on the Australian Consolidated List of persons and entities who are subject to targeted financial sanctions or travel bans under Australian law,

My assessment is that International Sanctions measures administered and enforced by the Government of Australia are not implicated by the Group’s business activities.

3. COMPANY BACKGROUND

3.1 The Company is a comprehensive new materials provider headquartered in the People's Republic of China. Founded in 1999, the Group originally focused on the international trading of chemical materials for the tire industry before expanding upstream into R&D and manufacturing. As a platform enterprise, the Group operates a vertically integrated model, producing its own core products while increasingly manufacturing key intermediates and raw materials in-house to ensure supply chain stability and cost control.

3.2 **Principal Business Segments and Products**

The Group's operations are categorized into three primary business segments:

- **Rubber Additives:** This is the Group's largest segment, contributing approximately 70% of total revenue as of the year ended December 31, 2025 and 62% during the six months ended June 30, 2026. Key products include phenolic resins (tackifying, reinforcing, and adhesive resins), PTBP, and other functional additives used to optimize various properties of rubber products such as their stickiness, strength and safety.

- **Electronic Materials:** The second-largest segment, encompassing semiconductor materials (photoresists, CMP polishing pads, high-purity reagents, and EBR) and display panel materials (photoresists, organic insulating film photoresists, and red-light materials).

- **Fully Biodegradable Materials:** This segment focuses on PBAT products for food-related packaging, shrink films, and agricultural films.

3.3 The following table set out the information regarding Directors of the Company.

Director	Name	Nationality
Executive Directors	Ms. Zhang Ning	Canadian
	Mr. Ding Lin	Chinese
	Mr. Yuan Minjian	Chinese
	Mr. Yu Yaoming	Chinese
	Mr. Tang Jie	Chinese
Non-executive Directors	Mr. Li Xiaoguang	Chinese
Independent non-executive Directors	Mr. Zhang Yun	American
	Mr. Jiang Changjian	Chinese
	Mr. Feng Yaoling	Chinese
	Mr. Chan Chi Fung Leo	Chinese (Hong Kong)

3.4 As of the Latest Practicable Date, the Group operated seven major production facilities within the PRC. A summary of these facilities is provided below:

Production Facility	Location	Primary Products
RA Chemical Factory	Shanghai	Rubber resins and additives, and PBAT
Sino Legend Factory	Zhangjiagang	Rubber resins and additives
RA Zhenjiang Factory	Zhenjiang	Electronic resins and additives
RA Electronic Factory	Shanghai	Semiconductor photoresists, high-purity solvents
BAE (Hubei) Factory	Hubei	Display photoresists
Kempur factory	Beijing	Semiconductor photoresists
RA Changzhou Factory	Changzhou	CMP polishing pads

The Group is also planning to establish a new production base for rubber additives in Thailand, expected to be operational in 2027 with an annual capacity of 30,000 tonnes.

3.5 **Sales, Distribution, And International Footprint**

The Group utilizes both direct and indirect sales channels, though direct sales represent the significant majority of revenue.

Domestic and International Sales

While the Group's primary revenue is derived from the PRC (accounting for approximately 80% of revenue for the year ended December 31, 2025 and approximately 80% during the six months ended June 30, 2026), it has established a significant global presence. During the Track Record Period, the Group's international sales covered more than 40 countries and regions.

Region	Percentage of Revenue during year ended December 31, 2025	Percentage of Revenue during six months ended June 30, 2026	Key Markets/Countries Involved
PRC	81.5%	82.2%	Domestic leading tire and semiconductor manufacturers
Asia (excluding PRC)			
— Thailand	4.7%	4.5%	Strategic expansion area; future site of Thai production base
— Japan and Korea	4.2%	3.8%	Primarily served through indirect sales via traders in such regions to semiconductor and display panel leaders
— Rest of Asia	6.6%	6.6%	

Europe	1.7%	1.2%	Growing markets for chemical raw materials and rubber additives
America	1.1%	1.4%	
Others	0.3%	0.3%	

3.6 Distribution Channels

- **Direct Sales:** The Group maintains close relationships with downstream industry leaders, including major tire manufacturers (ranking among the world's top 75), semiconductors, and display panel manufacturers.

- **Indirect Sales (Traders):** A small portion of sales is conducted through traders who provide localized services such as import formalities, local logistics, and warehousing in overseas regions like Japan, South Korea, India, and Southeast Asia.

3.7 Raw Materials and Components

The Group's principal raw materials include phenol, formaldehyde, isobutylene, resins, and solvents. These are primarily derived from the petrochemical and basic chemical industries.

- **Sourcing:** Production materials are primarily procured from suppliers within the PRC, though certain raw materials are sourced from overseas.

- **Supplier Base:** The Group's major suppliers include (i) a group of companies headquartered in Japan that engages in the sale of advanced materials such as high-purity chemicals, engineering plastics and medical-grade polymers; (ii) a group of companies headquartered in Japan that engages in the trading, investment and manufacturing in sectors such as automobiles, energy, chemicals, food, and infrastructure; and (iii) a company established in the PRC that engages in the processing of petroleum, coal, and other fuels.

- **Vertical Integration:** To mitigate supply chain volatility and reduce costs, the Group produces significant portions of its intermediates—such as DIB, PTBP, and specific resins—in-house.

3.8 Subsidiaries And Corporate Structure

The Group operates through several key subsidiaries across different regions to facilitate R&D, manufacturing, and international trade:

- **BAE (Beijing):** A leading domestic supplier of photoresists for LCD panels in the PRC; acquired to strengthen display panel material capabilities.

- **Kempur (Beijing):** Specializes in semiconductor photoresists, making the Group a domestic supplier for the 8-to-12-inch integrated circuit production lines.

- **Sino Legend (Zhangjiagang):** Primarily engaged in the large-scale production of phenolic resins and other rubber additives.

- **RA Chemical Factory (Shanghai):** The hub for phenolic resins, rubber additives, and the Group's fully biodegradable (PBAT) production lines.
- **RA Electronic Factory (Shanghai):** Focuses on the production of electronic materials, including high-end KrF and ArF photoresists.
- **RA Zhenjiang Factory (Zhenjiang):** Engages in the production of resins and rubber additives.
- **RA Changzhou Factory (Changzhou):** A new production facility established which recently completed construction in 2025, focused on the R&D and manufacturing of CMP polishing pads.

3.9 In response to my due diligence request, the Group provided me with export related information concerning the Group's sales to the Relevant Country during the Track Record Period, as well as contracts and other relevant information and updates relating to these sales to Relevant Country. From the information provided by the Group, I identified that the Relevant Country was listed as a destination for a limited amount of the Group's products. I note further that no other countries or jurisdictions that are subject to international sanctions by the United States, the UN, the EU or Australia were revealed by my diligence review.

3.10 Transactions with customers in the Relevant Country were mainly conducted in USD, and payment was made by bank remittance.

3.11 The Group has confirmed that none of the products supplied, sold or exported or transferred by the Group are controlled under U.S. export controls or are otherwise restricted for transfer, either directly or indirectly, from the United States (or by U.S. persons) to or for use in any third country. On the basis of this confirmation and my understanding of the nature of the Group's products and services formed by my due diligence process, an analysis of the Group's products against U.S. export control and trade related sanctions restrictions has not been undertaken.

