



## MEMORANDUM

Hogan Lovells  
11th Floor, One Pacific Place  
88 Queensway  
Hong Kong  
T +852 2219 0888  
F +852 2219 0222  
[www.hoganlovells.com](http://www.hoganlovells.com)

**To** Cirrus Aircraft Limited

China International Capital Corporation Hong Kong Securities Limited  
As sponsor (“**Sponsor**”) and representative of the several underwriters (the “**Underwriters**”) in the Offering (as defined below)

**FROM** Hogan Lovells International LLP

**DATE** June 28, 2024

***By Electronic Mail  
Privileged and confidential***

**SUBJECT** Memorandum of Advice – International laws and regulations relating to Trade Sanctions analysis

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We have acted as the counsel to Cirrus Aircraft Limited (the “**Company**”) as to International Sanctions (as defined below) in connection with the proposed global initial public offering and listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**HKEX**”) of the Company, including the offer and sale of equity securities to the public in Hong Kong and the concurrent offer and sale of equity securities in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act of 1933, as amended (the “**Securities Act**”), pursuant to an exemption from the registration requirements under the Securities Act, and outside the United States in offshore transactions in reliance on Regulations S under the Securities Act (the “**Offering**”). This memorandum is provided for the purposes of the Offering only. However, our advice is applicable whether or not the Company proceeds with the Offering.

### 1. INTRODUCTION AND SCOPE

- 1.1 In light of the Chapter 4.4 of the Guide for New Listing Applicants (the “**Chapter 4.4 Guidance**”) effective from January 2024, this memorandum assesses whether (i) the Company and its subsidiaries (the Company and its subsidiaries together, the “**Group**”) engaged in Primary Sanctioned Activity (as defined below) that violates applicable laws or regulations in the Relevant Jurisdiction(s) (as defined below), and/or results in any material sanctions risk to the Relevant Persons (as defined below); (ii) the Group engaged in Secondary Sanctionable Activity (as defined below) that would likely result in the imposition of any sanctions against the Relevant Persons; and (iii) the Group is a Sanctioned Target (as defined below), is located, incorporated, organized or resident in a Sanctioned Country (as defined below), or is a Sanctioned Trader (as defined below).

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

**“International Sanctions”** means rules and regulations related to economic sanctions programs and export controls administered by the Relevant Jurisdictions.

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

**“Relevant Jurisdiction”** means any jurisdiction that is relevant to the Company and has sanctions-related laws or regulations restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purpose of this memorandum, the Relevant Jurisdictions include the United States (“**U.S.**”), the European Union (“**EU**”), the United Nations (“**UN**”), the United Kingdom (“**UK**”), the UK overseas territories, including Anguilla; Bermuda; British Antarctic Territory; British Indian Ocean Territory; British Virgin Islands; Cayman Islands; Falkland Islands; Gibraltar; Montserrat; Pitcairn; Ascension, St Helena and Tristan da Cunha; South Georgia and South Sandwich Islands; Akrotiri and Dhekelia; and The Turks & Caicos Islands (together, the “**UK Overseas Territories**”) and Australia.

**“Relevant Persons”** means the Company, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares, including, but not limited to, the Sponsor, the Underwriters and the HKEX and their respective related group companies.

**“Sanctioned Activity”** means Primary Sanctioned Activity and Secondary Sanctionable Activity.

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

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

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

**“Secondary Sanctionable Activity”** means certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though

the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction. This definition is in line with the definition of Secondary Sanctionable Activity as set out in the Chapter 4.4 Guidance.

**“U.S. Export Controls”** means rules and regulations set forth in the U.S. Export Administration Regulations (“**EAR**”) related to restrictions on the export, reexport or transfer (in-country) of dual-use hardware, software and/or technology administered by the U.S. Commerce Department’s Bureau of Industry and Security (“**BIS**”).

**“Military End User”** means the national armed services (army, navy, marine, air force or coast guard), as well as the national guard and national police, government intelligence or reconnaissance organizations, or any person or entity whose actions or functions are intended to support "military end uses."

**“Military End Use”** means incorporation into a military item described on the United States Munitions List (“**USML**”) (22 CFR Part 121, International Traffic in Arms Regulations); incorporation into items classified under Export Control Classification Numbers (“**ECCNs**”) ending in “A018” or under “600 series” ECCNs; or any item that support supports or contributes to the operation installation, maintenance, repair, overhaul, refurbishing, “development,” or “production,” of military items described on the USM, or items classified in ECCNs ending in “0A18” or under “600 series” ECCNs (collectively with “military end user,” the **MEU rules**).

**“Military-Intelligence End User”** means any intelligence or reconnaissance organization of the armed services (army, navy, marine, air force, or coast guard); or national guard.

**“Military-Intelligence End Use”** means the “development,” “production,” operation, installation (including on-site installation), maintenance (checking) repair, overhaul or refurbishing of, or incorporation into, items described on the USML or classified in ECCNs “0A18” or under “600 series” ECCNs, which are intended to support the actions or functions of a “military-intelligence end user,” (collectively with “Military-Intelligence End User,” the **MIEU rules**).

- 1.3 This memorandum provides preliminary analysis in accordance with the Chapter 4.4 Guidance based on the facts provided to date to assess the Group’s compliance with the International Sanctions and, where appropriate, sets forth certain recommendations in regard to Sanctioned Activities. This memorandum is not intended as a full due diligence review of these issues, nor is it intended to provide any assessment of the Group’s existing policies or wider procedures implemented to manage its compliance with rules and regulations related to economic sanctions programs and export controls administered by the Relevant Jurisdictions (the “**International Sanctions**”).
- 1.4 In preparing this memorandum, Hogan Lovells reviewed the Company’s responses to the “*International Sanctions Due Diligence Checklist*” dated April 28, 2023 (the “**Sanctions DD Checklist**”), prepared by Hogan Lovells, and related e-mail correspondence. We have also reviewed the information contained in the Company’s prospectus prepared in connection with the Offering, as that document being amended from time to time during the Offering (the “**Prospectus**”), as well as the Company’s preliminary offering circular (the “**Preliminary Offering Circular**”), as supplemented by the pricing term sheet (together with the Preliminary Offering Circular, the “**Disclosure Package**”), and the Company’s final offering (the “**Final Offering Circular**” and, together with the Disclosure Package and the Prospectus and in each case as amended from time to time during the Offering, the “**Offering Documents**”). The Group’s responses to the Sanctions DD Checklist have included various spreadsheets of sales records and other documents that relate to the subject matter of the Sanctions DD Checklist, and we have reviewed those documents as

part of our preparation of this memorandum. As to matters of fact material to the conclusion stated herein, we have relied on the representations and statements of fact made in the documents we reviewed or made by the Group. We have not independently verified or established the facts so relied on.

- 1.5 As of the date of this memorandum, Sanctioned Countries within the meaning of the Chapter 4.4 Guidance include: Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine/Russia, and the so-called Donetsk People's Republic ("DPR") and Luhansk People's Republic ("LPR") regions of Ukraine, Kherson region and Zaporizhzhia region.
- 1.6 We have identified the Group's business activities during the three years ended December 31, 2023 and up to June 18, 2024 (June 18, 2024 being the "**Latest Practicable Date**") (the "**Track Record Period**") with the following countries or territories for which Relevant Jurisdictions maintain various forms of sanctions programs in place (albeit not a "general and comprehensive export, import, financial or investment embargo" within the meaning of the Chapter 4.4 Guidance): Egypt, Hong Kong, Turkey, Venezuela, Russia (excluding Crimea) and Zimbabwe (the "**Relevant Regions**", and each a "**Relevant Region**").
- 1.7 Based on the information provided by the Company, we note among the customers of the Group, two China-based customers, namely, AVIC General Aircraft Zhejiang Institute Co., Ltd. ("**AG Zhejiang**") and AVIC General Aircraft Huanan Industry Co. Ltd. ("**AG Huanan**") were designated by the BIS on the Military End User ("**MEU**") List on December 23, 2020, and are restricted from receiving items subject to the EAR listed in supplement no. 2 to part 744 without a license. The Group confirmed that it has obtained the requested licenses issued by BIS prior to conducting transactions with AG Zhejiang and/or AG Huanan after their MEU designation and is complying with the terms of such licenses. On the basis of such confirmation, the transactions with AG Zhejiang and AG Huanan do not appear to implicate BIS restrictions applicable to the two entities and the Company or any of its subsidiaries does not otherwise deal in, procure, trade, or transport merchandise, commodities or services of Sanctions Target origin; through or from a Sanctions Target; or on Sanctions Target-owned or registered vessels or aircraft, or finance any of the foregoing.
- 1.8 Based on information provided by the Company, its China-based customers also included AG Services. Specifically, on July 6, 2020, Cirrus Design and AG Services entered into an Authorized Services Center Agreement for AG Services to operate the Company's service center in the PRC. On November 9, 2023, Cirrus Design, AG Huanan and AG Services entered into an aircraft kits sale and program services framework agreement (the "Aircraft Kits Sale and Program Services Framework Agreement"), pursuant to which AG Huanan and/or AG Services may from time to time procure from Cirrus Design aircraft kits for TRAC20 model aircraft and program services in assisting the assembly of the aircraft kits. AG Services is not designated by BIS on the MEU List. However, as confirmed by the Company, Cirrus Design used separate external US export controls counsel to review transactions involving AG Services for compliance with the EAR, as well as the Company's export of aircraft components to AG Services classified under EAR99 and ECCNs 8A994 and 9A991.d. The Company indicated that its external US export controls counsel confirmed that the MEU rules did not apply to the transactions involving AG Services and thus no BIS license was necessary. Moreover, the Company has confirmed that it reviewed customers in China with its separate external US export controls counsel to confirm that the EAR's MEU rules did not apply to transactions with those customers except as otherwise stated separately in this memorandum. The Company confirmed that the only required BIS export licenses involved customers on the MEU List and have been obtained (and are set forth below in Section 3.2). On the basis of such confirmations and the legal advice previously obtained by the Group, the transactions with AG Services do not implicate International Sanctions and the Company or its subsidiaries do not otherwise deal in, procure, trade, or transport merchandise, commodities or services of Sanctions Target

origin; through or from a Sanctions Target; or on Sanctions Target-owned or registered vessels or aircraft; or finance any of the foregoing.

- 1.9 This memorandum is based on the understanding and assumptions detailed herein. Hogan Lovells relies on the completeness and accuracy of the information given to it by the Company. If any of the assumptions are incorrect, or any changes occur in or correction to the information given, the Company is recommended to inform Hogan Lovells so that it can confirm the content of this analysis.
- 1.10 This memorandum is given only with respect to International Sanctions in force up to the date of this memorandum. Hogan Lovells underlines that sanctions measures adopted by the international community remain under constant review. Therefore, the scope and application of the measures discussed below are subject to change and should be carefully monitored. We, however, have no obligation to notify any recipient or other person of any change in International Sanctions or their applications after the date of this memorandum. No opinion and/advice is expressed or implied as to the laws of any other territory, or as to matters of fact, except for International Sanctions discussed below.

## 2. **CONCLUSION**

2.1 On the basis of the information received from the Company and after carrying out its procedures and analysis set out below, Hogan Lovells is of the view that the Group:

- (a) Except for the Authorized Sales to AG Zhejiang and AG Huanan as defined in paragraph 3.2(a)(i) below, the Group has not engaged during the Track Record Period in Primary Sanctioned Activity because it had no business activities in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target. The Group's Authorized Sales to AG Zhejiang and AG Huanan with AG Zhejiang and AG Huanan were not in violation of U.S. sanctions for the reasons explained below. During the Track Record Period and up to the Latest Practicable Date, the Group had (i) been in compliance with all applicable sanctions laws and regulations; (ii) obtained all requisite export licenses from the BIS prior to conducting each transaction with AG Huanan and/or AG Zhejiang after they were listed on the Military End-User List in December 2020; (iii) been in strict compliance with the terms and conditions of the licenses issued by the BIS; (iv) not entered into any transactions subject to any International Sanctions and/or export control other than those with AG Huanan and AG Zhejiang (the "Identified MEU Entities"); and (v) put in place effective and adequate internal control measures, policies and procedures to identify and monitor any material risks relating to, and ensure compliance with, sanctions and anti-bribery laws. As such, the Group would not appear to have violated applicable sanctions law or regulation in the Relevant Jurisdictions that could result in any material sanctions risk to the Relevant Persons and, in assessing the materiality, we have taken into account the likelihood of the imposition of potential sanctions and the severity of the potential sanctions;
- (b) The Group has not engaged during the Track Record Period in Secondary Sanctionable Activity because it had no business activities targeted by extra-territorial provisions of sanctions laws or regulations in the Relevant Jurisdictions. As such, it does not appear likely that the Group's activities would result in the imposition of sanctions on the Relevant Persons;
- (c) The Group has not been designated as a Sanctioned Target, nor is it located, incorporated, organised or resident in a Sanctioned Country;

- (d) The Group is not a Sanctioned Trader because it did not derive a material portion of its revenue (10% or more) during the Track Record Period from business activities with Sanctioned Countries, or with Sanctioned Targets;
- (e) We have performed the procedures we consider necessary and have relied on the Company's screening of all its customers in the Relevant Regions, and based on confirmations received from the Company we have not identified a violation of the applicable International Sanctions resulting from the Group's business operations in the Relevant Regions during the Track Record Period and up to the Latest Practicable Date; and
- (f) For the Group transactions with AVIC GENERAL Service Co., Ltd. (珠海中航通用飛機客戶服務有限公司) ("**AG Service**"), which is an entity within CAIGA Group (as defined in the Prospectus) together with AG Zhejiang and AG Huanan, AG Services has not been designated by the BIS on any list relevant to export control or otherwise subject to any International Sanctions, and our transactions with AG Services do not result in any International Sanctions or export control restrictions.
- (g) We have reviewed and evaluated the internal control measures adopted by the Company as extracted in pages 287 - 288 and are of the view that these measures, if properly and strictly implemented, appear adequate and effective for the Company, based on the Company's business activities and risk assessment, to comply with applicable International Sanctions laws and the Company's undertaking to the HKEX.

2.2 As no material sanctions risks appear to be present, the Company and/or its shareholders are not required to make undertakings pursuant to the Chapter 4.4 Guidance.

### 3. EXECUTIVE SUMMARY

3.1 The Group is primarily engaged in the single-engine piston and jet turbine aircraft segments in the general aviation industry in the United States and international markets. During the Track Record Period, the Group conducted sales and deliveries of its piston aircrafts and parts and to (i) AG Zhejiang and AG Huanan, and (ii) to the Relevant Regions directly and indirectly, through its US-based operating subsidiary, Cirrus Design Corporation d/b/a Cirrus Aircraft ("**Cirrus Design**").

#### 3.2 United States

- (a) On the basis of our due diligence conducted and the Company's confirmations that:
  - (i) the Group conducted sales of its piston aircrafts and parts to (i) AG Zhejiang and AG Huanan ("**Authorized Sales to AG Zhejiang and AG Huanan**") and (ii) the Relevant Regions, directly and indirectly, through its US-based operating subsidiary, Cirrus Design. Cirrus Design is a U.S. person, and as such, U.S. sanctions measures apply to Cirrus Design and any other U.S. persons involved in these sales;
  - (ii) for the Group's Authorized Sales to AG Zhejiang and AG Huanan, AG Zhejiang and AG Huanan were designated by BIS on the MEU List on December 23, 2020 and are restricted from receiving items subject to the EAR listed in supplement no. 2 to part 744 without a license. During the Track Record Period, BIS issued five licenses, namely, D1225542, D1243320, D1225896, D1263947 and D1327197 (together, the "**Export Licenses**"), authorising Cirrus Design to sell a certain quantity of commodities with the ECCNs of 9A991, 7A994, 9E991, 7E994 and 1C990

to AG Zhejiang and AG Huanan (please refer to the details of such Export Licenses below). The Group had confirmed its sales to AG Zhejiang and AG Huanan after their MEU designation were limited to the scope authorised under the Export Licenses, and the Group was not otherwise directly or indirectly engaged in the export from the U.S. or from a third country of items appearing in the U.S. Commerce Control List or the USML to AG Zhejiang and AG Huanan.

| <b>License / Permit</b>     | <b>Applicant</b> | <b>Purchaser and Ultimate Consignee</b> | <b>Issuing Authority</b> | <b>Purpose</b>   | <b>Validity Period</b>                 |
|-----------------------------|------------------|---|--------------------------|--|--|
| Export License No. D1263947 | Cirrus Design    | AG Huanan                               | BIS                      | Authorizes the export and sale of aircraft kits for final assembly of SR20 aircraft, including pre-fabricated parts, components, and assemblies for final assembly of Cirrus SR20-airplane; pre-fabricated avionics and navigation equipment for SR20, and technology for final assembly of SR20 aircraft and technology to support final integration of the pre-fabricated avionics and navigation equipment for Cirrus SR20 airplane kits including for maintenance training, from Cirrus Design to AG Huanan. | May 9, 2022 to May 31, 2026            |
| Export License No. D1225542 | Cirrus Design    | AG Huanan                               | BIS                      | Authorizes the export and sale of (i) aircraft kits (consisting of pre-fabricated parts, components, and assemblies) for final assembly of SR20 aircraft, (ii) pre-fabricated avionics and navigation equipment for  | February 16, 2021 to February 28, 2025 |

|                             |               |             |     |  |  |
|-----------------------------|---------------|-------------|-----|--|--|
|                             |               |             |     | SR20, and (iii) technology for final assembly of SR20 aircraft including for maintenance training, from Cirrus Design to AG Huanan for approved end-users identified on the license.   |  |
| Export License No. D1243320 | Cirrus Design | AG Huanan   | BIS | Authorizes the export and sale of (i) aircraft kits for final assembly of SR20 aircraft, including pre-fabricated avionics and navigation equipment for SR20, and technology for final assembly of SR20 aircraft including for maintenance training, from Cirrus Design to AG Huanan for approved end-users identified on the license, and (ii) spare parts for final assembly of a completed SR22 aircraft and technology for final assembly of SR22 aircraft including for maintenance training, from Cirrus Design to approved end-users identified in the license (but those items for SR22 aircraft cannot be exported to AG Huanan). | September 22, 2021 to September 30, 2025 |
| Export License No. D1225896 | Cirrus Design | AG Zhejiang | BIS | Authorizes the export of (i) aircraft and kits of the SR10/AG 100 aircraft, composite materials for the SR10/AG structures, (ii) technology to support   | February 9, 2021 to February 28, 2025    |



|                             |               |           |     |   |                                   |
|-----------------------------|---------------|-----------|-----|---|-----------------------------------|
|                             |               |           |     | manufacturing and assembly of parts and components into the SR10/AG 100, (iii) technology to configure and test the 7A994 equipment, and Garmin-supplied 7A994 products for use or within small training aircrafts, from Cirrus Design to AG Zhejiang for approved end-users identified on the license. |                                   |
| Export License No. D1327197 | Cirrus Design | AG Huanan | BIS | Authorizes export of aircraft kits for final assembly of SR22 aircraft and related components, including avionics and navigation equipment, spare parts, technology, and maintenance training   | August 3, 2023 to August 31, 2027 |

- (iii) the Group has reviewed transaction records since January 2019 and the Group has not undertaken, either directly or indirectly, any contract or any other activity with a counterparty, nor has otherwise provided goods or services to any person, in Sanctioned Countries;
- (iv) save for the Authorized Sales to entities expressed on the AG Zhejiang and Huanan Export Licenses, no products have been exported (either directly or indirectly) to any persons or entities identified on the U.S. Department of Commerce, the Bureau of Industry and Security’s Entity List, the Denied Parties List, the Unverified List, the MEU List, or Military-Intelligence End User List (collectively, “**BIS List**”);
- (v) no Specially Designated Nationals and Blocked Persons (“**SDNs**”) have been identified as being involved in any transaction conducted by the Group;
- (vi) the Group’s sale of products did not involve industries or sectors that are currently subject to specific sanctions by the United States;
- (vii) We understand that the Group’s policy does not allow sales to, or activities in, Russia, and the Group implemented procedures to ensure that no such sales/activities take place. In spite of such procedures, however, the Group identified one transaction in which its vendor did not properly identify that the user’s IP address is located in Russia and the transaction did proceed contrary to company policy. The Group’s transaction in Russia (excluding Crimea) is limited to a single, one-off low value transaction where it

appeared to provide its SR2X Maneuver online course to a non-sanctioned individual located in Russia, outside of Crimea or DPR/LPR regions (“**Online Training**”). The Online Training to a person in Russia did not involve any download of software to Russia, and was done in spite of third-party geo-blocking technology that normally prevents persons in Russia from accessing the online course;

- (viii) The Online Training does not constitute a material risk of violation of U.S. primary or secondary sanctions against Russia as (i) the person receiving the Online Training is not a Sanctioned Target; (ii) the provision of the Online Training should not be viewed as the Group “operating in” Russia’s “aerospace” or “technology” sectors designated EO 14024; (iii) it does not involve any of the services prohibited by EO 14071 for US persons to provide to anyone in Russia (as further defined in OFAC FAQ 1128); (iv) the Company does not have a presence in Russia and has implemented procedures to ensure it does not conduct business with customers in Russia, including its best efforts to avoid the online provision of training to anyone in Russia, and (iv) the payment for the Online Training was made by a Visa credit card and was not processed through any sanctioned financial institution;
- (ix) Based on the facts provided by the Group, the Online Training is very unlikely to be a violation of U.S. primary or secondary sanctions. From primary sanctions perspective, it is very unlikely that the Online Training would be considered to be among the services prohibited under EO 14071 for US persons to provide to parties in Russia. EO 14071 prohibits the provision of certain services from the United States or by a U.S. person to any person located in the Russian Federation, with limited exceptions. However, such online course for flight training is not captured under any of the categories of services under EO 14071 as defined in OFAC FAQs 1128, 1034, 1084, and other OFAC guidance. Therefore, we do not believe that OFAC would find such provision of services to be a violation of primary US sanctions imposed under EO 14071;
- (x) With respect to secondary sanctions, the provision of flight training of this type could, technically, be captured under the “aerospace sector” and/or “technology sector” of EO 14024, which are not defined under EO 14024 or in OFAC’s FAQs. Nevertheless, in light of the Group’s policy of not selling or dealing with parties in Russia, this incidental provision of Online Training is unlikely to be considered by OFAC to be the Group’s “operating” in Russia’s technology or aerospace sectors under EO 14024. Moreover, under FAQ 1116, even if it was considered to be part of Russia’s technology or aerospace sectors, a sector determination does not automatically impose sanctions on all persons who operate or have operated in the sector. Only persons found by OFAC in its discretionary determination pursuant to E.O. 14024 to operate or have operated in the above-identified sector are subject to sanctions. The Online Training is for small aircraft and the person who received the Online Training is not sanctioned. Considering this one-off incidental sale due to the failure of third-party geo-fencing to block sales in Russia and the low value (US\$ 150) of this transaction, we believe OFAC is unlikely to view the Online Training incident as a basis for finding that the Group is “operating in” a sector of Russian economy designated under EO 14024 that would warrant the SDN designation of the Group; and

- (xi) neither the Group nor any of its 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, or shale formations, or in the provision of finance including loans or credit to Russia;

Hogan Lovells' assessment is that

- (i) On the basis of confirmations of the Company on behalf of the Group, such Authorized Sales to AG Zhejiang and AG Huanan did not violate sanctions applicable to AG Zhejiang and AG Huanan because the Export License issued by BIS authorised such sales and the Group strictly complied with the conditions set out in each applicable Export Licenses.
- (ii) On the basis of confirmations of the Company on behalf of the Group, (i) during the Track Record Period, the counterparties in the Group's sales with the Relevant Regions had not been identified as Sanctioned Targets; and (iii) the nature of the Group's sales should not trigger U.S. secondary sanctions targeting certain industries or products,

Hogan Lovells' assessment is the Group's business dealings do not appear to implicate U.S. sanctions.

### 3.3 UN

(a) On the basis that:

- (i) the Group's activities involving the Relevant Regions were limited to sales of piston aircrafts and parts, jet aircraft and their parts, pilot training, aircraft services or EAR99 items; and
- (ii) the Company, for and on behalf of the Group, has confirmed that it does not have business dealings with parties targeted by UN sanctions,

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

### 3.4 European Union, UK and UK Overseas Territories

- (a) In terms of UK sanctions laws, we note that the person receiving the Online Training is not a Sanctioned Target. There is otherwise no direct UK prohibition on providing training to Russian persons. However, the Russia (Sanctions) (EU Exit) Regulations 2019 prohibit the provision of various professional business services, these include the provision of engineering services (which is defined to include "advisory...engineering services") to a person "connected with" Russia (i.e. ordinarily resident or located in Russia). Whilst it seems unlikely, depending on the exact content of the training it could conceivably fall within scope. However, as per (b) below, we note that there does not appear to be a UK nexus to the Online Training such that UK sanctions laws are not engaged.
- (b) On the basis of our due diligence conducted and the Company's confirmations that:
  - (i) the Company is incorporated in the Cayman Islands and is consequently subject to the rules and regulations applicable in the UK Overseas Territories;
  - (ii) all activities involving the Relevant Regions (including the Online Training) were negotiated, entered into and performed without any involvement

(including in any approval or decision making capacity) by any national of (including any British Nationals Overseas) or entity incorporated, domiciled, or otherwise located in either the territories of the EU, the UK, or the UK Overseas Territories;

- (iii) the Group's activities are limited to the sales of piston aircrafts and parts, jet aircraft and their parts, pilot training, aircraft services or EAR99 items that are not subject to EU or UK export controls, and did not involve any products that are subject to sectoral sanctions in the EU or UK;
- (iv) neither the Group nor any of its agents, directors, officers, or employees has or is engaged in transactions, business or financial dealings that directly or indirectly involve or benefit a person or entity listed under EU or UK sanctions, or has or is engaged in any other activity subject to restrictions under sectoral EU or UK sanctions;
- (v) neither the Group nor any of its 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, or shale formations, or in the provision of finance including loans or credit to Russia;
- (vi) the Group has not been, directly or indirectly, involved in the export from the EU, the UK and/or UK Overseas Territories of any items listed in the EU Common Military List or the EU Common Military List, EU Dual Use list (Annex I to Regulation (EU) 2021/821) or the UK Military List destined to any of the Relevant Regions,

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

### 3.5 **Australia**

- (a) On the basis that:
  - (i) the Group or any of its subsidiaries is not:
    - (1) a person in Australia;
    - (2) an Australian citizen or Australian-registered body;
    - (3) owned or controlled by Australians or persons in Australia; or
    - (4) a person using an Australian flag vessel or aircraft to transport goods or transact services subject to Australian autonomous sanctions; and
  - (ii) the Group's dealings do not involve (i) products or services that are restricted under Australian export controls; or (ii) parties sanctioned under the Australian regime,

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

#### 4. COMPANY BACKGROUND

4.1 Cirrus Aircraft Limited was incorporated in the Cayman Islands on December 13, 2019. We have relied on the Prospectus for the Group's shareholding structure immediately prior to the Reorganization, immediately before the completion of the Global Offering and Capitalization Issue, immediately upon completion of the Capitalization Issue and the Global Offering, respectively.

4.2 Among the Group's shareholders, Aviation Industry Corporation of China, Ltd. ("**AVIC**") was designated by the U.S. Department of the Treasury on the Non-SDN Chinese Military-Industrial Complex Companies List ("**NS-CMIC List**", and each entity designated on the NS-CMIC List a "**CMIC**") under Executive Order 13959 ("**EO 13959**"), on June 3, 2021, with an effective date of August 2, 2021.

EO 13959 prohibits United States persons<sup>1</sup> beginning on the effective date for the designation of a CMIC, from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of any person listed as a CMIC unless licensed or authorized by the relevant U.S. government authority. Pursuant to OFAC FAQ 857, the prohibitions in EO 13959, as amended, apply to a subsidiary of a CMIC listed on the NS-CMIC List only if such subsidiary itself is publicly listed on the NS-CMIC List by Treasury pursuant to EO 13959, as amended, or identified in the Annex of EO 13959, as amended. OFAC's 50 percent rule does not apply to entities listed solely pursuant to E.O. 13959, as amended. Therefore, even if two of the Company's directors cross-serve on other AVIC entities included on the NS-CMIC List, those directors' positions would not subject the Company to the NS-CMIC restrictions because as noted above, the restrictions of the NS-CMIC List do not apply to subsidiaries owned 50 percent or more, directly or indirectly, individually or in the aggregate, by parties on the NS-CMIC List. Similarly, even if those two directors were to be viewed to "control" the Company, the Company would not be considered as subject to NS-CMIC List restrictions as neither ownership nor control result in the "flow down" of NS-CMIC List restrictions from a designated party to a non-designated entity.