3.12 Based on the information provided by the Group, the Group believes that none of the products supplied, sold, exported or transferred by the Group are controlled under EU and/or UK Overseas Territories export controls or are otherwise restricted for transfer either directly or indirectly, from the EU (or by EU persons) or from the UK Overseas Territories (or by UK Overseas Territories nationals) to or for use in any third country. On this basis and my understanding of the nature of the Group's products and services, an analysis of the Group's products against EU and/or UK Overseas Territories export control and trade related sanctions restrictions has not been undertaken.

3.13 Based on the information provided by the Group, the Group believes that:

3.13.1 None of the goods or services supplied, sold, exported or transferred by the Group are controlled under Australian export controls or are otherwise restricted for supply, sale, export or transfer, either directly or indirectly, from Australia (or by

Australian citizens) to or for use in any third country.

3.13.2 No goods or services were supplied, sold, exported or transferred by the Group to any country subject to International Sanctions from (or via) Australia.

On the basis of the above confirmations and my understanding of the nature of the Group's products and services, an analysis of the goods and services supplied to the Relevant Country under Australian export control and sanctions laws has not been undertaken.

3.14 The table below sets forth the revenues obtained from products delivered to customers in the Relevant Country and the corresponding percentage of the Group's total revenues during the Track Record Period.

Year Ended	**Total consolidated gross revenues (RMB'000)**	**Consolidated gross revenues attributable to sanctioned countries (USD')**	**Percentage of the Group's total revenues (%)**
Year ended December 31, 2023	2,937,334	575,720	0.14
Year ended December 31, 2024	3,263,380	1,220,355	0.26
Year ended December 31, 2025	3,424,154	514,180	0.11
Six months ended June 30, 2026	Nil	Nil	Nil

4. ANALYSIS OF ISSUES PRESENTED BY THE RESTRICTED LISTS

4.1 The Bureau of Industry and Security 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 Export Administration Regulations (the "**EAR**"). The persons on the Entity List are subject to individual licensing requirements and policies supplemental to those found elsewhere in the EAR. More specifically, as stated in § 744.11(a), a license is required for the export, reexport, or transfer (in-country) of items subject to the EAR when an entity on the Entity List is a party to the transaction as described in § 748.5(c)-(f). Parties to the transaction may include purchasers, intermediate consignees (such as forwarding agents), ultimate consignees, and end-users.

4.2 The Entity List applies to the transfer of items subject to the EAR. To be subject to the EAR, items must fall within the jurisdictional scope in EAR Part 734. If an item is subject to the EAR, exporters must then classify it (ECCN vs. EAR99), check destination, end user, and end use, and determine if a license or license exception applies. The restrictions cover not just products that are produced in the United States and transferred to a purchaser in final form, but also include transfers of (i) non-U.S. produced items which are produced with certain U.S. software, technology or manufacturing equipment, and (ii) items produced with U.S. technologies that are destined to be sold to persons on the Entity List regardless of whether the listed entity is the purchaser, consignee or end-user of such products. A foreign-made item with no U.S. content is generally *not* subject to the EAR unless it is caught by the special "foreign direct product" rule ("FDP") that ties it back to specified U.S. technology, software, or plants.

4.3 In the case of the Group's CMP Polishing Pads, it is possible that they may incorporate more than 25% U.S. content or be considered to be direct products of specific controlled U.S. technology, which means that they could be subject to the EAR. However, they would be classified under the designation "EAR99", as they are generally considered commercial industrial consumables rather than high-specification dual-use items listed on the CCL. The primary risk could arise if these pads were sold by the Group parties on the Entity List. However, the Group has not done so, and therefore the transfer of CMP Polishing Pads during the Track Record Period and up to September 12, 2026, being the latest practicable date in ascertaining facts in the Prospectus, presents no issues under U.S. export controls. In addition, the Company has identified that two catalyst products it manufactured during the Track Record Period, specifically spherical copper carbonate and molybdenum octoate, utilize U.S. technology in their manufacturing process. However, these two products would be classified as EAR99 and have never been sold or delivered to any customers listed on the Entity List. I have also been advised that the light source used in the Group's lithography machines to test whether the KrF photoresist meets performance standards after production originates from the United States. Other than as set forth in this Clause 4.3, the Group does not import, directly or indirectly, products from the United States or that rely on U.S. technology in a manner that would make them subject to the EAR. Finally, the Group does not transfer products, directly or indirectly, that other companies may have imported from the United States.

4.4 While the Group does not make semiconductor chips, its products—photoresists, CMP pads, and high-purity reagents—could be deemed "materials essential to the semiconductor supply chain". Therefore, if the Group's products were manufactured using U.S.-origin "technology" or "software" (e.g., specialized chemical formulas or manufacturing process software), those materials could become subject to the transfer restrictions found under the National Security component of the FDP Rule. However, the Group has confirmed that it has never sold or delivered products to any customers listed on the Entity List, or to a sanctioned or embargoed country or, to the best of the knowledge of the Group, in support of a prohibited end use that contained any U.S. components or that were produced using any U.S. technology or software. As a result, it is my conclusion that the Group's sale, transfer or delivery of products to customers that are listed on the Entity List, including without limitation Semiconductor Manufacturing South China (中芯南方集成电路制造有限公司), will not create any risk of violations of the EAR's restrictions on commercial transactions involving Entity List companies imposed by the BIS.

4.5 With respect to the Group's approximately 16% equity interest in 北京石墨烯研究院有限公司 (English translation - Beijing Graphene Research Institute Co., Ltd.) a PRC-established entity on the Entity List, the simple ownership of an equity interest in a company listed on the Entity List does not give rise to any potential concerns under U.S. sanctions regulations. As described above, a company listed on the Entity List will be restricted in its purchase or transfer of items subject to the EAR. However, as the Group does not deal in products that are subject to the EAR, those restrictions will have no material impact on the Group's business and operations.

4.6 U.S. persons are prohibited from purchasing or selling any publicly traded securities of "Chinese Military-Industrial Complex Companies" or "**CMICs**" as well as any other securities that are derivative of, or designed to provide investment exposure to, such securities. Purchasing restrictions commenced on August 2, 2021 for many of the companies identified as CMICs, and additional companies continue to be added to the NS-CMIC list. Importantly, E.O. 14032 makes clear that these restrictions only apply to activities involving U.S. investors - U.S. persons acting on behalf of non-U.S. funds or other non-U.S. investors generally are not subject to these prohibitions.

4.7 Neither the Company, nor any member of the Group, has been listed on the NS-CMIC List. While certain of the Company's customers and suppliers may be listed on the NS-CMIC List, including without limitation, Semiconductor Manufacturing South China (中芯南方集成电路制造有限公司), the prohibitions contained in E.O. 14032 do not restrict companies such as the Group from doing business with NS-CMIC listed companies. Rather, E.O. 14032 would restrict any U.S. persons from purchasing publicly traded securities of a NS-CMIC company. As the Company is not listed on the NS-CMIC List, E.O. 14032 would not place any restrictions on the Group or its planned Offering, or the series of transactions described above.

4.8 As the prohibitions relating to companies listed on the NS-CMIC List have no bearing on the Group's transactions with customers (including direct and end customers), suppliers, and business partners, it is my view that any transactions with companies on the NS-CMIC List present no risk of sanctions exposure to the Group. Similarly, as the Offering is being conducted under Regulation S, and therefore does not involve sales to U.S. persons, the prohibitions on NS-CMIC List companies will have no impact on the Offering.