The Company and its subsidiaries are not listed on the NS-CMIC List, and as such, the sanctions applicable to AVIC as a CMIC would not apply to the Company and its subsidiaries. More specifically, the restrictions applicable to United States persons from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities of companies on the NS-CMIC List do not apply to the Company. In addition, the securities of the Company would not be considered publicly traded securities that are derivative of publicly traded securities of AVIC or designed to provide investment exposure to publicly traded securities of AVIC.

The offer, sale and purchase of the securities of the Company, including the offer, sale and purchase of the shares of the Company in connection with the Offering or subsequently the trading of the Company's shares on the HKEX, to any person would not implicate sanctions applicable to AVIC administered under EO 13959, as amended, or any related OFAC rules or regulations.

The Relevant Persons participating in the Offering (including but not limited to, for the avoidance of doubt, potential investors in the Offering) would not implicate sanctions applicable to AVIC administered under EO 13959, as amended, or any related OFAC rules

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<sup>1</sup> United States persons means any United States citizen, lawful permanent resident, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States, as defined in Section 3(d) of EO 13959.

or regulations. Existing shareholders of the Company (including those who are United States persons) can continue to own the shares of the Company and would not be required to dispose of their shares of the Company, as the sanctions applicable to AVIC as a CMIC would not apply to the Company and its subsidiaries. In addition, under EO 13959, as amended, and any related OFAC rules or regulations, the designation of AVIC as a CMIC does not impose any restrictions on the business operations of AVIC or any other member of the Group, including the Company and its subsidiaries.

- 4.3 The Group is subject to certain post-merger requirements as set out in the national security agreement entered into among Legacy Cirrus Industries (as defined in the Prospectus), China Aviation Industry General Aircraft Co., Ltd.\* (中航通用飛機有限責任公司) (“**CAIGA**”) and the U.S. Department of Defense (on behalf of CFIUS) in May 2011 (the “**NSA**”) relating to CFIUS’ clearance of the agreement and plan of merger in 2011, whereby, CAIGA MS Co., Ltd., a direct wholly-owned subsidiary of CAIGA (US) Co., Ltd. (a company directly wholly-owned by CAIGA Co., Ltd., which was wholly-owned by CAIGA prior to the Reorganization (as defined in the Prospectus)), merged with and into Legacy Cirrus Industries (the “**2011 Merger**”). We reviewed (i) the clearance letter issued by the CFIUS in connection with the 2011 Merger and (ii) the NSA as a condition of CFIUS’ clearance of the 2011 Merger. The requirements in the NSA include: (i) the Group are required to provide advance notice to the U.S. Department of Defense regarding any individual who is not solely a U.S. citizen (“**Foreign National**”) the Group sponsor for an employment visa or visitor’s visa, or any Foreign Nationals visiting our facilities, with certain exceptions such as Foreign Nationals who are — or are directors, officers, employees or agents of — bona fide customers which are unaffiliated with the Group (provided any visit is no more than three days and the visits are infrequent); (ii) the Group shall keep a log of any visit by a Foreign National for which no notice is required, which shall be made available for inspection by the U.S. Department of Defense and provided to the U.S. Department of Defense every month; (iii) the Group is required to appoint a U.S. citizen as a security director to monitor the Group compliance with the terms of the agreement, and to know at all times the whereabouts of any Foreign National visitor for whom notice is required when present at a Group’s facility; and (iv) the Group is required to allow the U.S. Department of Defense to make unannounced site visits to, and inspections of, any Group’s facility to monitor compliance with the agreement. As advised by the Company on behalf of the Group, the Group have complied all requirements and terms set out in the NSA. Thus, we are of the view that that CFIUS cleared the 2011 Merger and that Cirrus Industries, Legacy Cirrus Industries and CAIGA have complied with the terms of the NSA.

- 4.4 We note that on June 12, 2023, the BIS designated two AVIC-related entities to the Entity List, namely Aviation Industry Corporation of China International Simulation Technology Service Co., Ltd. (“**AVIC Simulation**”), and Aviation Industry Corporation of China 612 Institute (“**AVIC 612 Institute**”).

Based on the Company’s confirmation, during the Track Record Period, the Group has not conducted any transactions with AVIC 612 Institute or AVIC Simulation.

- 4.5 On August 9, 2023, President Biden issued the Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern (the “**2023 Executive Order**”) and the U.S. Department of Treasury issued an Advance Notice of Proposed Rulemaking (“**ANPRM**”) alongside the 2023 Executive Order. We are of the view that the risk of the Group’s business operation to be subject to the 2023 Executive Order and the implementing regulations, pursuant to the intended focus set out in the ANPRM, is low, given the Group’s business focusing on sales of single-engine piston and jet aircraft in the personal aviation sector.

4.6 The following table sets out the information regarding Directors of the Cirrus Aircraft Limited.

| Director                            | Name                              | Nationality         |
|-------------------------------------|-----------------------------------|---------------------|
| Executive Directors                 | Mr. Hui WANG (王暉)                 | Chinese             |
|                                     | Mr. Zean Hoffmeister Vang NIELSEN | American and Danish |
| Non-executive Directors             | Mr. Lei YANG (楊雷)                 | Chinese             |
|                                     | Mr. Qingchun SONG (宋慶春)           | Chinese             |
|                                     | Mr. Liang LIU (劉亮)                | Chinese             |
|                                     | Mr. Yihui LI (李屹暉)                | Chinese             |
| Independent non-executive Directors | Mr. Ian CHANG (張仁赫)               | American            |
|                                     | Mr. Chung Man Louis LAU (劉仲文)     | Chinese             |
|                                     | Ms. Ferheen MAHOMED (馬穎欣)         | British             |

4.7 The table below sets forth the revenues and commission received by the Group from business activities with the AG Huanan and AG Zhejiang and the corresponding percentage of the Group's total revenues during the Track Record Period.

| Year/Period Ended            | Total consolidated revenues (USD'000) | Consolidated revenues and commissions attributable to AG Huanan (USD '000) | Consolidated revenues and commissions attributable to AG Zhejiang (USD '000) | Percentage of the Group's total revenues (%) |
|------------------------------|---------------------------------------|--|--|--|
| Year ended December 31, 2021 | 738,130                               | 17,168   | 20,252   | 5.1  |
| Year ended December 31, 2022 | 894,082                               | 13,552   | 6,459  | 2.2  |
| Year ended December 31, 2023 | 1,067,708                             | 3,800  | 5,500  | 0.9  |

4.8 The table below sets forth the revenues and commission received by the Group from business activities with/in the Relevant Regions and the corresponding percentage of the Group's total revenues during the Track Record Period.

| <b>Year/Period Ended</b>     | <b>Total consolidated revenues<br/>(USD'000)</b> | <b>Consolidated revenues attributable to the Relevant Regions<br/>(USD'000)</b> | <b>Percentage of the Group's total revenues<br/>(%)</b> |
|------------------------------|--|---|---|
| Year ended December 31, 2021 | 738,130  | 11  | 0.001%  |
| Year ended December 31, 2022 | 894,082  | 22  | 0.003%  |
| Year ended December 31, 2023 | 1,067,708  | 10  | 0.001%  |

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

**5.1 U.S. Economic Sanctions**

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

- (i) "Primary" U.S. sanctions applicable to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons);
- (ii) "Secondary" U.S. sanctions applied extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus;

**(b) Primary Sanctions Applicable to U.S. Persons**

- (i) The U.S. Treasury Department's OFAC administers 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.
- (ii) 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. Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" any assets/property interests owned, controlled or held for the benefit of a Sanctioned Country, entity, or individual when such assets/property interests are in the United States or within possession or control of a U.S. person. A "blocked" asset means no transaction may be undertaken or effected with respect to the asset/property interest – no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) – except pursuant to an authorization or license from OFAC.

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



- (1) In general, U.S. economic sanctions apply to “U.S. persons”. The term “U.S. persons” includes:
  - (A) entities organized under U.S. Law (such as U.S. companies and their U.S. subsidiaries);
  - (B) any U.S. company’s domestic and foreign branches;
  - (C) any individual who is a U.S. citizen or permanent resident alien (“green card” holder), regardless of his or her location in the world;
  - (D) any individual, regardless of his or her nationality, who is physically present in the United States; and
  - (E) U.S. branches or U.S. subsidiaries of non-U.S. companies.
- (2) By way of explanation, in the case of U.S. sanctions applicable to Iran and Cuba (though the Group’s sales do not involve Iran or Cuba), primary sanctions specifically apply to all foreign subsidiaries of U.S. companies and any other entities owned or controlled by U.S. persons (such as 50/50 joint ventures, for example). See Section 218 of the Iran Threat Reduction and Syria Human Rights Act of 2012, H.R. 1905 (PL 112-158), implemented by OFAC as section 560.215 of the Iranian Transactions and Sanctions Regulations (“**ITSR**”), which makes parent companies liable for their foreign subsidiaries’ Iranian sanctions violations, and Section 515.329 of the Cuban Assets Control Regulations (“**CACR**”).
- (3) In the case of U.S. sanctions applicable to other countries in the Relevant Regions, such primary sanctions only apply to U.S. persons as defined above, not to their foreign subsidiaries or to non-U.S. companies.
- (4) In addition, primary sanctions prohibit U.S. persons, wherever located, from approving, financing, facilitating, or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. person or within the United States. This is generally known as the “facilitation” prohibition and is a broad extension of the jurisdictional reach of U.S. sanctions applicable to U.S. persons in countries subject to comprehensive sanctions prohibitions. See, e.g., ITSR, 31 C.F.R. § 560.208. The processing of payments by U.S. banks or U.S. payment processors for Iran-related trade by non-U.S. companies would constitute “facilitation” of such trade and is prohibited.
- (5) The facilitation concept is broad. In general, a U.S. person is not permitted to facilitate in any way activities of a third party with a Sanctioned Country or a sanctioned person if the U.S. person itself could not directly engage in the underlying activity. Usually it arises in the context of parent companies and their subsidiaries or between affiliates, where one entity is jurisdictionally required to comply but the other is not. The issue may also arise in the dealer/sub-dealer context, where the dealer is dependent on support from its supplier/partner. “Facilitation” may include the following activities:

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

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

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

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

(A) *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.*

- (I) Comprehensive sanctions programs prohibit U.S. persons from dealing in any manner with Sanctioned Countries and their governments, as well as with any persons or entities in those countries or territories. Currently, the United States maintains comprehensive sanctions against: Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine/Russia and LPR or DPR regions (comprehensive OFAC sanctions against Sudan were terminated as of October 12, 2017). Generally, comprehensive country sanctions prohibit transactions with or services in, from or benefitting the targeted country or any persons/entity in it. However, the comprehensive country sanctions may also be

applicable to transactions outside the country (for example, restricting dealings in goods or services originating from a Sanctioned Country, or with persons who ordinarily reside in the Sanctioned Country).

- (II) 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.
  
- (B) *List-based sanctions programs.* In addition to country-based sanctions programs, primary U.S. sanctions include list-based sanctions that prohibit U.S. persons from dealing with or facilitating dealings with individuals, entities and organizations that have been designated as SDNs by OFAC for a variety of reasons. Although some of these programs reflect the name of a particular country in its title (e.g., Belarus, Burundi, Central African Republic, the Democratic Republic of Congo, Lebanon, Somalia, South Sudan, Yemen, Zimbabwe), these sanctions are not territorial in nature and do not apply to the country as a whole, and they do not target the government of such country as a whole nor all persons and entities in the country. Instead, the restrictions apply only to persons and entities that are on the SDN List, which may include some government officials or other parties designated for a variety of reasons (the restrictions also apply to entities owned, directly or indirectly, individually or in the aggregate, 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:
  - (I) terrorists and terrorist organizations;
  - (II) narcotics traffickers;
  - (III) persons involved in the proliferation of weapons of mass destruction;
  - (IV) persons or entities undermining democratic processes, freedom of expression, or those involved in human rights abuses or censorship activities, among other targeted activities; and

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

(C) U.S. persons are not permitted to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List (or entities owned at 50% or higher level, directly or indirectly, individually or in the aggregate, by SDNs) unless authorized by OFAC. The SDN List is updated often, and is available on OFAC’s website at <https://sdnsearch.ofac.treas.gov/>. Numerous vendors also provide screening solutions that can be tailored to fit a particular business’ needs and IT systems.

(v) **Application to Egypt**

(1) During the Track Record Period, the United States has not imposed any sanctions on Egypt. Certain SDNs may reside in Egypt, and U.S. persons are prohibited from dealings with such parties and entities they own at 50% or greater level, directly or indirectly.

(vi) **Application to Hong Kong**

(1) On July 14, 2020, the Hong Kong Autonomy Act (the “**Act**”) became law authorizing the imposition of sanctions on certain parties related to certain activities in the Hong Kong Special Administrative Region (“**HKSAR**”). The Act provides a range of sanctions available to the U.S. government to target foreign persons or foreign financial institutions determined to have engaged in “significant transactions” with certain foreign persons, such as designated senior Hong Kong or Chinese government officials or Chinese companies involved in the erosion of Hong Kong’s autonomy. The Act did not designate any foreign officials; instead, the Act requires the Secretary of State to prepare a list of foreign persons who are materially contributing, have materially contributed, or attempt to materially contribute to China’s failure to meet its obligations under the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People’s Republic of China on the Question of Hong Kong (December 19, 1984) and the Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China. If such persons are designated under the Act, then foreign financial institutions could face exposure themselves to restrictive measures if they engage in “significant” transactions with such designated persons.

(2) On the same day, the President issued the Executive Order on Hong Kong Normalization (“**EO 13939**”). This EO, among other actions, authorizes the imposition of sanctions on foreign persons determined to be involved in developing, adopting, and/or implementing China’s National Security Law, among other actions. The EO blocks any transactions or transfers involving any and all property and/or interests in the United States of anyone the Secretary of State in consultation with the Secretary of Treasury (or vice versa):

- (A) To be or have been involved, directly or indirectly, in the coercing, arresting, detaining, or imprisoning of individuals under the authority of, or to be or have been responsible for or involved in developing, adopting, or implementing, the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Administrative Region.
- (B) To be responsible for or complicit in, or to have engaged in, directly or indirectly, any of the following:
  - (I) Actions or policies that undermine democratic processes or institutions in Hong Kong.
  - (II) Actions or policies that threaten the peace, security, stability, or autonomy of Hong Kong.
  - (III) Censorship or other activities with respect to Hong Kong that prohibit, limit, or penalize the exercise of freedom of expression or assembly by citizens of Hong Kong, or that limit access to free and independent print, online, or broadcast media.
  - (IV) The extrajudicial rendition, arbitrary detention, or torture of any person in Hong Kong or other gross violations of internationally recognized human rights or serious human rights abuse in Hong Kong.
- (C) To be or have been a leader or official of:
  - (I) An entity, including any government entity, that has engaged in, or whose members have engaged in, any of the activities described above.
  - (II) An entity whose property and interests in property are blocked pursuant to EO 13936.
  - (III) To have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked by EO 13936.
  - (IV) To be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked by EO 13936.
- (D) To be a member of the board of directors or a senior executive officer of any person whose property and interests in property are blocked by EO 13936.
- (E) Under the authority of EO 13936, OFAC has already designated as SDNs several government officials in Hong Kong, including those in top political leadership. As a result of their SDN designation, US sanctions extend to dealings with any non-listed entity in which those SDNs hold, directly or indirectly, a 50% or greater interest.

- (F) On September 25, 2020, OFAC issued Frequently Asked Question (FAQ) 840 on the effect of designating several political leaders of Hong Kong. FAQ 840 states that the designation of an official of the Government of the HKSAR does not itself block the HKSAR government or any government agency where the SDN is an official or otherwise exercises control. Accordingly, engaging in a routine interaction with an agency in which an SDN is an official, but which does not involve the SDN directly or indirectly, is not prohibited. FAQ 840 further states that U.S. persons may enter into HKSAR government contracts signed by a non-SDN official of the HKSAR to whom the HKSAR government has delegated the authority to enter such contracts.

(vii) **Application to Turkey**

- (1) The United States do not maintain comprehensive sanctions against Turkey nor any sanctions that are territorial in nature and that apply to Turkey as a country. Pursuant to Executive Order 13894, OFAC maintains “Syria-related” sanctions that provide authority to designate certain parties, including officials or agencies of the Turkish government, who are found to contribute to the destabilization of situation in Syria or are involved in human rights abuses. On October 14, 2019, OFAC designated as SDNs the Turkish Ministry of National Defense and the Turkish Ministry of Energy and Natural Resources, as well as several individual Turkish government officials. At the same time, OFAC issued general license providing temporary authorization to wind-down activities with these SDNs. Before that general license expired, these Turkish government entities and officials were removed from the SDN List so the restrictions never become effective against them in practical terms.
- (2) On December 14, 2020, the U.S. Government imposed certain sanctions on the Turkish Presidency of Defense Industries (Savunma Sanayii Başkanlığı, or SSB), a Turkish government entity but did not designate it as an SDN; its president, Dr. Ismail Demir; SSB Vice President Faruk Yigit; SSB Head of Air Defense and Space Department Serhat Genecoglu; and SSB Program Manager for Air Defense Systems Mustafa Alper Deniz pursuant to Section 231 of CAATSA. Pursuant to Section 231, the measures imposed on SBB include: a prohibition on U.S. export licenses and authorization for any goods or technology transferred to SSB; a prohibition on loans or credits by U.S. financial institutions to SSB totalling more than \$10 million in any 12-month period; a ban on U.S. Export-Import Bank assistance for exports to SSB; and a requirement for the United States to oppose loans benefitting SSB by international financial institutions. With respect to individual Turkish officials, a visa denial was imposed on Dr. Demir, Mr. Yigit, Mr. Genecoglu, and Mr. Deniz. These individuals have also been designated as SDNs and are subject to broad restrictions associated with such designation.

(viii) **Application to Venezuela**

- (1) On March 8, 2015, the United States imposed targeted sanctions against Venezuela under Executive Order 13692 in response to anti-democratic events. The sanctions do not constitute a broad or territorial embargo against trade with Venezuela, but instead froze the assets of the seven targeted officials, heads of the country's security agencies or law enforcement officials.
- (2) Under Executive Order 13692, with certain exceptions, transactions by U.S. Persons, or in or involving the United States, are prohibited if they involve dealing with, or involving property of, a person or entity designated as an SDN under Executive Order 13692 and appearing on the OFAC SDN List with the identifier "[VENEZUELA]". The property and interests in property of an entity that is 50% or more owned, directly or indirectly by a person on the OFAC SDN List is also blocked, regardless of whether the entity itself appears on the OFAC SDN List.
- (3) OFAC has also imposed sanctions on various other designated Venezuelan businesses and individuals. With certain exceptions, U.S. persons are prohibited from dealing with persons listed on OFAC's SDN List, and all property in which any blocked person has an interest is blocked if it is in the United States or in the possession or control of a U.S. person, wherever located.
- (4) On August 25, 2017, the U.S. imposed more limited restrictions targeting the debt (in excess of specific maturity terms) and equity of the Government of Venezuela ("**GOV**"). The restrictions apply to the GOV's and Petroleos de Venezuela, S.A.'s ("**PdVSA**") ability to access capital from the United States including profits and dividends from its U.S. assets, such as CITGO Holdings, Inc., the PdVSA-owned American subsidiary. These restrictions were largely superseded by Executive Order 13884 discussed below, which is much broader in scope of restrictions imposed on GOV. Additionally, PdVSA was designated as an SDN on January 28, 2019.
- (5) On November 1, 2018, the U.S. issued Executive Order 13850, to target corrupt practices in Venezuela and imposed sanctions on any person determined by the Secretary of the Treasury, in consultation with the Secretary of State,
  - (A) to operate in the gold sector of the Venezuelan economy or in any other designated sector of the Venezuelan economy (after the issuance of EO 13850, OFAC subsequently issued designations of three additional sectors of Venezuelan economy as targeted by this order: oil, financial and defense/security sectors);
  - (B) to be responsible for or complicit in, or to have directly or indirectly engaged in, deceptive or corrupt transactions involving the GOV or projects or programs it administers, or to be an immediate adult family member of such a person;
  - (C) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or

services to or in support of, any activity described in section (ii); or

- (D) to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property were blocked pursuant to Executive Order. 13850.
- (6) On August 5, 2019, the United States issued Executive Order 13884, which blocks all property and interest in property of the GOV; prohibits any transactions with the GOV that would involve a U.S. nexus (i.e., U.S.-origin goods or services, U.S. person involvement, USD-denominated transactions);<sup>2</sup> and blocks the property of persons who, after determination by the Secretary of the Treasury, in consultation in the Secretary of State,
- (A) Have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of persons included on the SDN List whose property or interests in property are blocked pursuant to Executive Order 13884; or
  - (B) Are owned or controlled by, or have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to Executive Order 13884.
- (7) OFAC has issued several general licenses authorizing certain limited transactions with GOV including for example, activities related to issuance of local permits, payment of local taxes and similar administrative activities that are incidental to day-to-day operations of a non-sanctioned entity in Venezuela as well as dealings with customs authorities and ports for shipments of goods to Venezuela. Most types of transactions involving GOV that have any U.S. nexus remain prohibited, with the exception of specific activities identified in various OFAC general licenses that are authorized if terms and conditions of such general licenses are met.
- (ix) **Application to Russia (excluding Crimea)**
- (1) The U.S. President has issued several Executive Orders: Executive Order 13660 of March 6, 2014, Executive Order 13661 of March 16, 2014, Executive Order 13662 of March 20, 2014, Executive Order 13685 of December 19, 2014, Executive Order 13849 of September 20, 2018, Executive Order 13883 of August 3, 2019, Executive Order 14024 of April 15, 2021, Executive Order 14039 of August 20, 2021, Executive Order 14065 of February 21, 2022, Executive Order 14066 of March 8, 2022, Executive Order of March 11, 2022, and Executive Order 14071 of April 6, 2022, finding that the actions and policies of the Government of Russia, including its purported

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<sup>2</sup> EO 13884 defines "GOV" broadly to include: (1) "any political subdivision, agency, or instrumentality" of the state and government of Venezuela, including the Central Bank of Venezuela and PdVSA, (2) any person owned or controlled, directly or indirectly, by an entity described in (1); and (3) any person who has "acted or purported to act directly or indirectly for or on behalf of, any of the foregoing, including as a member of the Maduro regime."<sup>3</sup> An analysis of the parameters of what amounts to a controlled product is outside the scope of this advice memorandum. Hogan Lovells can provide further advice on this point as required.



annexation of Crimea and its use of force in Ukraine, and purported recognition of the so-called Donetsk People's Republic (DPR) or Luhansk People's Republic (LPR) regions of 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 Crimea, LPR, and DPR regions, prohibitions on the import into the United States of Russian-origin fish, seafood, or preparations thereof, alcoholic beverages, non-industrial diamonds, or other Russian-origin products as determined by the U.S. Government, prohibition on import into the United States of Russian-origin oil, gas, and coal, prohibition on new investment in the Russian energy sector by U.S. persons or other sectors as determined by the United States Government, prohibition on direct or indirect supply of luxury goods as defined by the U.S. Government, a more general prohibition on new investment in Russia by U.S. persons, 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).

- (2) 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 U.S. 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 Crimea, DPR or LPR regions. 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).
- (3) Pursuant to Executive Order 13662 ("**EO 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 U.S. Dollar payments). The entities listed on the Sectoral Sanctions Identifications List ("**SSIL**") 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):
  - (A) 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 14 days maturity or new equity of [these] persons..., their property, or their interests in property..." The 14-day term is for new debt or new equity issued on or after November 28, 2017. For new debt or new equity issued on or after July 16, 2014 and before September 12, 2014, the term is 90 days. For new debt or new equity issued on or after September 12, 2014 and before November 28, 2017, the term is 30 days. All other transactions with these persons are permitted, provided such transactions are not otherwise prohibited by any other sanctions programs implemented by OFAC.

- (B) 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 60 days (for new debt issued after November 28, 2017 but the term is 90 days for new debt issued between July 16, 2014 and before November 28, 2017) 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 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.
- (C) 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.
- (D) 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 (i) 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" or (ii) "that are initiated on or after January 29, 2018, that have the potential to produce oil in any location, and in which any person determined to be subject to this Directive or any earlier version thereof, their property, or their interests in property has (a) a 33 percent

or greater ownership interest, or (b) ownership of a majority of the voting interests."

- (4) 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 entities, listed on the SSIL (the "**SSI**").
- (5) "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.
- (6) 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).
- (7) 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.
- (8) 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):
  - (A) 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:

- (I) Any of which have a fair market value of US\$1,000,000 or more; or
  - (II) That, during a 12-month period, have an aggregate fair market value of US\$5,000,000 or more.
- (B) 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:
- (I) Officials of the Government of the Russian Federation; or
  - (II) Close associates or family members of those officials.
- (C) Knowingly engaging in a "significant" transaction with a Russian sanctioned person as defined in Section 228, or with a person that is part of, or operates for or on behalf of, the Russian defense or intelligence sectors as defined in Section 231 of CAATSA. For purposes of Section 231, 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.
- (D) 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.
- (9) 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.

- (10) 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.
- (11) 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 OFAC 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 (such guidance was recently incorporated into amended regulations issued by OFAC). As such, the activities with SSIs 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." Therefore, even if a U.S. person would need a license from OFAC to engage in an activity with an SSI, a non-U.S. person engaging in the same transaction will not face secondary sanctions exposure under Section 228 so long as there are no deceptive practices.
- (12) On September 20, 2018, OFAC issued Executive Order 13849 ("EO 13849") to implement the CAATSA sanctions. EO 13849 prohibits U.S. financial institutions from making loans or providing credits to designated persons totalling more than \$10 million USD in any 2-month period (unless such person is engaged in activities to relieve human suffering and the loans or credits are provided for such activities; prohibit any transactions in foreign exchange that are subject to U.S. jurisdiction in which the sanctioned person has any interest; prohibit any transfers of credit or payments between financial institutions, or by, through, or to any financial institution, to the extent such transfers or payments are subject to U.S. jurisdiction and involve the sanctioned person; block all property and interests in property of sanctioned persons; prohibit any U.S. person from investing in or purchasing significant amounts of equity or debt instruments of the sanctioned person; and impose similar measures on the principal executive officer or officers of sanctioned persons or any persons performing similar functions or with similar authorities
- (13) On August 1, 2019, the U.S. Government issued EO 13883, which provides for sanctions against Russia for violations of the Chemical and Biological Weapons Act.
- (14) On March 2, 2021, the U.S. Government announced additional restrictions related to Russia, including designating parts of the

Russian government (Federal Security Bureau and Main Intelligence Directorate) as SDNs under a different sanctions program. There are also new export control restrictions on certain items to Russia under both the EAR and the International Traffic in Arms Regulations ("**ITAR**"), and new designations on the BIS Entity List.

- (15) On April 15, 2021, OFAC issued Executive Order 14024 ("**EO 14024**") that provides new authorities to designate persons as SDNs, including among others those found by OFAC to be operating in Russia's technology and defense (and related materiel) sectors (in February 2022, Russia's financial services sector was also added to the list of targeted sectors under EO 14024, creating risks for those found to be operating in such sector). On April 15, 2021, Directive 1 was issued under EO 14024 which provides targeted financial sanctions related to purchases by U.S. financial institutions of Russian sovereign debt (we note that this Directive 1 under EO 14024 is distinct from Directive 1 issued under EO 13662 referenced above). On February 22, 2022, Directive 1 was superseded by Directive 1A and OFAC also issued Directives 2, 3, and 4 pursuant to EO 14024:
- (A) Directive 1A: as of June 14, 2021, U.S. financial institutions are prohibited in participating in the primary market for ruble or non-ruble denominated bonds issued after June 14, 2021 by the Central Bank of the Russian Federation ("**CBR**"), the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation; as of March 1, 2022, U.S. financial institutions are prohibited from participating in the secondary market for ruble or non-ruble denominated bonds issued after March 1, 2022 by the CBR, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation.
  - (B) Directive 2: prohibits U.S. financial institutions from (i) opening or maintaining of a correspondent account or payable-through account for or on behalf of foreign financial institutions determined to be subject to the prohibitions of Directive 2, or their property or interests in property; and (ii) the processing of a transaction involving foreign financial institutions determined to be subject to the prohibitions of Directive 2, or their property or interests in property. Directive 2 prohibits such transactions not only with an institution identified in Annex I to Directive 2 but also any foreign financial institution owned 50% or more, directly or indirectly, individually or in the aggregate by one or more foreign financial institutions determined to be subject to Directive 2.
  - (C) Directive 3: prohibits U.S. persons from all transactions, provision of financing for, other dealings in, and providing new debt of longer than 14 days maturity or new equity to entities listed under Directive 3 where such new debt or new equity is issued after 12:01 a.m. ET on March 26, 2022 (or 30 days after a new entity is designated under Directive ).