4.9 Lastly, as the restrictions placed on transactions with persons or entities named on the (i) Denied Persons List, (ii) Unverified List, (iii) Military End-User List and (iv) Military Intelligence

End User List are, like the restrictions on transactions with Entity List companies, transfer restrictions on products subject to the EAR, any transactions the Group may have conducted with parties on these Restricted Lists would not raise any concerns under International Sanctions laws or regulations.

4.10 **Impact of the Final Rule**

4.11 On August 9, 2023, the United States, under the administration of Joe Biden as President, released an executive order and an advanced notice of proposed rule-making (the "**ANPRM**") providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau. Further to this ANPRM, on June 21, 2024, the U.S. Department of the Treasury issued a proposed rule on outbound U.S. investments involving China that generally follows the ANPRM. On October 28, 2024, the U.S. Department of the Treasury issued a final rule to implement the executive order of August 9, 2023 that was entitled "Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern" (the "**Final Rule**"). The Final Rule, which implements the U.S. Executive Order 14105, became effective on January 2, 2025, and it imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductor and microelectronics, (ii) quantum information technologies, and (iii) AI systems (collectively defined as "**Covered Foreign Persons**").

4.12 U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "**Covered Transactions**", and include certain acquisitions of an equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections (the "**Publicly Traded Securities Exemption**").

4.13 Based on the facts set forth in Clauses 4.13 – 4.16, the Company is not a "covered foreign person" under the Final Rule. A "covered foreign person" is a person of a country of concern that "engages in" a covered activity in the semiconductors and microelectronics sector (among others). Covered activities are narrowly defined in §§ 850.208, 850.217, and 850.224. In the semiconductor sector, covered activities are limited to:

- Developing or producing electronic design automation (EDA) software for integrated circuits (ICs) or advanced packaging;

- Developing or producing front-end semiconductor fabrication equipment, volume advanced packaging equipment, or items designed **exclusively** for use in extreme ultraviolet (EUV) lithography fabrication equipment; or

- Designing, fabricating, or packaging ICs that meet specified advanced performance parameters (or using certain advanced packaging techniques).

4.14 The term “fabricate” is specifically defined in § 850.214 as “to form devices such as transistors, poly capacitors, non-metal resistors, and diodes on a wafer of semiconductor material.”

4.15 The Group’s principal activities are the research, development, manufacture, and sale of “chemical materials and consumables”, including photoresists (KrF, ArF, G-line, I-line), CMP polishing pads, and high-purity reagents. These products are process inputs used ***by others*** during semiconductor manufacturing. The Company itself does not design, fabricate, or package integrated circuits, nor does it develop or produce the specified fabrication equipment or EDA software. Its photoresists are used primarily in DUV lithography and are not designed exclusively for EUV equipment.

4.16 The U.S. Department of the Treasury’s preamble and guidance confirm that “engages in” refers to the specific enumerated functions above. Supplying materials or consumables for use in the semiconductor supply chain does not constitute engaging in a covered activity. Based on these facts, I conclude that the Group does not operate in the sectors targeted by the Final Rule and is therefore not a covered foreign person. Therefore, I am of the view that the Final Rule will have no impact on the offering.

5. U.S. SANCTIONS: ECONOMIC SANCTIONS AND EXPORT CONTROLS

5.1 U.S. Economic Sanctions

5.1.1 There are two types of U.S. economic sanctions potentially applicable to the Group:

5.1.1.1 "Primary" U.S. sanctions applicable to “U.S. persons” or activities involving U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services);

5.1.1.2 "Secondary Sanctions" applied extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus;

5.1.2 Primary Sanctions Applicable to U.S. persons

5.1.2.1 The U.S. Treasury Department’s OFAC administers primary U.S. sanctions programs against targeted countries, entities, and individuals. As the economic sanctions are intended to further the foreign policy goals of the United States, they vary considerably from program to program. Likewise, OFAC has wide latitude to interpret and enforce its regulations based on the foreign policy goals of the U.S. Government.

5.1.2.2 When the U.S. Government imposes economic sanctions against a foreign country, entity, or individual, U.S. law prohibits (with limited exceptions that do not apply in this case) U.S. companies or U.S.

persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeted country, entity or individual. U.S. law also may require a U.S. company or a U.S. person to "block" any assets owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within possession or control of a U.S. person. A "blocked" asset means no transaction may be undertaken or effected with respect to the asset – no payments, benefits, provision of services or other dealings – except pursuant to an authorization or license from OFAC.

5.1.2.3 Persons Governed by U.S. Sanctions

(a) In general, U.S. economic sanctions apply to "U.S. persons." The term "U.S. persons" includes:

(i) U.S. companies and their U.S. subsidiaries;

(ii) any U.S. company's domestic and foreign branches;

(iii) any individual who is a U.S. citizen or permanent resident alien ("green card" holder), regardless of his or her location in the world;

(iv) any individual, regardless of his or her nationality, who is physically present in the United States; and

(v) U.S. branches of non-U.S. companies.

(b) In the case of U.S. sanctions applicable to Cuba and Iran, primary sanctions specifically apply to all foreign subsidiaries of U.S. companies and any other entities owned or controlled by U.S. persons (such as 50/50 joint ventures, for example). See Section 218 of the Iran Threat Reduction and Syria Human Rights Act of 2012, H.R. 1905 (PL 112-158), implemented by OFAC as section 560.215 of the Iranian Transactions and Sanctions Regulations ("**ITSR**"), which makes parent companies liable for their foreign subsidiaries' Iranian sanctions violations, and the Cuban Assets Control Regulations, 31 C.F.R. § 515.329(d) ("**CACR**"), which defines as a person subject to U.S. jurisdiction for Cuba sanctions purposes non-U.S. entities that are affiliates and subsidiaries of U.S. corporations.

(c) In the case of U.S. sanctions applicable to comprehensively sanctioned countries other than Iran and Cuba, such primary sanctions only apply to U.S. persons as defined above, not to their foreign subsidiaries or to non-U.S. companies.

(d) In addition, primary sanctions prohibit U.S. persons, wherever located, from approving, financing, facilitating, or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. person or within the United States. This is generally known as the "facilitation" prohibition and is a broad extension of the jurisdictional reach of U.S. sanctions applicable to U.S. persons in countries subject to comprehensive sanctions prohibitions. See, e.g., Iranian Transactions and Sanctions Regulations ("**ITSR**"), 31 C.F.R. § 560.208. Sudanese Sanctions Regulations, 31 C.F.R. § 538.206. The processing of payments by U.S. banks for Iran-related trade by non-U.S. companies would constitute "facilitation" of such trade and is prohibited.

(e) The facilitation concept is broad. In general, a U.S. person is not permitted to facilitate in any way activities of a third party with a sanctioned country or a sanctioned person if the U.S. person itself could not directly engage in the underlying activity. Usually, it arises in the context of parent companies and their subsidiaries or between affiliates, where one entity is jurisdictionally required to comply but the other is not. The issue may also arise in the dealer/sub-dealer context, where the dealer is dependent on support from its supplier/partner. "Facilitation" may include the following activities:

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

(i) Alters its operating policies or procedures, or those of a foreign affiliate, to permit a foreign affiliate to accept or perform a specific contract, engagement or transaction involving a party in or the government of a sanctioned country without the approval of the U.S. person, where such transaction previously required approval by the U.S. person and such transaction by the foreign affiliate would be prohibited by this part if performed directly by a U.S. person or from the United States;

(ii) Refers to a foreign person purchase orders, requests for bids, or similar business opportunities involving a party in or the government of a sanctioned country to which the U.S. person could not directly respond as a result of U.S. sanctions laws or regulations; or

(iii) Changes the operating policies and procedures of a particular affiliate with the specific purpose of facilitating transactions that would be prohibited by this part if performed by a U.S. person or from the United States." ITSR § 560.417.