Directive 3 applies both to any entity listed in Annex I or otherwise determined to be subject to Directive 3 and entities 50 percent or more owned, directly or indirectly, individually or in the aggregate, by one or more entities determined to be subject to Directive 3.

- (D) Directive 4: prohibits U.S. persons from any transaction involving the CBR, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities.
- (16) The Directives above are not full blocking sanctions like those that apply to SDNs so U.S. persons generally are only prohibited from engaging in transactions with entities listed under the Directives set forth above that are specifically prohibited under any of the Directives. OFAC has also issued several general licenses authorizing certain transactions involving parties subject to various Directives and/or certain SDNs.
- (17) OFAC has also issued six determinations pursuant to EO 14024:
- (A) The February 22, 2022 determination provides OFAC authority to designate persons in the financial services sector of the Russian Federation economy;
  - (B) The March 31, 2022 determination provides OFAC authority to designate persons in the aerospace, electronics, and marine sectors of the Russian Federation Economy;
  - (C) The May 8, 2022 determination provides OFAC authority to designate persons in the accounting, trust, and corporate formation services, and management consulting sectors of the Russian Federation economy;
  - (D) The September 15, 2022 determination provides OFAC authority to designate persons in the quantum computing sector in Russia;
  - (E) The February 24, 2023 determination provides OFAC authority to designate persons in the metals and mining sector in Russia; and
  - (F) The May 19, 2023 determination provides OFAC authority to designate persons in the architecture, engineering, construction, manufacturing, and transportation sectors in Russia.
  - (G) By virtue of these determinations, OFAC can impose sanctions on any individual or entity determined to operate or have operated in any of these sectors in Russia.
- (18) On February 21, 2022, the President issued **EO 14065** which prohibits
- (A) New investment in DPR or LPR by a U.S. person;

- (B) Import into the United States, directly or indirectly, of any goods, services, or technology from DPR or LPR;
  - (C) Export, reexport, sale, or supply, directly or indirectly, from the United States or by a U.S. person of any goods, services, or technology to DPR or LPR; or
  - (D) U.S. person approval, financing, facilitation, or guarantee of a transaction by a foreign person that would be prohibited as noted above.
- (19) On March 8, 2022, the President issued **EO 14066** which prohibits:
- (A) the importation into the United States of the following products of Russian Federation origin: crude oil; petroleum; petroleum fuels, oils, and products of their distillation; liquefied natural gas; coal; and coal products;
  - (B) new investment in the energy sector in the Russian Federation by a United States person, wherever located; and
  - (C) any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by this section if performed by a United States person or within the United States.
- (20) On March 11, 2022, the President issued **EO 14068** which prohibits:
- (A) the importation into the United States of the following products of Russian Federation origin: fish, seafood, and preparations thereof; alcoholic beverages; non-industrial diamonds; and any other products of Russian Federation origin as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State and the Secretary of Commerce;
  - (B) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of luxury goods, and any other items as may be determined by the Secretary of Commerce, in consultation with the Secretary of State and the Secretary of the Treasury, to any person located in the Russian Federation;
  - (C) new investment in any sector of the Russian Federation economy as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State, by a United States person, wherever located;
  - (D) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of U.S. dollar-denominated



banknotes to the Government of the Russian Federation or any person located in the Russian Federation; and

- (E) any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by this section if performed by a United States person or within the United States.
- (21) BIS also imposed strict export controls on items destined for Russia and a license is now required for: (a) any item identified in any Export Control Classification Number ("**ECCN**") on the Commerce Control List ("**CCL**") in Categories 3 through 9; (b) any item subject to U.S. law (except EAR99 food and medicine) that is destined to a military end user or for military end use ("**MEU**") in Russia; (c) certain foreign-made items that are now subject to US law for purposes of export and reexport to Russia due to the expanded application of the foreign direct product rule, and (d) "luxury goods" subject to US law as defined by BIS in implementing the March 11 EO.
- (22) On April 6, 2022, OFAC issued **EO 14071** which prohibited
- (A) new investment in the Russian Federation by a United States person, wherever located;
  - (B) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any category of services as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State, to any person located in the Russian Federation (on May 8, 2022, OFAC identified accounting, trust/corporate formation and management consulting services, and subsequently quantum computing services, metals and mining sectors were added as well); and
  - (C) any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by this section if performed by a United States person or within the United States.
  - (D) Effective December 5, 2022, OFAC issued a determination that prohibits US persons from providing (or facilitating the provision) of the following services that relate to the maritime transport of crude oil of Russian Federation origin (collectively, the "**Covered Services**") unless they relate to such oil purchased at or below the relevant price cap (subsequently, the same Covered Services were targeted if they relate to the maritime transport of Russian-origin petroleum products purchased above the relevant price cap):
    - (I) Trading/commodities brokering;

- (II) Financing;
- (III) Shipping;
- (IV) Insurance, including reinsurance and protection and indemnity;
- (V) Flagging; and
- (VI) Customs brokering.

(23) BIS also imposed strict export controls on items destined for Russia and a license is now required for: (a) any item identified in any Export Control Classification Number ("**ECCN**") on the Commerce Control List ("**CCL**") in Categories 1 through 9; (b) any item subject to U.S. law, including EAR99 food and medicine, that is destined to an military end user ("**MEU**") in Russia; (c) certain foreign-made items that are now subject to US law for purposes of export and reexport to Russia due to the expanded application of the foreign direct product rule; and (d) "luxury goods" subject to US law as defined by BIS or any other items subject to the EAR identified in Supplements 2, 4, 5 or 6 of the EAR's Part 746.

(x) **Application to Zimbabwe**

- (1) Currently, the U.S. government maintains targeted list-based sanctions against Zimbabwe. These sanctions only block the property and interests in property of SDNs. These regulations are set forth at 31 C.F.R. Part 541. A series of executive orders targeted individuals and entities that were responsible for undermining democratic processes, participating in human rights abuses, and engaging in public corruption in Zimbabwe.
- (2) Under Executive Orders 134288, 13391, and 13469, with certain exceptions, transactions by U.S. Persons, or in or involving the United States, are prohibited if they involve dealing with, or involving property of, a person or entity designated as an SDN under these Executive Orders and appearing on the OFAC SDN List with the identifier "[ZIMBABWE]". The property and interests in property of an entity that is 50% or more owned, directly or indirectly by a person on the OFAC SDN List is also blocked, regardless of whether the entity itself appears on the OFAC SDN List. The property and interests in property of an entity that is 50% or more owned, directly or indirectly by a person on the OFAC SDN List is also blocked, regardless of whether the entity itself appears on the OFAC SDN List.

(xi) **Application to the Group**

- (1) The Group conducted sales of its piston aircrafts and parts to (i) AG Zhejiang and AG Huanan and (ii) the Relevant Regions, directly and indirectly, through its US-based operating subsidiary, Cirrus Design. Cirrus Design is a U.S. person, and as such, US sanctions

measures apply to Cirrus Design and other U.S. persons involved in these sales.

- (2) For the Group's Authorized Sales to AG Zhejiang and AG Huanan, AG Zhejiang and Huanan were designated by BIS on the MEU List on December 23, 2020 and are restricted from receiving items subject to the EAR listed in supplement no. 2 to part 744 without a license. During the Track Record Period, BIS issued five licenses, namely, D1225542, D1243320, D1225896, D1263947 and D1327197, authorising Cirrus Design to sell a certain quantity of commodities with the following ECCNs of 9A991, 7A994, 9E991, 7E994 and 1C990 to AG Zhejiang and AG Huanan. The Group had confirmed the Group strictly complied with the conditions set out in each applicable Export Licenses, its sales to AG Zhejiang and AG Huanan were limited to the scope authorised under the Export Licenses, and the Group was not otherwise directly or indirectly engaged in the export from U.S. or from a third country of items appearing in the U.S. Commerce Control List or the USML to AG Zhejiang and AG Huanan.
- (3) The Group has reviewed all transaction records since January 2019, and the Group has not undertaken, either directly or indirectly, any contract or any other activity with a counterparty, nor has otherwise provided goods or services to any person, in Sanctioned Countries.
- (4) Save for the Authorized Sales to AG Zhejiang and AG Huanan, no products have been exported (either directly or indirectly) to any persons or entities identified on the BIS List.
- (5) No SDNs have been identified as being involved in any transaction conducted by the Group.
- (6) We understand that the Group's policy does not allow sales to, or activities in, Russia, and the Group implemented procedures to ensure that no such sales/activities take place. In spite of such procedures, however, the Group identified one transaction in which its vendor did not properly identify that the user's IP address is located in Russia and the transaction did proceed contrary to company policy. The Group's transaction in Russia (excluding Crimea) is limited to a single, one-off low value transaction where it appeared to provide its SR2X Maneuver online course to a non-sanctioned individual located in Russia, outside of Crimea or DPR/LPR regions. The Online Training to a person in Russia did not involve any download of software to Russia, and was done in spite of third-party geo-blocking technology that normally prevents persons in Russia from accessing the online course.
- (7) The Online Training does not constitute a material risk of violation of U.S. primary or secondary sanctions against Russia as (i) the person receiving the Online Training is not a Sanctioned Target; (ii) the provision of the Online Training should not be viewed as the Group "operating in" Russia's "aerospace" or "technology" sectors designated EO 14024; (iii) it does not involve any of the services prohibited by EO 14071 for US persons to provide to anyone in

Russia (as further defined in OFAC FAQ 1128); (iv) the Company does not have a presence in Russia and has implemented procedures to ensure it does not conduct business with customers in Russia, including its best efforts to avoid the online provision of training to anyone in Russia, and (iv) the payment for the Online Training was made by a Visa credit card and was not processed through any sanctioned financial institution.

- (8) Based on the facts provided by the Group, the Online Training is very unlikely to be a violation of U.S. primary or secondary sanctions. From primary sanctions perspective, it is very unlikely that the Online Training would be considered to be among the services prohibited under EO 14071 for US persons to provide to parties in Russia. EO 14071 prohibits the provision of certain services from the United States or by a U.S. person to any person located in the Russian Federation, with limited exceptions[1]. However, such online course for flight training is not captured under any of the categories of services under EO 14071 as defined in OFAC FAQs 1128, 1034, 1084, and other OFAC guidance. Therefore, we do not believe that OFAC would find such provision of services to be a violation of primary US sanctions imposed under EO 14071.
- (9) With respect to secondary sanctions, the provision of flight training of this type could, technically, be captured under the “aerospace sector” and/or “technology sector” of EO 14024, which are not defined under EO 14024 or in OFAC’s FAQs. Nevertheless, in light of the Group’s policy of not selling or dealing with parties in Russia, this incidental provision of Online Training is unlikely to be considered by OFAC to be the Group’s “operating” in Russia’s technology or aerospace sectors under EO 14024. Moreover, under FAQ 1116, even if it was considered to be part of Russia’s technology or aerospace sectors, a sector determination does not automatically impose sanctions on all persons who operate or have operated in the sector. Only persons found by OFAC in its discretionary determination pursuant to E.O. 14024 to operate or have operated in the above-identified sector are subject to sanctions. The Online Training is for small aircraft and the person who received the Online Training is not sanctioned. Considering this one-off incidental sale due to the failure of third-party geofencing to block sales in Russia and the low value (US\$ 150) of this transaction, we believe OFAC is unlikely to view the Online Training incident as a basis for finding that the Group is “operating in” a sector of Russian economy designated under EO 14024 that would warrant the SDN designation of the Group.
- (10) The Group’s sale of products did not involve industries or sectors that are currently subject to specific sanctions by the United States.
- (11) Neither the Group nor any of its 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, or shale formations, or in the provision of finance including loans or credit to Russia.

- (12) As explained in paragraph 4.2 above, the sanctions applicable to one of the Company's shareholders, AVIC, as a CMIC would not apply to the Company and its subsidiaries.

Hogan Lovells' assessment is that:

- (i) On the basis of confirmations of the Company on behalf of the Group, such Authorized Sales to AG Zhejiang and AG Huanan did not violate sanctions applicable to AG Zhejiang and AG Huanan because the Export License issued by BIS authorised such sales; and
- (ii) on the basis of confirmations of the Company on behalf of the Group, (i) during the Track Record Period, the counterparties in the Group's sales with the Relevant Regions had not been identified as Sanctioned Targets; and (iii) the nature of the Group's sales should not trigger U.S. secondary sanctions targeting certain industries or products,

Hogan Lovells' assessment is the Group's business dealings do not appear to implicate U.S. sanctions.

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

- (i) The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in certain defined activities, including:
  - (1) those who are dealing in "confiscated" property in Cuba;
  - (2) those who are engaging in certain Syria- or Iran-related activities, including certain targeted sectors of Iranian, North Korean, Belarussian, Burmese, Russian and Venezuelan economy;
  - (3) those who are found to "operate in" the Crimea, DPR or LPR region or in the targeted sectors of Venezuelan economy (gold, oil, financial, defense/security) Russian economy (metals and mining, quantum computing, defense, technology, financial services, aerospace, marine, electronics, accounting, management consulting and trust/corporate formation sectors), North Korean (construction, energy, financial services, fishing, information technology, manufacturing, medical, mining, textiles, or transportation), Burmese (defense), or Belarussian (defense and related materiel, security, energy, potassium chloride (potash) sector, tobacco products, construction, or transportation);
  - (4) those engaging in a "significant" importation from or exportation to North Korea of any goods, services, or technology;
  - (5) those engaging in "significant" transactions with Iranian or Russian SDNs; and
  - (6) those who are engaging in the provision of "material assistance" or support to most types of SDNs (including SDNs designated under the Ukraine/Russia sanctions programs, among others).
- (ii) The Company has, for and on behalf of the Group, confirmed that based on their due diligence process, during the Track Record Period, it has no dealings involving (i) any of the sectors or activities listed under 5.1 (c) (1) through (6); or (ii) Kherson region, Zaporizhzhia region, Crimea, DPR/LPR

regions of Ukraine, Cuba, Iran, North Korea, Sudan, Syria, and Venezuela or with any SDNs. Accordingly, secondary sanctions are not likely to be triggered by the Group's business operations, based on our due diligence process, the Group's due diligence in this respect, as well as the information provided by the Group. For those reasons, Hogan Lovells' assessment is that the Group or Relevant Persons would not face exposure to secondary U.S. sanctions.

(d) **The Offering**

- (i) The Group will be required to make standard representations, warranties and covenants to the Sponsors in the Hong Kong Underwriting Agreement and International Underwriting Agreement that the proceeds of the offering will not be used in any manner that could be found to violate any International Sanctions laws or regulations, including representing that the Group will not make any of the proceeds of the offering, directly or indirectly, available to (i) a person on the SDN List or (ii) fund any activity that is prohibited by International Sanctions laws or regulations.
- (ii) We note from the Prospectus under which the Group's intended uses of the proceeds of the offering are set out in detail, and we have relied on those statements in connection with our analysis; the Group has confirmed that such statements are accurate in all respects. In those statements, the Group confirms that the proceeds will be used:
  - (1) to fund innovation, product enhancements, continuing product improvements, and additional research and development activities;
  - (2) to enhance the Group's production efficiency and capacity;
  - (3) to fund improvement and expansion of service, sales and support for our products and services provided in our ecosystem, both in geographically and in total capacity; and
  - (4) for the Group's general working capital and other general corporate purposes to support our business operation and growth.
- (iii) We note from the Prospectus that, the Group will not use the proceeds from the Global Offering (a) to finance or facilitate, directly or indirectly, any projects or businesses in Iran, Syria, Sudan, Cuba, North Korea and the territories of Crimea, Zaporizhzhia and Kherson, LPR and DPR ("**Restricted Regions**") or with persons located in other countries who are subject to sanctions or (b) to pay any damages for terminating or transferring contracts relating to Restricted Regions or persons subject to sanctions (if any), to the extent that the Group are party to such contracts in the future (whether by reason of a change in sanctions law or otherwise), (ii) the Group will not enter into any transaction that, at the time of entry into such transaction, is prohibited by applicable sanctions law, and (iii) if the Group believe that the transactions the Group have entered into will put the Group and the investors at the risk of violating sanctions, the Company will disclose on the Company's website and in the Company's annual and interim reports the Group efforts in monitoring the Group's business exposure to sanctions risk, the status of future business, if any, in Restricted Regions and the Group's business intention relating to such Restricted Regions.

- (iv) Given the scope of the Global Offering and the expected use of proceeds as set out in the Prospectus, we are of the view that the involvement by parties in the Global Offering will not result in any applicable International Sanctions on such parties, including the Company and its subsidiaries, the respective Directors and employees of the Company and its subsidiaries, the Company's or its subsidiaries' investors, shareholders as well as the Stock Exchange and its related group companies, or any person involved in the Global Offering and accordingly, the sanction risk exposure to the Company, its potential investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Company's Shares (including the Stock Exchange, its listing committee and related group companies) is very low.

## 5.2 U.S. Export/Re-Export Controls

- (a) Unlike U.S. economic sanctions that follow the persons or parties involved, U.S. export controls follow the product involved. Any item that is sent from the United States to a foreign destination is an export. "Items" include commodities, software or technology, including but not limited to circuit boards, automotive parts, blueprints, design plans, retail software packages and technical information. How an item is transported outside of the United States does not matter in determining export license requirements. For example, an item can be sent by regular mail, hand-carried on an airplane, sent via facsimile, software can be uploaded to or downloaded from an Internet site, or technology can be transmitted via e-mail or during a telephone conversation. Regardless of the method used for the transfer, the transaction is considered an export (or a re-export if such U.S.-origin item is transferred from one foreign country to another).
- (b) The BIS controls exports and re-exports of commercial and dual-use products, software and technology. These controls are implemented by the EAR, 15 C.F.R. Parts 730-774, administered by the BIS.
- (c) The EAR applies to exports of commodities, software and technology from the United States to foreign countries and to re-exports from one foreign country to another. In addition, they apply to shipments from one foreign country to another of foreign-made products that incorporate more than *de minimis* amount of controlled U.S. origin parts, components or materials, or are the foreign direct product of certain controlled U.S. technology. The *de minimis* threshold varies, from 25% for most countries to less than 10% for Iran (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 defence articles and defence services intended for end-use in Russia. The ITAR export controls are administered by the U.S. Department of State Directorate of Defense Trade Controls.
- (d) Military End Use/End User and Military-Intelligence End Use/End User Controls
  - (i) Section 744.21 of the EAR prohibits the export, reexport or transfer (in-country) of certain Items subject to the EAR (as specified in Supp. 2 to Part 744) if the party has "knowledge," that the Item is destined for a "military end use" or a "military end user" in Burma, Cambodia, China or Venezuela.

Section 744.21 also prohibits the export, reexport, or transfer (in-country) of any Item subject to the EAR if the party has “knowledge,” that the Item is destined for a “military end use” or “military end user” in Russia or Belarus.

- (ii) Section 744.22 of the EAR prohibits the export, reexport or transfer (in-country) of any Items subject to the EAR if the party has “knowledge” that the Item is intended for a “military-intelligence end use” or “military-intelligence end user” in Belarus, Burma, Cambodia China, Russia or Venezuela, or certain specified “military intelligence end users,” of such countries, wherever located (see, 744.22(f)(2)).
- (e) Based on the confirmation from the Company on behalf of the Group that:
  - (i) the Group maintained a matrix of goods, software, technology, and processes that are controlled under the EAR Commerce Control List;
  - (ii) the Group does not have any products that are controlled under the USML;
  - (iii) the Company has not identified any activities of the Group in or with, nor any payments or receipts related to any of the Sanctioned Countries;
  - (iv) save for the Group’s Authorized Sales to AG Zhejiang and AG Huanan, it does not deal with parties on the BIS List; and
  - (v) save for the Group’s Authorized Sales to AG Zhejiang and AG Huanan, none of the customers of the Group was determined to be a “military end user” or “military intelligence end user” nor utilizing the Group’s products for a “military end use” or “military intelligence end use”;

Based on the confirmation from the Company on items (i) through (v) above, Hogan Lovells’ assessment is that the Group’s business dealings do not implicate U.S. Export Controls.

## 6. UN SANCTIONS

6.1 UN sanctions measures are adopted via a Resolution of the UN Security Council (“**UNSC**”). The UNSC can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. UN Security Council Resolutions are binding upon all members of the UN, including the United States, Member States of the European Union and Australia. UN Member States are required to bring into force (i.e., implement, administer and enforce) national measures to ensure compliance with the measures prescribed in the UN Resolution. The main aim of UN sanctions measures, as set out in the UN Charter, is to maintain or restore international peace and security. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes. Decision of UNSC bind members of the UN and override other obligations of UN member states.

6.2 The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation. There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions



committees. United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter.

**6.3 Application to Egypt**

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

**6.4 Application to Hong Kong**

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

**6.5 Application to Turkey**

(a) During the Track Record Period, the UN has not imposed any sanctions with respect to Turkey.

**6.6 Application to Venezuela**

(a) During the Track Record Period, the UN has not imposed any sanctions with respect to Venezuela.

**6.7 Application to Russia (excluding Crimea)**

(a) During the Track Record Period, the UN has not imposed any sanctions with respect to Russia/Ukraine.

**6.8 Application to Zimbabwe**

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

**6.9 Application to the Group**

- (a) On the basis of the Company's confirmations that neither the Group nor any of its agents, directors, officers, or employees is engaged in transactions that directly or indirectly involve or benefit a person on the sanctions list of the UN;
- (b) Based on the Company's confirmations that the Group does not have any business dealings with persons on the list of persons and entities designated by the UN with whom member states of the UN are prevented from doing business with the Group's business dealings in the Relevant Regions do not implicate the restrictive measures adopted by UN because; and
- (c) Based on the Company's confirmations that all of the Group's business in relation to the Relevant Regions was in relation to the sales of piston aircrafts and parts, which were not conducted in relation to, or otherwise involve any export-controlled products,

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

## 7. EU AND UK 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.

- (a) Sanctions applicable in the EU stem from:
  - (i) sanctions adopted by the UN; or
  - (ii) autonomous sanctions regimes adopted by the EU without any UN action.
- (b) The EU implements sanctions measures via a unanimous decision of the Council of the European Union (the "**Council**"). Member States of the EU are then legally bound to act in conformity with the decision.
- (c) Certain sanctions, such as arms embargoes and travel bans, are implemented directly by EU Member States. Such measures only require a decision by the Council. Economic sanctions measures require separate implementing legislation in the form of a Council Regulation.
- (d) Council Regulations are directly applicable in EU Member States. However, some Member States may nevertheless enact national legislation implementing the EU sanctions measures. In addition, individual Member States are responsible for establishing measures to set and impose penalties and their implementation and enforcement, and for establishing relevant competent licensing authorities.
- (e) EU sanctions regimes are generally targeted, meaning that the relevant prohibitions or restrictions are focused on individual people or organizations, certain sectors of the target's economy, specified goods, technology, technical assistance and wider associated services, or specific activities.

As of January 1, 2021, the UK is no longer an EU Member State. Pursuant to the terms of Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (Withdrawal Agreement), EU law including sanctions law continued to apply to and in the UK until December 31, 2020. The UK was still an EU Member State during part of the Track Record Period and the EU sanctions analysis fully applies thereto until December 31, 2020. For the part of the Track Record Period starting on January 1, 2021, UK applied its own sanctions programs.

### 7.2 Overview of UK sanctions

- (a) Sanctions are one of the UK's tools to promote the objectives of its foreign policy, being peace, democracy and the respect for the rule of law, human rights and international law.
- (b) As of January 1, 2021, sanctions applicable in the UK stem from:
  - (i) Sanctions adopted by the UN; or
  - (ii) Autonomous sanctions regimes adopted by the UK, some of which have derived from EU legislation and have been transposed into UK law.

- (c) UK sanctions are in force under the Sanctions and Anti-Money Laundering Act 2018 (“the UK Sanctions Act”), which enables the transition of existing EU sanctions programmes into domestic legislation and the establishment of autonomous UK regimes. The UK Sanctions Act is implemented through regulations setting out the specific measures under each UK sanctions regime.
- (d) Specifically, Section 63(3)(c) of the UK Sanctions Act provides that the UK may by way of Order extend the application of the sanctions regulations to any of the Channel Islands, the Isle of Man, and any of the British Overseas Territories. UK sanctions measures have also been extended by the UK on a regulation-by-regulation basis to apply to and in the UK Overseas Territories (without requiring enactment of any further primary legislation), and applies to the Cayman Islands as of January 1, 2021.

### 7.3 Application of Sanctions Measures

- (a) EU and UK sanctions measures broadly apply to: (i) any company incorporated under the laws of the EU or the UK; (ii) any EU or UK national; and (iii) any business done in whole or in part within the EU or the UK.
- (b) EU and UK sanctions measures will therefore apply to:
  - (i) The Company as a company incorporated in the Cayman Islands and any of the Group’s subsidiaries incorporated in the EU, UK or a UK Overseas Territory;
  - (ii) any EU and UK nationals employed by or otherwise engaged on behalf of the Group regardless of where they are located, such as in Singapore, in the EU, the UK or in any other country;
  - (iii) any business of the Group conducted within the EU or the UK;
  - (iv) any counterparty incorporated in the EU or the UK with whom the Group does business including for example, suppliers, customers, distributors, agents, manufacturers, shipping agents and freight forwarders;
  - (v) any EU or UK incorporated financial institution that the Group or any of its companies uses to provide payment processing services, trade finance services, short or long term debt financing or any other service; and
  - (vi) any entity incorporated in the EU or the UK, or national of these regions who subscribes for shares in the Group.
- (c) EU and UK sanctions will not apply to:
  - (i) Non-EU and non-UK nationals in their personal capacity, including the Company’s Directors (to the extent that they are not carrying out business of the Group in the territory of the EU or the UK); and
  - (ii) any company subsidiary that is not incorporated under the laws of an EU Member State or the UK, which acts in a wholly independent manner from its parent company and which does not carry out any activities in the EU or the UK.

#### 7.4 Restrictions under EU and UK Sanctions Measures

- (a) The restrictions applied under an EU or UK sanctions regime depend on the jurisdiction targeted by the regime. However, there are broadly four main offences:
  - (i) making any funds or economic resources (see below) directly or indirectly available to or for the benefit of a sanctioned person or entity (a **“Designated Person”**);
  - (ii) dealing with any funds or economic resources that are owned, held or controlled by a Designated Person;
  - (iii) exporting, selling, transferring or making certain controlled or restricted products<sup>3</sup> available (either directly or indirectly) to, or for use in, a jurisdiction subject to sanctions measures (a **“Prohibited Activity”**); and
  - (iv) participating knowingly and intentionally in activities the object or effect of which is to: (i) directly or indirectly circumvent the offences listed above; or, (ii) enable or facilitate the commission of the offences.
- (b) The meaning of “economic resources” is defined widely to be “assets of every kind, whether tangible or intangible, movable or immovable, which are not funds, but may be used to obtain funds, goods or services”. Therefore, the Group’s products would fall within the definition of “economic resources”.
- (c) Under EU and UK sanctions measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. While it is prohibited for a person or entity to whom EU or UK sanctions apply to make any product of the Group available directly or indirectly to or for the benefit of a Designated Person, or to finance such activity, it is not generally prohibited (or otherwise restricted) for that person or entity to do business (involving non-controlled or restricted items) with a counterparty in a country subject to EU or UK sanctions that is not a Designated Person or engaged in non-Prohibited Activities.

#### 7.5 EU and UK sanctions: Dealing with Relevant Jurisdictions

- (a) As noted above, under EU and UK sanctions legislation it is prohibited for any person or entity to whom EU sanctions apply to:
  - (i) make any product of the Group directly or indirectly available to, or for the benefit of, a Designated Person; or
  - (ii) export, finance, or facilitate the transfer of any controlled or restricted products to a third country including a Relevant Jurisdiction.
- (b) **Application to Egypt**
  - (i) On March 21, 2011, the EU introduced targeted sanctions, in the form of freezing of assets, against individual members of the former government and those close to them who are subject to legal measures by the Egyptian authorities.
  - (ii) The sanctions were set out in Council Decision 2011/172/CFSP of March 21, 2011, as last amended through Council Decision (CFSP) 2020/418 of

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<sup>3</sup> An analysis of the parameters of what amounts to a controlled product is outside the scope of this advice memorandum. Hogan Lovells can provide further advice on this point as required.

March 19, 2020, and Council Regulation (EU) 270/2011, as last amended by Council Implementing Regulation (EU) 2020/416 of March 19, 2020.