5.1.2.4 Targets of Primary U.S. Sanctions Programs

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

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

(1) Comprehensive sanctions programs prohibit U.S. persons from dealing in any manner with sanctioned countries and their governments, as well as with any persons or entities in those countries or territories. Currently, the United States maintains comprehensive sanctions against: Cuba, Iran, North Korea and the Sanctioned areas of Ukraine (comprehensive OFAC sanctions against Syria were terminated effective July 1, 2025, and comprehensive OFAC sanctions against Sudan were terminated as of October 12, 2017). Generally, comprehensive country sanctions prohibit transactions with or services in, from or benefitting the targeted country or any persons/entity in it. However, comprehensive country sanctions may also be applicable to transactions outside the country (for example, restricting dealings in goods or services originating from a sanctioned country, or with persons who ordinarily reside in the sanctioned

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country).

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

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

(1) terrorists and terrorist organizations;

(2) narcotics traffickers;

(3) persons involved in the proliferation of weapons of mass destruction;

(4) persons or entities undermining democratic processes, freedom of expression, or those involved in human rights abuses or censorship activities, among other targeted activities; and

(5) individuals and entities that the U.S. Government considers to be “arms” of the sanctioned governments identified above.

(iii) U.S. persons are not permitted to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List unless authorized by OFAC. The SDN List is updated often, and is available on OFAC's website at https://sdnsearch.ofac.treas.gov/. Numerous vendors also provide screening solutions that can be tailored to fit a particular business’ needs and IT systems.

5.1.2.5 Application to Russia

(a) The U.S. government maintains comprehensive and sectoral sanctions against Russia in response to its actions in Ukraine. These are implemented through several Executive Orders and the Russian Harmful Foreign Activities Sanctions Regulations (31 C.F.R. part 587).

(b) The U.S. President has issued four Executive Orders: Executive Order 13660 of March 6, 2014, Executive Order 13661 of March 16, 2014, Executive Order 13662 of March 20, 2014, and Executive Order 13685 of December 19, 2014, finding that the actions and policies of the Government of Russia, including its purported annexation of Crimea and its use of force in Ukraine, continue to undermine democratic processes and institutions in Ukraine; threaten its peace, security, stability, sovereignty, and territorial integrity; and contribute to the misappropriation of its assets, and thereby constitute an unusual and extraordinary threat to the national security and foreign policy of the United States. These Executive Orders impose comprehensive restrictions on dealings with SDNs (including entities owned, at 50% or higher level, by SDNs directly or indirectly, individually or in the aggregate), comprehensive trade embargo on the Sanctioned areas of Ukraine, and more limited restrictions (so-called “sectoral sanctions”) on certain types of dealings with designated parties in Russia’s energy, financial and defense sectors (including entities owned by them, at 50% or higher level, directly or indirectly, individually or in the aggregate).

(c) With certain exceptions, U.S. persons are prohibited from dealing with certain Russian persons and entities listed on OFAC's SDN List (or entities owned by them, as noted above); from dealing in any property in the United States or in the possession or control of a U.S. person in which any SDN has an interest; and in making any new investment in or exporting or importing any product, service or technology to or from the Sanctioned areas of Ukraine. In addition, there are export restrictions on certain U.S.-origin products as well as restrictions on U.S. persons' ability to provide any products or services to certain parties in Russia targeted by sectoral sanctions if such items would be used for one of the three types of targeted oil/gas production or exploration projects (irrespective of the origin of such goods or services).

(d) Pursuant to Executive Order 13662 and the Ukraine-Related Sanctions Regulations ("**URSR**"), OFAC promulgated financial restrictions on companies operating in specific sectors of the Russian economy, and the restrictions apply whenever there is a U.S. nexus to the transaction (including USD payments). *The entities listed on the SSIL ("Sectoral Sanctions Identifications List") have not been added to the SDN List so these SSIs are not subject to blocking requirements noted above*. Instead, OFAC has prohibited certain types of transactions with the SSIs. Specifically, OFAC issued four "directives" as outlined below (certain of these have since been amended, as described in further detail below):

(i) Directive 1: The following transactions by U.S. persons or within the United States involving targeted companies are prohibited by Directive 1: "all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity or new equity of [these] persons…, their property, or their interests in property…" All other transactions with these persons are permitted, provided such transactions are not otherwise prohibited by any other sanctions programs implemented by OFAC.

(ii) Directive 2: The following transactions by U.S. persons or within the United States involving targeted companies are prohibited by Directive 2: "all transactions in, provision of financing for, and other dealings in new debt of longer than 90 days maturity of [these] persons…, their property, or their interests in property…" All other transactions with these persons

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are permitted, provided such transactions do not otherwise involve any other sanctions programs implemented by OFAC. Unlike Directive 1, Directive 2 does not place restrictions on transacting in, providing financing for, or otherwise dealing in new equity of the entities listed pursuant to Directive 2.

(iii) Directive 3: The following transactions by U.S. persons or within the United States involving targeted companies are prohibited by Directive 3: "all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity of [these] persons…, their property, or their interests in property…" All other transactions with these persons are permitted, provided such transactions do not otherwise involve any other sanctions programs implemented by OFAC. Unlike Directive 1, Directive 3 does not place restrictions on transacting in, providing financing for, or otherwise dealing in new equity of the entities listed pursuant to Directive 3.

(iv) Directive 4: The following transactions by U.S. persons or within the United States involving targeted companies are prohibited by Directive 4: "the provision, exportation, or re-exportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater (more than 500 feet), Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory…"

(d) The SSIL restrictions apply not only to U.S. persons' dealings with the designated under the directives above, but also to entities directly or indirectly owned 50% or more by SSI entities.

(e) "Debt" in the SSIL context includes bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers' acceptances, discount notes or bills, or commercial paper. "Equity" includes stocks, share issuances, depositary receipts, or any other evidence of title or ownership. OFAC has advised that these lists are illustrative, not exhaustive. OFAC has confirmed that the term "extension of credit" would include providing an SSI customer with payment terms that exceed 30 or 90 days, depending on the Directive under which the SSI is designated.

(f) In addition, there are export restrictions on certain U.S.-origin products as well as restrictions on U.S. person's ability to provide any products or services to certain parties in Russia targeted by sectoral sanctions if such items would be used for one of the three types of targeted oil/gas production or exploration projects (irrespective of the origin of such goods or services). None of these current restrictions, however, target smart devices and solutions, so activities involving even U.S.-origin products are not prohibited under current sanctions when no SDNs or designated parties under sectoral sanctions are involved.

(g) On August 2, 2017, President Trump signed into law the "Countering America's Adversaries Through Sanctions Act" ("**CAATSA**"), which amended some of the existing U.S. primary sanctions against Russia and added secondary sanctions targeting certain activities involving Russia. For example, CAATSA required OFAC to amend Directive 1 by reducing the maturity term from 30 to 14 days, and Directive 2 by reducing the maturity term from 90 to 60 days, tightening restrictions on the extension of credit to SSI entities targeted by these directives. On September 29, 2017, OFAC issued amended Directives 1 and 2, indicating that the reduction of maturity term to 14 and 60 days, respectively, would be effective as of November 28, 2017. CAATSA also required OFAC to amend Directive 4, which targets certain energy projects, expanding its territorial reach beyond Russia to any location in the world where one of the targeted exploration/production projects is located so long as a Russian SSI party has at least a 33% interest in such project (this took effect on January 29, 2018). CAATSA also authorizes the U.S. Government to designate state-owned entities in the Russian railway sector and impose sectoral sanctions upon such designations.

(h) In addition to changes to sectoral sanctions, there are also secondary sanctions that were imposed by CAATSA, so any persons (U.S. or non-U.S.) who engage in these activities could face exposure to restrictive U.S. measures, even if the underlying activity has no U.S. nexus. These new Russia-related secondary sanctions include (but are not limited to):

(i) Making of an investment that directly and significantly contributes to the enhancement of the ability of the Russian Federation to construct energy export pipelines; or selling, leasing or providing to the Russian Federation, for the construction of Russian energy export pipelines, goods, services, technology, information, or support that could directly and significantly facilitate the maintenance or expansion of the construction, modernization, or repair of energy export pipelines by the Russian Federation, and which meet either of the following criteria:

(1) Any of which have a fair market value of US$1,000,000 or more; or

(2) That, during a 12-month period, have an aggregate fair market value of US$5,000,000 or more.

(ii) Making an investment, with actual knowledge, of US$10,000,000 or more (or any combination of investments of not less than US$1,000,000 each, which in the aggregate equals or exceeds US$10,000,000 in any 12-month period), or facilitates such an investment, if the investment directly and significantly contributes to the ability of the Russian Federation to privatize state-owned assets in a manner that unjustly benefits:

(1) Officials of the Government of the Russian Federation; or

(2) Close associates or family members of those officials.

(iii) Knowingly engaging in a “significant” transaction with a person that is part of, or operates for or on behalf of, the Russian defense or intelligence sectors. The U.S. Government issued a list of “persons that are part of, or operate for or on behalf of, the defense and intelligence sectors of the Government of the Russian Federation” so foreign parties have additional clarity as to who in Russia is targeted by this measure and can avoid engaging in “significant” transactions with such parties unless such foreign parties want to face exposure under secondary U.S. sanctions.

(iv) Foreign financial institutions determined to have knowingly facilitated certain defense- and energy-related transactions on behalf of the Russian Government, or have knowingly facilitated a significant financial transaction on behalf of any Russian SDN.

(i) Non-U.S. companies engaging in these sanctionable activities are potentially subject to the imposition of several restrictions by the U.S. Government, such as visa denials, prohibition on importation of products into the United States, restrictions on accessing U.S. financing or processing USD payments, and even a designation as an SDN.

(j) Moreover, CAATSA also required the President to submit a list identifying "the most significant senior foreign political figures and oligarchs in the Russian Federation, as determined by their closeness to the Russian regime and their net worth." This list was submitted on January 29, 2018, but did not result in the imposition of sanctions on the individuals listed.

(k) The U.S. Government has issued guidance to clarify broad language used in Section 228. A broad reading of Section 228 would have allowed the U.S. Government to impose restrictive measures on any non-U.S. person who facilitates a "significant" transaction with an SSI entity, even if such transaction is not prohibited by primary U.S. sanctions. The term "significant" is not defined in CAATSA, and the U.S. Government could use multiple factors in deciding what is significant. The recent guidance made it clear that the term "significant transaction" will not include transactions that do not require a U.S. person to obtain a specific license from OFAC to participate in them. As such, the activities with SSIs (such as Sberbank, VTB, Rosneft, etc.) that are not prohibited by sectoral sanctions should also not trigger exposure under Section 228. The OFAC guidance indicates that a transaction in which a party is on the SSI list "must also involve deceptive practices (i.e., attempts to obscure or conceal the actual parties or true nature of the transaction(s), or to evade sanctions) to potentially be considered significant."

(l) Finally, it is important to note that the U.S. government, as well as the governments of the United Kingdom, many countries in the European Union, Australia and elsewhere around the world have adopted various laws and regulations that restrict transactions with Russia in response to the current hostilities initiated by Russia against Ukraine. While these restrictions are among the most extensive adopted by these governments, they do not constitute "comprehensive sanctions" within the meaning of this memorandum, and do not impact the research and development, design, manufacturing and sales of new materials products and services by the Group's distributors to end users in Russia. As such, detailed analysis of the sanctions on Russia pertaining to its conflict in Ukraine are beyond the scope of this memorandum.

5.1.2.6 Recent Developments

(a) **SDN Designations**: With certain exceptions, U.S. persons are prohibited from dealing with Russian persons and entities listed on OFAC's SDN List. Throughout 2024 and 2025, the U.S. has significantly expanded this list to include major financial institutions, such as Gazprombank (designated in late 2024), and large energy companies like Rosneft and Lukoil (designated in October 2025).

(b) **Secondary Sanctions**: As discussed further below, secondary sanctions target non-U.S. persons who provide material support to SDNs or engage in certain activities involving the Russian energy, defense, and financial sectors. Executive Order 14114, issued in December 2023, authorizes sanctions on foreign financial institutions determined to have facilitated significant transactions for Russia's military-industrial base.

(c) **Service Bans**: The United States has implemented export bans on various services provided to the Russian Federation, including accounting, management consulting, architecture, and engineering services, as well as certain IT and cloud-based services.

(d) **Oil Price Cap**: Price caps remain in effect for Russian-origin petroleum products, with current levels at US$100 per barrel for "premium to crude" and US$45 per barrel for "discount to crude".

5.1.2.7 Application to the Group

(a) The Group consists of companies incorporated in the PRC.

(b) The Group delivered new materials products and services to customers in the Relevant Country, either directly or indirectly through its various PRC and international distributors. As the sales or deliveries to the Relevant Country did not involve SDNs or other sanctioned persons, the sales or deliveries in non-comprehensively sanctioned countries do not present any issues under U.S. sanctions laws and regulations.

(c) The Group has confirmed and, based on my due diligence process, during the Track Record Period, it has not had, directly or indirectly, any contracts or any other activity with a counterparty, nor has it otherwise provided goods or services to any person, in a country or territory subject to comprehensive U.S. sanctions (currently, Cuba, Iran, North Korea, and the Sanctioned Areas of Ukraine) or to any SDNs.

(d) The Group's customers are not SDNs, and the Group confirmed and, based on my due diligence process, I concur that it and any of its affiliates, agents, directors, officers or employees are not engaged in other transactions, business or financial dealings that directly or indirectly involve Cuba, Iran, North Korea or the Sanctioned areas of Ukraine. Accordingly, the Group's business activities involving the research and development, design, manufacturing and sales of new materials products and services to its customers in the Relevant Country would not have triggered these sanctions regulations.

(e) No financing or financial assistance has been received by the Group, either directly or indirectly, from any company, entity or body incorporated or located in the United States.

(f) Therefore, on the basis of my due diligence process and review of the Group Information, and the Group's confirmation of the facts set forth in (a) – (e) above, my assessment is that the business dealings of the Group with the Relevant Country do not appear to be inconsistent with applicable U.S. sanctions.