- (iii) EU sanctions included the following restrictions:
  - (1) all funds belonging to persons alleged to be responsible for embezzlement of Egyptian public assets, and natural or legal persons, entities or bodies that are associated with them and that are placed on the EU's sanctions list are to be frozen; and
  - (2) no funds or financial resources are to be made available to these persons.
- (iv) On March 12, 2021, the EU revoked its sanctions framework against Egypt and de-listed the then nine persons subject to asset-freezing measures. Currently, the EU does not maintain any sanctions against Egypt, but the above restrictions were in place during the Track Record Period. As of January 1, 2021, the UK adopted its own legislation the Misappropriation (Sanctions) (EU Exit) Regulations 2020, allowing it to sanction individuals accused of the misappropriation of state assets. At the time of writing, no Egyptian nationals are currently sanctioned under the Misappropriation (Sanctions) (EU Exit) Regulations 2020.

(c) **Application to Hong Kong**

- (i) During the Track Record Period, the EU and the UK has not imposed any sanctions on Hong Kong.
- (ii) In June 2019, the UK restricted the sale of certain crowd control equipment to Hong Kong. Further, in July 2020, the UK extended the existing arms embargo with mainland China fully to Hong Kong in response to China's introduction of the National Security Law. The items covered by the arms embargo covers the export of the following items from the UK to China (inclusive of Hong King):
  - (1) lethal weapons, such as machine guns, large-calibre weapons, bombs, torpedoes, rockets and missiles
  - (2) specially designed components of the above and ammunition
  - (3) military aircraft and helicopters, vessels of war, armoured fighting vehicles and other weapons platforms
  - (4) any equipment which might be used for internal repression.

(d) **Application to Turkey**

- (i) Turkey is not subject to comprehensive sanctions imposed by the EU. The sanctions framework for Turkey-related measures was adopted on November 11, 2019, through Council Regulation (EU) 2019/1890, as last amended by Commission Implementing Regulation (EU) 2022/595 of April 11, 2022, and Council Decision (CFSP) 2019/1894, as last amended by Council Decision (CFSP) 2022/2186 of November 8, 2022. EU sanctions on Turkey are limited to asset freezing measures and travel ban on parties in Turkey. It does not prohibit activities with the entire country of Turkey (and everyone in it), nor does it prohibit activities with the Turkish government.

- (ii) At present, there are only individuals at executive positions at the Turkish Petroleum Corporation (TPAO) who are subject to asset freezing measures pursuant to Council Implementing Regulation (EU) 2020/274 of February 27, 2020.
- (iii) As of January 1, 2021, in the UK, EU sanctions on Turkey have been replaced by the Unauthorised Drilling Activities in the Eastern Mediterranean (Sanctions) (EU Exit) Regulations 2020.

(e) **Application to Venezuela**

- (i) The EU imposed sanctions by Council Decision (CFSP) 2017/2074 of November 13, 2017, as last amended through Council Decision (CFSP) 2022/2201 of November 10, 2022, and Council Regulation 2017/2063 of November 13, 2017, as last amended by Council Implementing Regulation (EU) 2022/2194 of November 10, 2022.
- (ii) The EU sanctions on Venezuela include a ban on the export of arms and equipment that might be used for internal repression, a ban on the export of surveillance equipment and the freezing of funds and economic resources of certain persons, entities and bodies responsible for serious human rights violations or abuses or the repression of civil society and democratic opposition and persons, entities and bodies whose actions, policies or activities otherwise undermine democracy or the rule of law in Venezuela, as well as persons, entities and bodies associated with them.
- (iii) During part of the Track Record Period ending December 30, 2021, EU sanctions on Venezuela were extended to the UK Overseas Territories, including the Cayman Islands, through the Venezuela (Sanctions) (Overseas Territories) Order 2018.
- (iv) As of January 1, 2021, the UK replaced the EU sanctions on Venezuela by the Venezuela (Sanctions) (EU Exit) Regulations 2019 (as amended). These regulations have been extended to apply to the UK Overseas Territories by the Venezuela (Sanctions) (Overseas Territories) Order 2020.

(f) **Application to Russia (excluding Crimea and DPR/LPR, Kherson and Zaporizhia)**

The existing framework for EU Sanctions targeting Russia and certain Russian Persons, in view of the current situation in Ukraine, is implemented through Council Decision 2014/512/CFSP of July 31, 2014, as last amended by Council Decision (CFSP) 2023/1217 of June 23, 2023, and Council Regulation (EU) No 833/2014 of July 31, 2014, as last amended by Commission Regulation (EU) 2023/1214 of June 23, 2023. These restrictions include: :

- (1) Prohibition on the sale, supply, export or transfer of dual-use goods and technology to Russia or for use in Russia and the provision of related technical assistance, intellectual property rights, trade secrets, brokering services, financing or financial assistance (with certain exemptions and licences);
- (2) Prohibition on the sale, supply, export or transfer of certain listed items that might contribute to Russia's military and technological

enhancement or the development of the defence and security sectors, including mass-market encryption products not intended for personal use of individuals ("**Targeted Goods**") to Russian parties or for use in Russia, and the provision of related technical assistance, intellectual property rights, trade secrets, brokering services, financing or financial assistance (with certain exemptions and licences; licenses with regard to certain listed entities will be rejected);

- (3) Prohibition to provide technical assistance, intellectual property rights, trade secrets, financing or financial assistance related to military goods to any Russian person or for use in Russia (with certain exemptions and licenses);
- (4) Prohibition to sell, supply, transfer or export to Russia, civilian firearms and their parts and essential components and ammunition. The prohibition includes the provision of technical assistance, intellectual property rights, trade secrets, brokering services, financing or financial assistance, or other services related to these goods;
- (5) Prohibition on the transit of dual-use items, Targeted Goods, aviation and space related products, jet fuel and additives, and firearms, their parts and essential components and ammunition via the territory of Russia, (with certain exemptions and licenses);
- (6) Prohibition on the sale, supply, export or transfer of certain listed items suited for oil exploration and production, as well as the provision of technical assistance, intellectual property rights, trade secrets, brokering services, financing or financial assistance or other services (with certain exemptions and licenses);
- (7) Prohibition on the sale, supply, export or transfer of certain listed goods and technology suited for oil refining and the liquefaction of natural gas to any person in Russia or for use in Russia and the provision of related technical assistance, intellectual property rights, trade secrets, brokering services, financing or financial assistance, is prohibited (with certain exemptions and licenses);
- (8) Prohibition on the sale, supply, export or transfer of certain listed goods and technology suited for use in aviation or the space industry, and jet fuel and fuel additives, to any person in Russia or for use in Russia. The prohibition extends to the provision of related technical assistance, intellectual property rights, trade secrets, brokering services, financing or financial assistance, insurance and re-insurance and the following activities: overhaul, repair, inspection, replacement, modification or defect rectification of an aircraft or component, with the exception of pre-flight inspection (with certain exemptions and licenses);
- (9) Prohibited to provide public financing or financial assistance for trade with or investment in Russia is prohibited after 26 February 2022, except for assistance up to EUR 10,000,000 to small- and medium-sized enterprises established in the EU, as well as for

trade in food and for agricultural, medical or humanitarian purposes;

- (10) Prohibited to make any new investments or expand existing investments in, or to provide investments services to, entities active in the Russian energy, mining and quarrying sector. Member States may authorize investments that are necessary for ensuring critical supply of energy in the EU or that exclusively concern EU-owned or controlled entities established in Russia
- (11) Prohibited to invest, participate or contribute to projects co-financed by the Russian Direct Investment Fund;
- (12) Capital market restrictions, which include:
  - (A) Prohibition on the purchase, sale, provision of investment services for or assistance in the issuance of, or otherwise dealing with transferable securities and money market instruments with a maturity exceeding 90 days issued after August 1, 2014 to September 12, 2014, or with a maturity exceeding 30 days issued after September 12, 2014 to April 12, 2022, or any transferable securities and money market instruments issued after April 12, 2022 by certain Russian banks and entities; and
  - (B) Prohibition to make or be part of any arrangement to make new loans or credit with a maturity exceeding 30 days after September 12, 2014 to February 26, 2022, or any new loan or credit after February 26, 2022 to certain Russian banks and entities.
  - (C) Prohibition on the purchase, sale, provision of investment services for or assistance in the issuance of, or otherwise dealing with transferable securities and money market instruments issued after March 9, 2022 by Russia and its Government, the Central Bank of Russia or entities acting on behalf or at the direction of the Central Bank of Russia;
  - (D) Prohibition to make or be part of any arrangement to make new loans or credit after February 23, 2022 to Russia and its Government, the Central Bank of Russia or entities acting on behalf or at the direction of the Central Bank of Russia;
  - (E) Prohibition on the listing and provision of services as of April 12, 2022 on trading venues registered or recognised in the Union for the transferable securities of any entity established in Russia with over 50% public ownership;
  - (F) Prohibited to accept any deposits from Russian nationals or residents in Russia, or entities established in Russia, if the total value of deposits of the natural or legal person, entity or body per credit institution exceeds 100,000 EUR;
  - (G) Prohibition on Union central securities depositories to provide any financial services for transferable securities



issued after April 12, 2022 to any Russian national or resident in Russia or entity established in Russia;

- (H) Prohibition on transactions related to the management of reserves and assets of the Central Bank of Russia, including with entities acting on behalf or at the direction of the Central Bank of Russia. EU persons must also report assets and reserves of the Central Bank of Russia which they hold, control or are counterparty to;
- (I) Prohibition to sell transferable securities denominated in any official currency of an EU Member State issued after April 12, 2022 or denominated in any other currency issued after 6 August 2023, or units in collective investment undertakings providing exposure to such securities, to any Russian national or resident in Russia or any entity established in Russia;
- (J) Prohibition to sell banknotes denominated in any official currency of an EU Member State to Russia or to any party in Russia, including the government and the Central Bank of Russia, or for use in Russia;
- (K) Prohibition to provide crypto-asset wallet, account or custody services to Russian nationals or residents or Russian entities. Licenses are available;
- (L) Prohibition to provide credit rating services (including access to any subscription services in this regard) to or on any Russian national or resident or any Russian entity. The prohibition does not apply to EU nationals or residents;
- (M) Prohibition to provide specialized financial messaging services which are used to exchange financial data (i.e., SWIFT) to certain listed Russian financial institutions and entities owned for more than 50% by those listed institutions;
- (13) Prohibition on operators to broadcast or enable, facilitate or otherwise contribute to broadcast any content by certain listed Russian media. It is also prohibited to advertise products or services in any content produced or broadcast by these listed Russian media;
- (14) Prohibition on Russian air carriers, Russian-registered aircraft and any aircraft owned or chartered or otherwise controlled by any Russian party to land in, take off from or overfly the territory of the EU. The prohibition does not apply to an emergency landing or an emergency overflight. Authorisations are available for flights required for humanitarian purposes;
- (15) No access to ports and locks in the EU for any vessel registered under the flag of Russia or certified by the Russian Maritime Register of Shipping, or a vessels that have changed their Russian flag or their registration, to the flag or register of any other State after 24 February 2022, with the exception for the purpose of

leaving the territory of the EU (with certain additional exemptions and licenses);

- (16) No access to ports and locks in the EU for any vessel engaged in ship-to-ship transfer of Russian crude oil or petroleum products at any point of the voyage to EU ports or locks, contrary to the import ban or transport restriction for products purchased above the oil price cap;
- (17) No access to ports and locks in the EU for any vessel illegally interfering with, switching off or otherwise disabling their shipborne AIS when transporting Russian crude oil or petroleum products subject to an import ban or transport restriction for products purchased above the Price Cap;
- (18) Prohibition on the sale, supply, transfer or export of, and provision of technical assistance, intellectual property rights, trade secrets, brokering services, financing, financial assistance, or other services in relation to, certain listed maritime navigation goods and technology to Russian persons or for use in Russia, or for placing on board of a Russian-flagged vessel (with exemption and license possibility);
- (19) Restrictions on trade of iron and steel products, as follows. It is prohibited to (a) import certain listed iron and steel products originating in Russia or exported from Russia; (b) purchase iron and steel products located in Russia; (c) transport iron and steel products originating in Russia or which are being exported from Russia to any other country; (d) provide, directly or indirectly, technical assistance, brokering services, financing or financial assistance, including financial derivatives, as well as insurance and re-insurance related to listed iron and steel products;
- (20) Prohibition on the import of certain listed goods which generate significant revenues for Russia originating in Russia or exported from Russia. The prohibition also includes the provision of technical assistance, brokering services, financing, financial assistance, or other services. There is an import quota for potassium chloride imports;
- (21) Prohibition to import certain listed coal and other solid fossil fuels originating in Russia or exported from Russia. The prohibition also includes the provision of technical assistance, brokering services, financing, financial assistance, or other services;
- (22) Prohibition on the sale, supply, transfer, export, directly or indirectly, of certain listed luxury goods to any person in Russia or for use in Russia and the provision of related technical assistance, intellectual property rights, trade secrets, brokering services, financing or financial assistance, insofar these goods exceed the value of EUR 300 per item unless otherwise specified (with certain exemptions and licenses);
- (23) Prohibition on the sale, supply, transfer, export, directly or indirectly, of certain listed goods which could contribute to the enhancement of Russian industrial capacities to any person in

Russia or for use in Russia. The prohibition also includes the provision of technical assistance, intellectual property rights, trade secrets, brokering services, financing, financial assistance, or other services. There are certain exemptions and licenses;

- (24) It is prohibited for any Russian road transport undertaking and trailers and semi-trailers registered in Russia to transport goods within the territory of the EU, including in transit. The prohibition does not apply to the universal mail service and to goods in transit between the EU and Kaliningrad. Member State authorities may authorize certain transportation in the EU;
- (25) Prohibition on the import, directly or indirectly, of crude oil or petroleum products originating in Russia or exported from Russia. There are exemptions for: (a) one-off transactions within a certain winddown period; (b) seaborne crude oil or petroleum products originating in a third country that are departing from or transiting through Russia; (c) pipeline crude oil to landlocked Member States. There are also certain exemptions and licenses for specific Member States;
- (26) Prohibition to provide, directly or indirectly, technical assistance, brokering services or financing or financial assistance, related to the transport, including through ship-to-ship transfers, to third countries of crude oil or petroleum products originating in Russia or exported from Russia. Subject to a winddown period, it will be prohibited to transport to third countries crude oil and petroleum products. Prohibition does not apply as of 5 December 2022 for crude oil and as of 5 February 2023 for petroleum products provided that the purchase price per barrel of such products does not exceed the price cap agreed by the Price Cap Coalition;
- (27) Prohibition to import certain listed gold items originating in Russia or exported from Russia to the EU or any third country after 22 July 2022. The prohibition also includes the provision of technical assistance, brokering services, financing, financial assistance, or other services. There are certain exceptions and authorisations;
- (28) Transaction ban with regard to certain listed state-owned entities (including Rosneft and Gazprom Neft), their non-EU 50%+ subsidiaries and any entity acting on their behalf or direction. Certain exemptions are available;
- (29) Prohibition to hold any posts in the governing bodies of state-owned entities as of January 16, 2023. Certain licenses are available;
- (30) Prohibition to award or continue the execution of any public or concession contract with: (i) Russian nationals, residents or entities established in Russia, (ii) entities owned for more than 50% by a Russian national, resident or entity established in Russia, (iii) or persons acting on behalf of those referred to in (i) and (ii). Licenses are available;
- (31) Prohibition to provide direct or indirect support under an EU, Euratom or Member State national programme to any Russian