5.1.3 Secondary Sanctions Applicable to Non-U.S. persons

5.1.3.1 The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in certain defined activities, including:

(a) those who are dealing in "confiscated" property in Cuba (although these measures have been suspended such that lawsuits cannot be brought against such non-U.S. persons);

(b) those who are engaging in certain Syria- or Iran-related activities;

(c) those dealing with Iranian SDNs; and

(d) those who are engaging in the provision of "material assistance" or support to most types of SDNs (including SDNs designated under the Ukraine/Russia sanctions program).

5.1.3.2 The Group has confirmed and, based on my due diligence process, I concur that: it has no dealings with (i) Cuba that involve confiscated property; (ii) Syria, or (iii) any SDNs, nor has it engaged in Russia-related sanctionable activities under CAATS. Accordingly, secondary sanctions would not be triggered by the Group's business operations, based on my due diligence process, and the information provided by the Group.

5.1.4 The Offering

5.1.4.1 The Company will be required to make standard representations, warranties and covenants to the Sole Sponsor (as defined in the Prospectus) in the Hong Kong Underwriting Agreement (as defined in the Prospectus) that the proceeds of the Offering will not be used in any manner that could be found to violate any International Sanctions laws or regulations, including representing that the Group will not make any of the proceeds of the Offering, directly or indirectly, available to (i) a person on the SDN List; (ii) fund any activity that is prohibited by International Sanctions laws or regulations; (iii) or pay any damages for terminating or transferring the relevant contracts that constitute such activity.

5.1.4.2 I have reviewed the sections of the draft Prospectus as of the date of this legal memorandum under which the Company's intended uses of the proceeds of the offering are set out in detail, and I have relied on those statements in connection with my analysis; the Group has confirmed that such statements are accurate in all respects. In those statements, the Company confirms that the proceeds will be used as follows:

(a) for enhancing the R&D efficiency and capability of the Company;
(b) for the upgrade and maintenance of the production facilities of the Company;
(c) for strategic investments and/or acquisition;
(d) for repayment of bank borrowings;
(e) for expanding the Company's overseas market presence and supply capabilities; and
(f) for working capital and general corporate purposes.

5.1.4.3 I also note that none of the Company and its subsidiaries, their respective shareholders, directors or officers disclosed in the Prospectus is a person or entity named on the SDN List.

5.1.4.4 I have been informed by the Sole Sponsor and the Company (for and on behalf of the Group) that the offering of Shares contemplated by the Prospectus will not be made in the United States or to U.S. persons.

5.2 U.S. Export/Re-Export Controls

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

5.2.2 The U.S. Department of Commerce, Bureau of Industry and Security controls exports and re-exports of commercial and dual-use products, software and technology. These controls are implemented by EAR, as administered by BIS.

5.2.3 The EAR apply to exports of commodities, software and technology from the United States to foreign countries and to re-exports from one foreign country to another. In addition, they apply to shipments from one foreign country to another of foreign-made products that incorporate more than a de minimis amount of controlled U.S. origin parts, components or materials, or are the foreign direct product of certain controlled U.S. technology. The de minimis threshold varies, from 25% for most countries to less than 10% for Iran (other comprehensively sanctioned countries have the 10% threshold), and what items are considered controlled (and thus are included in the de minimis calculation) also varies. The United States has also instituted export-related restrictions for certain commercial and dual-use items subject to the EAR when destined to Russia for certain end-uses or end-users, as well as restrictive licensing policies under the U.S. International Traffic in Arms Regulations ("**ITAR**") for export-related transactions involving defense articles and defense services intended for end-use in Russia. The ITAR export controls are administered by the U.S. Department of State Directorate of Defense Trade Controls.

5.2.4 The customer information provided by the Group does not reflect any parties on the BIS List.

5.2.5 I have been informed by the Group that it does not:

5.2.5.1 export products, software or technology from the United States;

5.2.5.2 deal with parties on the BIS List; and

5.2.5.3 incorporate 10% or more of U.S.-origin products, software or technology into its exports.

Therefore, these U.S. export controls do not apply to the Group.

6. UN SANCTIONS

6.1 UN sanctions measures are adopted via a Resolution of the UN Security Council. UN Security Council Resolutions are binding upon all members of the UN, including the United States, Member States of the European Union and Australia. UN Member States are required to bring into force (i.e. implement, administer and enforce) national measures to ensure compliance with the measures prescribed in the UN Resolution. The main aim of UN sanctions measures, as set out in the UN Charter, is to maintain or restore international peace and security.

6.2 Application to Russia

6.2.1 During the Track Record Period, the UN has not imposed comprehensive trade sanctions on Russia due to the veto power of the Russian Federation in the UN Security Council. However, significant international pressure has been applied through General Assembly resolutions. None of the existing UN restrictive measures are applicable to the sale of the Group’s new materials products and services in Russia.

6.3 Application to the Group

6.3.1 On the basis of my due diligence process and review of the Group Information, together with the Company’s confirmation on behalf of the Group that:

6.3.1.1 that neither the Company nor any of its affiliates, agents, directors, officers, or employees is engaged in transactions that directly or indirectly involve or benefit a person on the sanctions list of the UN; and that

6.3.1.2 All of the Group's business in relation to the Relevant Country was in relation to new materials products and do not involve export-controlled products,

My assessment is therefore that the Group's business dealings do not appear to implicate restrictive measures adopted by the UN and implemented by the United States, European Union, UK Overseas Territories and Australia.

7. EU SANCTIONS

7.1 Overview of EU Sanctions Measures

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

7.1.1 Sanctions applicable in the EU stem from:

7.1.1.1 sanctions adopted by the UN; or

7.1.1.2 autonomous sanctions regimes adopted by the EU without any UN action.

7.1.2 The EU implements sanctions measures via a unanimous decision of the Council of the European Union (the "**Council**"). Members States of the EU are then legally bound to act in conformity with the decision.

7.1.3 Certain sanctions, such as arms embargoes and travel bans, are implemented directly by EU Member States. Such measures only require a decision by the Council. Economic sanctions measures require separate implementing legislation in the form of a Council Regulation.

7.1.4 Council Regulations are directly applicable in EU Member States. However, some Member States will nevertheless enact national legislation implementing the EU sanctions measures. In addition, individual Member States are responsible for establishing measures to set and impose penalties and their implementation and enforcement, and for establishing relevant competent licencing authorities.

7.1.5 EU sanctions regimes are generally targeted, meaning that the relevant prohibitions or restrictions are focused on individual people or organizations, certain sectors of the target's economy, specified goods, technology, technical assistance and wider associated services, or specific activities.

7.2 Application of Sanctions Measures

7.2.1 EU sanctions measures broadly apply to: (i) any company incorporated under the laws of the EU; and (ii) any business done in whole or in part within the EU.

7.2.2 EU sanctions measures will therefore apply to:

7.2.2.1 Any overseas entities operated by the Group in the Cayman Islands and the BVI, and any of the Group's subsidiaries or affiliates incorporated in the EU; as of the date of this memorandum, there were no such Group entities;

7.2.2.2 any EU nationals employed by or otherwise engaged on behalf of the Group regardless of where they are located, such as in Singapore, in the EU or in any other non-EU country;

7.2.2.3 any Group business conducted within the EU or a UK Overseas Territory;

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7.2.2.4 any counterparty incorporated in the EU with whom the Group or any of its subsidiaries does business including for example, suppliers, customers, distributors, agents, manufacturers, shipping agents and freight forwarders;

7.2.2.5 any EU incorporated financial institution that the Group or any of its companies uses to provide payment processing services, trade finance services, short- or long-term debt financing or any other service; and

7.2.2.6 any entity or national incorporated in the EU who subscribes for shares in the Company as part of the Offering.

7.2.3 EU sanctions will not apply to:

7.2.3.1 Non-EU nationals in their personal capacity, including the Company's Directors (to the extent that they are not carrying out business of the Group in the territory of the EU); and

7.2.3.2 any Group subsidiary that is not incorporated under the laws of an EU Member State, which acts in a wholly independent manner from its parent company, and which does not carry out any activities in the EU.

7.3 Restrictions under EU Sanctions Measures

7.3.1 The restrictions applied under an EU sanctions regime depend on the jurisdiction targeted by the regime. However, there are broadly four main offences:

7.3.1.1 making any funds or economic resources (see below) directly or indirectly available to or for the benefit of a sanctioned person or entity (a "**Designated Person**");

7.3.1.2 dealing with any funds or economic resources that are owned, held or controlled by a Designated Person;

7.3.1.3 exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in, a jurisdiction subject to sanctions measures (a "**Prohibited Activity**"); and

7.3.1.4 participating knowingly and intentionally in activities the object or effect of which is to: (i) directly or indirectly circumvent the offences listed above; or (ii) enable or facilitate the commission of the offences.

7.3.2 The meaning of "economic resources" is defined widely to be "*assets of every kind, whether tangible or intangible, movable or immovable, which are not funds, but may be used to obtain funds, goods or services*".

7.3.3 Under EU sanctions measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. While it is prohibited for a person or entity to whom EU sanctions apply to make any product of the Group available directly or indirectly to or for the benefit of a Designated Person, or to finance such activity, it is not generally prohibited (or otherwise restricted) for that person or entity to do business (involving non-controlled or restricted items) with a counterparty in a country subject to EU sanctions that is not a Designated Person or engaged in non-Prohibited Activities.

7.4 EU sanctions: Dealing with a sanctioned country

7.4.1 As noted above, under EU sanctions legislation it is prohibited for any person or entity to whom EU sanctions apply to:

7.4.1.1 make any product of the Group directly or indirectly available to, or for the benefit of, a Designated Person; or

7.4.1.2 export, finance, or facilitate the transfer of any controlled or restricted products to a third country including a sanctioned country.

7.5 Overview of EU Sanctions Measures

7.5.1 Application to Russia

7.5.1.1 The EU framework for sanctions targeting Russia has been implemented through 19 packages of restrictive measures as of December 2025.

7.5.1.2 14th Package (June 2024): Introduced measures to prevent the circumvention of sanctions, including "No Russia" clauses for intellectual property rights and restrictions on the transshipment of Russian LNG through EU ports.

7.5.1.3 19th Package (October 2025): Imposed a total ban on Russian LNG and expanded the "shadow fleet" list to 557 vessels, which are now subject to a port access ban. It also added 45 entities supporting Russia's military-industrial complex, including several based in China and Hong Kong.

7.5.1.4 Financial and Trade Measures: These include the immobilization of Central Bank of Russia assets, disconnection of major banks from SWIFT, and export bans on a wide range of products including constructions materials and articles of rubber.

7.5.2 Application to the Group

7.5.2.1 On the basis of my due diligence process and review of the Group Information, together with the Group's confirmation that:

(a) all activities involving the Relevant Country were negotiated, entered into and performed without any involvement (including in any approval or decision-making capacity) by any entity incorporated, domiciled, or otherwise located in the territories of the EU Overseas Territories.

(b) the Group's activities involving the Relevant Country have not identified any person specifically designated (i.e. listed / targeted) under any existing EU sanctions regime.

(c) no EU nationals, nor any citizens of any UK overseas territories, nor any wider persons resident or otherwise located in either the territories of the EU or the UK Overseas Territories who are employed or otherwise engaged by the Group have been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of, or in any wider decision making capacity, with respect to any activity involving the Relevant Country;

(d) the Group's transactions could not potentially fund or facilitate sanctions-prohibited activity, nor grant any benefit towards any sanctioned person or entity.

(e) the Group has not exported or directly or indirectly supply arms and related materiel, or equipment which might be used for internal repression.

(f) the Group has not provided technical assistance related to military activities, or to the provision, manufacture, maintenance and use of arms and related materiel of any type.

(g) the Group has not provided financing or financial assistance related to any activities referred to above.

(h) Neither the Group nor any of its affiliates, agents, directors, officers or employees have been engaged in the export of items for use in oil exploration and production in deep water, the Arctic as listed in Annex 2 of Regulation 833/2014, or shale formations, or in the provision of finance including loans or credit to Russia.

On this basis, my conclusion is that the Group's business dealings with respect to the Relevant Country have not breached the prohibitions or wider restrictions adopted by the EU, including those extended to the UK Overseas Territories.

7.5.3 EU export controls

7.5.3.1 In addition to EU sanctions measures, EU dual-use controls, provided for in Council Regulation 428/2009 of May 5, 2009 setting up a

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Community regime for the control of exports, transfer, brokering and transit of dual-use items, as last amended by Commission Delegated Regulation (EU) 2017/2268 of September 26, 2017, govern (i) the export of certain controlled dual-use products and technology from the EU to any non-EU country jurisdiction (not just jurisdictions subject to sanctions) and (ii) the brokering of transactions that involve the transfer of controlled goods, certain wider restricted products and non-controlled products which may be destined for a prohibited end-use from one non-EU country to another non-EU country (again any third country jurisdiction not just jurisdictions subject to sanctions).

7.5.3.2 The Group has confirmed its understanding that it has not been, directly or indirectly, involved in the export from the EU and/or UK Overseas Territories of any items listed in the EU Common Military List or the EU Dual Use list (Annex I to EU Regulation 428/2009), the UK Military List or any items listed under Schedule 3 of the UK's Export Control Order 2008.

7.5.3.3 The Group has confirmed its understanding that none of the Group's products are controlled under EU export control regulation. As such, no further analysis (e.g. any assessment against the specific list of items controlled under the EU Dual Use Regulation) has been carried out. My conclusion is that such analysis is unnecessary based on the Group's confirmation that it is not directly or indirectly involved in the export from the EU and/or UK Overseas Territories of any items listed in the EU Common Military List or on the EU Dual Use list.

Based on the information provided by the Group, I believe that the EU export rules are not implicated by the Group's activities.

8. AUSTRALIAN SANCTIONS

8.1 Overview

8.1.1 Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy.

8.1.2 During the Track Record Period, Australia imposed significant sanctions with respect to Russia’s involvement in hostilities in Ukraine. However, none of these sanctions are applicable to the sale by distributors of the Group’s electric vehicles in Russia.

8.1.3 The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to:

8.1.3.1 any person in Australia;

8.1.3.2 any Australian anywhere in the world;

8.1.3.3 companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or

8.1.3.4 any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.

8.1.4 The Department of Foreign Affairs and Trade ("**DFAT**") maintains the Consolidated List of all persons and entities designated for the purposes of sanctions regimes implemented under Australian sanction laws with dedicated sites for countries where a sanctions regime has been declared.

8.1.5 A criminal offence is committed if an individual or a body corporate to whom Australian sanctions measures apply, engages in conduct and the conduct contravenes a sanction law.

8.1.6 The Australian autonomous sanctions regimes are primarily implemented under the Australian Autonomous Sanctions Act 2011 (the "**Act**") and the Australian Autonomous Sanctions Regulations 2011 (the "**Regulations**"). These sanctions laws are created by the Minister of Foreign Affairs by legislative instrument.

8.1.7 The Act prohibits a person from engaging in conduct that is in breach of the sanctions laws.

8.1.8 Part 3 of the Regulations specifies that Section 15.1 of the Australian Criminal Code applies to a person that makes an unauthorised sanctioned supply. This has the effect of making the offence extra territorial if the alleged offence occurs outside of Australia by a person who is an Australian citizen or a body corporate incorporated under Australian law.

8.1.9 The prohibited conduct applies to conduct committed entirely inside or outside Australia if at the time of the alleged offence, the alleged offender is an Australian citizen or a body corporate incorporated under Australian law.

8.2 Application to Russia

Australia imposes an autonomous sanctions regime in relation to Russia/Ukraine. Key measures include:

8.2.1 Export Restrictions: Prohibition on the supply of "export sanctioned goods" including arms and items suited for certain categories of oil exploration.

8.2.2 Import Tariffs: Australia has extended an additional tariff of 35% on all goods imports from Russia and Belarus until October 2025.

8.2.3 Shadow Fleet: As of December 2025, the Minister for Foreign Affairs has designated 45 vessels as sanctioned vessels for Russia.

8.2.4 Parliamentary Inquiry: In November 2025, the Australian Senate referred the scope of sanctions against the Russian Federation for inquiry, with a report due in March 2026.*Restrictions on the export or supply of goods*

8.2.5 Australian law prohibits the direct or indirect supply, sale or transfer to Russia, for use in Russia, or for the benefit of Russia, of the following 'export sanctioned goods':

8.2.5.1 arms or related materiel (please note that the import, purchase or transport of arms or related materiel from Russia is also prohibited); and

8.2.5.2 items suited to any of the following categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf:

(a) oil exploration and production in waters deeper than 150 meters;

(b) oil exploration and production in the offshore area north of the Arctic Circle; or

(c) projects that have the potential to produce oil from resources located in shale formations by way of hydraulic fracturing (other than exploration and production through shale formations to locate or extract from non-shale reservoirs),

without a sanctions permit.

Restrictions on the export or provision of services

8.2.6 Australian law also prohibits the provision to Russia, or to a person for use in Russia, of:

8.2.6.1 technical advice, assistance or training;

8.2.6.2 financial assistance;

8.2.6.3 a financial service; or

8.2.6.4 another service,

if it assists with, or is provided in relation to:

8.2.6.5 a military activity; or

8.2.6.6 the manufacture, maintenance or use of 'arms or related materiel',

without a sanctions permit.

8.2.7 Australian law also prohibits the provision to Russia, or to a person, entity or body for use in Russia, of drilling services, well-testing services, logging and completion services and the supply of specialized floating vessels that are necessary for any of the following categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf:

8.2.7.1 oil exploration and production in waters deeper than 150 meters;

8.2.7.2 oil exploration and production in the offshore area north of the Arctic Circle; or

8.2.7.3 projects that have the potential to produce oil from resources located in shale formations by way of hydraulic fracturing (other than exploration and production through shale formations to locate or extract from non-shale reservoirs),

without a sanctions permit.

8.2.8 Australian law also prohibits the provision to a person of an investment service if it assists with, or is provided in relation to, a sanctioned commercial activity without a sanctions permit.

Restrictions on commercial activities

8.2.9 Australian law also prohibits:

8.2.9.1 the direct or indirect purchase or sale of, or any other dealing with, bonds, equities, transferable securities, money market instruments or other similar financial instruments, if the financial instrument:

(a) is issued after July 28, 2017 by an entity specified in the Autonomous Sanctions Specification*; and*

(b) has a maturity period specified in the Autonomous Sanctions Specification for the financial instrument and the entity, without a sanctions permit.

8.2.10 The prohibition in paragraph 8.2.9 does not apply to an activity in relation to tradable securities or any other financial instrument that:

8.2.10.1 is a derivative product the value of which is linked to an underlying asset of a type mentioned in paragraph 8.2.9.1; and

8.2.10.2 does not involve the purchase or sale of, or any other dealing in relation to, the underlying asset.

8.2.11 Australian law also prohibits:

8.2.11.1 directly or indirectly making, or being part of any arrangement to make loans or credit if the loan or credit:

(a) is made to an entity specified in the Autonomous Sanctions Specification*;* and

(b) has a maturity period specified in the Autonomous Sanctions Specification for the financial instrument and the entity, without a sanctions permit.

8.2.12 Australian law also restricts Australian trade and investment in Crimea and Sevastopol relating to infrastructure, transport, telecommunications, energy, oil, gas and minerals sectors without a sanctions permit.

8.2.13 The prohibition in paragraph 8.2.11 does not apply to:

8.2.13.1 loans or credit that have a specific and documented objective to provide:

(a) financing for non-prohibited imports or exports of goods and non-financial services between Australia and Russia; or

(b) emergency funding to meet the solvency and liquidity criteria for legal persons:

(i) established in Australia; and

(ii) whose proprietary rights are more than 50% owned by an entity specified in the Autonomous Sanctions Specification*; **and***

8.2.13.2 drawdowns or disbursements made under a contract concluded before July 28, 2017 if:

(a) all the terms and conditions of such drawdown or disbursement:

(i) were agreed before July 28, 2017; and

(ii) have not been modified on or after July 28, 2017; and

8.3 before July 28, 2017, a contractual maturity date has been fixed for the repayment in full of all funds made available and for the cancellation of all the commitments, rights and obligations under the contract.Application to the Group

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

8.3.2 On the basis that neither the Company nor any of its subsidiaries is:

8.3.2.1 a person in Australia;

8.3.2.2 an Australian citizen or Australian-registered body;

8.3.2.3 owned or controlled by Australians or persons in Australia; or

8.3.2.4 a person using an Australian flag vessel or aircraft to transport goods or transact services subject to Australian autonomous sanctions,

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

9. CONCLUSION

9.1 On the basis of the information received from the Group and the corresponding analysis of relevant International Sanctions set forth above, I am of the view that the Group's activities during the Track Record Period do not appear to implicate restrictions under International Sanctions.

9.2 Further, given the Offering scope and the expected use of proceeds as detailed in this memorandum, I am of the view that the involvement by parties in the Offering will not implicate any applicable International Sanctions on such parties, including the Sole Sponsor, the Company and its subsidiaries, their respective directors and employees, the Company's or its subsidiaries' investors, shareholders as well as The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Hong Kong Securities Clearing Company Limited (the "**HKSCC**"), HKSCC Nominees Limited and the Securities and Futures Commission (the "**SFC**") or any person involved in the Offering and accordingly, the sanction risk exposure to the Group, their respective directors and employees, the Group's investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of the Company's shares (including the Stock Exchange, its listing committee and related group companies) is very low.

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If you have questions or comments regarding this memorandum, or would otherwise like to discuss the information herein, please let me know by e-mailing the following contact: stephenpeepels@outlook.com

By: Stephen Peepels, Esq.
(attorney-at-law, Pennsylvania, United States)