- entity with more than 50% public ownership. Exemptions are available;
- (32) Prohibition to register, provide a registered office, business or administrative address as well as management services to a trust having a trustor or beneficiary: (i) Russian nationals or residents; (ii) Russian entities; (iii) entities owned for more than 50% by Russian nationals, residents or entities; (iv) entities controlled by any of the above; (v) entities acting on behalf or at the direction of any of the above. It is also prohibited to act as or arrange for another person to act as a trustee, nominal shareholder, director, secretary or similar position for a trust as described above. Certain exemptions and licenses are available; and
  - (33) Prohibition to provide professional services (accounting, auditing, including statutory audit, bookkeeping or tax consulting services, or business and management consulting or public relations services, architecture, engineering, IT consultancy or legal advisory services, market research and public opinion polling services, technical testing and analysis services and advertising services) to the government of Russia or Russian entities. Certain exemptions (including for EU, EEA, Swiss owned entities and entities owned by partner countries which at the time of writing are: UK, US, Japan, South Korea, Australia, New Zealand, Norway) and licenses (including for divestment or winddown of business in Russia) are available.
  - (34) As of 27 March 2023, prohibition to have Russian nationals hold any posts in governing bodies of owners/operators of critical infrastructures and entities;
  - (35) Prohibition to provide storage capacity in an underground storage facility, except for the part of liquefied natural gas facilities used for storage, to Russian persons, entities owned or controlled, directly or indirectly, for more than 50% by Russian persons or entities acting on their behalf or at their direction;
- (ii) The existing framework for EU Sanctions targeting Russia (asset freezing measures), in view of the current situation in Ukraine, is implemented by Council Decision 2014/145/CFSP of March, 17 2014, as last amended by Council Decision (CFSP) 2023/1566 of July 28, 2023 and Council Regulation (EU) No 269/2014 of March 17, 2014, as last amended by Council Implementing Regulation (EU) 2023/1563 of July 28, 2023. These restrictions include:
- (1) Freezing of all funds or economic resources belonging to, owned, held or controlled, by a person or entity listed in Annex I or by a person or entity owned for more than 50% or controlled, directly or indirectly, by a person or entity listed in Annex I;
  - (2) Prohibition to make available funds or economic resources, directly or indirectly, to a person or entity listed in Annex I, or to a person or entity owned for more than 50% or controlled, directly or indirectly, by a person or entity listed in Annex I.

In total, almost 1,800 entities and individuals are currently subject to asset freezing measures under the EU sanctions regime against Russia.

- (iii) As of January 1, 2021, the UK replaced the EU Russia sanctions, with substantially the same effect, with the Russia (Sanctions) (EU Exit) Regulations 2019 (as amended), which came into effect on December 31, 2020.
- (iv) On 10 February 2022, the UK enacted the Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022 (amending the Russia (Sanctions) (EU Exit) Regulations 2019), which expanded the UK's criteria for designating Russian individuals and entities.
- (v) Further, throughout 2022, the UK published new regulations which introduced new financial, trade and shipping sanctions against Russia (summarised below):
  - (1) The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 introduce the following restrictions:
    - (A) Prohibition on dealing with certain transferable securities or money-market instruments, or providing certain loans/credit to a person connected with Russia (including Russian incorporated entities and residents).
    - (B) Prohibition on UK credit or financial institutions establishing or continuing a correspondent banking relationship and from processing sterling payments to, from or via, a "designated person" or a credit or financial institution owned or controlled, directly or indirectly, by them.
  - (2) The Russia (Sanctions) (EU Exit) (Amendment) (No. 3) Regulations 2022 prohibit the following:
    - (A) the export, supply, delivery and making available of certain military goods, dual-use goods and critical-industry goods;
    - (B) the making available and transfer of certain military goods, dual-use technology and critical-industry technology; and
    - (C) the provision of technical assistance, financial services, funds and brokering services, in relation to the above.
    - (D) Critical industry goods and technology include certain listed electronics, computers, telecommunications equipment, information security, sensors and lasers, navigation and avionics, marine and aerospace and propulsion (in each case with related software and technology also subject to controls).
  - (3) The Russia (Sanctions) (EU Exit) (Amendment) (No. 4) Regulations 2022 prohibit Russia-related ships, and other ships to be specified by the Secretary of State, from entering UK ports. The registration of ships on the UK Ship Register is also prohibited where they are owned, controlled, chartered or operated by a designated person or persons connected with Russia, or where they are a specified ship.

- (4) The Russia (Sanctions) (EU Exit) (Amendment) (No. 5) Regulations 2022 prohibit a UK individual or entity from providing financial services for the purpose of foreign exchange reserve and asset management to the Central Bank of the Russian Federation; the National Wealth Fund of the Russian Federation; the Ministry of Finance of the Russian Federation; a person owned or controlled directly or indirectly by any of the persons above; or a person acting on behalf of or at the direction of any of the persons above.
- (5) The Russia (Sanctions) (EU Exit) (Amendment) (No. 6) Regulations 2022 prohibit Russian aircraft from overflying or landing in the United Kingdom. The Regulations also confer powers on the Secretary of State, air traffic control and airport operators to issue directions for the purpose of preventing Russian aircraft from entering the airspace over the United Kingdom or from landing in the United Kingdom, or requiring aircraft to leave the airspace over the United Kingdom. The Regulations also confer powers on the CAA to refuse, suspend or revoke permissions in respect of Russian aircraft. The registration of aircraft on the register kept by the CAA is prohibited where they are owned, operated or chartered by demise by a designated person. The Regulations also amend the trade measures in the 2019 Regulations to add new categories of aviation and space goods and technology, based on items falling within chapter 88 of the Tariff of the United Kingdom.
- (6) The Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022:
  - (A) Introduce a power for the Secretary of State to designate persons by description;
  - (B) extend the then finance, shipping and trade sanctions (including relevant exceptions and licensing grounds) relating to the Autonomous Republic of Crimea and city of Sevastopol to the non-government controlled areas of the Donetsk oblast and Luhansk oblast of Ukraine;
  - (C) prohibit the provision to, or for the benefit of, a designated person of technical assistance relating to aircraft and ships; and
  - (D) amend regulation 19 (circumventing etc. prohibitions) of the 2019 Regulations to include within the scope of those prohibitions regulation 18A (provision of financial services relating to foreign exchange reserve and asset management).
- (7) The Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations 2022 introduced new restrictions in relation to trade in:
  - (A) oil refining goods and technology,
  - (B) quantum computing and advanced materials goods and technology;
  - (C) luxury goods, and

- (D) iron and steel goods.
- (8) The Russia (Sanctions) (EU Exit) (Amendment) (No. 9) Regulations 2022 introduced a requirement on providers of social media services, internet access services (i.e. internet service providers) and application stores to take reasonable steps to prevent their users in the United Kingdom from encountering or accessing online content generated by designated persons. Further, additional powers were conferred on OFCOM for the purpose of monitoring compliance with the new requirement and for imposing monetary penalties for failure to comply with the new requirement.
- (9) The Russia (Sanctions) (EU Exit) (Amendment) (No. 11) Regulations 2022 introduced additional restrictions in relation to trade in:
- (A) maritime goods and maritime technology;
  - (B) military goods and technology with non-government controlled Ukrainian territory;
  - (C) defence and security goods and technology;
  - (D) interception and monitoring services;
  - (E) banknotes;
  - (F) jet fuel and fuel additives; and
  - (G) goods which generate significant revenues for Russia.
- (10) The Russia (Sanctions) (EU Exit) (Amendment) (No. 12) Regulations 2022 introduced additional financial restrictions regarding investments (and services directly related to those investments) in respect of land located in Russia, persons connected with Russia, relevant entities, joint ventures, opening a representative office or establishing a branch or subsidiary located in Russia. The Russia (Sanctions) (EU Exit) (Amendment) (No. 13) Regulations 2022 specified additional activities for which a person may be designated under the UK Russia Regulations. Further, the amending regulation introduced a new exception from trade sanctions measures for humanitarian assistance activity in non-government controlled areas of the Donetsk and Luhansk oblasts.
- (11) The Russia (Sanctions) (EU Exit) (Amendment) (No. 14) Regulations 2022 introduced additional restrictions in relation to trade in:
- (A) professional and business services;
  - (B) miscellaneous essential goods required for the functioning of the Russian economy;
  - (C) oil and oil products;
  - (D) gold; and

- (E) coal and coal products.
- (12) The Russia (Sanctions) (EU Exit) (Amendment) (No 15) Regulations 2022 introduced trade prohibitions relating to gold jewellery and to certain processed gold and a prohibition on the import of liquefied natural gas which is consigned from or originates from Russia.
- (13) The Russia (Sanctions) (EU Exit) (Amendment) (No. 16) Regulations 2022 introduced a prohibition on direct or indirect supply or delivery by ship of certain oil and oil products which originate in or are consigned from Russia (i) from a place in Russia to a third country; or (ii) from one third country to another third country.
- (14) The Russia (Sanctions) (EU Exit) (Amendment) (No. 17) Regulations 2022 introduced a prohibition on providing trust services to a designated person or for the benefit of a person connected with Russia. The regulations also introduce a number of additional professional and business services restrictions. In addition to accounting, business management and consulting and PR services, it is prohibited to provide advertising services, architectural services, auditing services, engineering services and IT consultancy and design services (each as defined in the regulations).
- (vi) Under the UK Russia Regulations, it is prohibited to export the following products to or for use in Russia.
  - (1) military goods and technology (including to non-government controlled Ukrainian territory);
  - (2) energy-related goods;
  - (3) luxury goods;
  - (4) jet fuel and fuel additives;
  - (5) G7 dependency and further goods;
  - (6) Russia's vulnerable goods; and
  - (7) Infrastructure goods (restriction only applies to exports to or for use in non-government controlled Ukrainian territory).
- (vii) Pursuant to the UK Russia Regulations, it is prohibited to import the following goods that are consigned or originate from Russia:
  - (1) Arms and related material;
  - (2) iron and steel products;
  - (3) revenue generating goods;
  - (4) liquified natural gas;
  - (5) oil and oil products;



- (6) coal and coal products; and
  - (7) gold, gold jewellery and processed gold.
- (viii) The UK Russia Regulations prohibit the supply or delivery of the following goods:
- (1) Prohibition on supply or delivery of restricted goods, energy related goods, luxury goods, jet fuel and fuel additives and dependency and further goods, and Russia's vulnerable goods, from a third country to Russia.
  - (2) Prohibition on supply or delivery of relevant goods from a third country to a place in non-government controlled Ukrainian territory.
  - (3) Prohibition on supply or delivery of iron and steel products from Russia to a third country.
  - (4) Prohibition on supply or delivery or making available of sterling banknotes or any banknotes denominated in any official currency of the EU to a person connected with Russia or for use in Russia.
  - (5) Prohibition on supply or delivery of revenue generating goods from a place in Russia to a third country.
  - (6) Prohibition on supply or delivery of revenue generating goods, oil and oil products and coal and coal products from a place in Russia to a third country.
  - (7) Prohibition on supply or delivery by ship of oil and oil products under the commodity codes 2709 and 2710 from a place in Russia to a third country or between third countries.
- (ix) The UK Russia Regulations prohibit the making available of certain goods or technology for use in Russia or to a person connected with Russia. Some prohibitions also prohibit acquiring certain goods or technology which originate in Russia, are located in Russia or from a person connected with Russia.
- (1) Prohibition on the acquisition of revenue generating goods, oil and oil products, coal and coal products and liquified natural gas that originate or are located in Russia, with the intention of those goods entering the United Kingdom.
  - (2) Prohibition on the acquisition of gold and gold jewellery which originate in and which are located in, or (in the case of gold jewellery) have been exported from Russia, with the intention of those goods entering the United Kingdom is prohibited.
  - (3) Prohibition on the acquisition of iron and steel products and revenue generating goods which originate in Russia or are located in Russia is prohibited regardless of whether the person acquiring them intends to bring the goods into the United Kingdom.
  - (4) Prohibition on making energy related goods available to a person connected with Russia.

- (5) Prohibition on making infrastructure-related goods available for use in non-government controlled Ukrainian territory.
- (x) Pursuant to the UK Russia Regulations sanctions regulations it is prohibited to transfer certain technology to a place in Russia or a person connected with Russia. The transfer of restricted technology is also prohibited from a place in Russia to persons or places outside the UK.
- (xi) Pursuant to the UK Russia Regulations technical support is prohibited in relation to certain specified goods or technology.
  - (1) Prohibition to provide technical support relating to the repair, development, production, assembly, testing, use or maintenance of the goods or technology, or any other technical service relating to the goods or technology.
  - (2) The prohibition applies to technical assistance to persons connected with Russia or for use in Russia.
  - (3) The provision of technical assistance to in connection with specific arrangements, as specified in the UK Russia Regulations, is prohibited.
- (xii) Pursuant to the UK Russia Regulations the provision of financial services and funds related to certain goods and technology is prohibited.
  - (1) The prohibitions in the Regulations apply to the direct and indirect provision of financial services and making available of funds to persons connected with Russia.
  - (2) The prohibitions also prohibit the direct or indirect provision of financial services or funds in pursuance of or in connection with specific arrangements involving Russia.
- (xiii) It is prohibited to directly or indirectly provide brokering services where they relate to specific arrangements as specified in the Pursuant to UK Russia Regulations.
- (g) **Application to Zimbabwe**
  - (i) EU sanctions on Zimbabwe are set out in Council Decision (CFSP) 2011/101/CFSP of February 15, 2011, as last amended by Council Decision (CFSP) 2023/339 of February 14, 2023 and Council Regulation (EC) 314/2004 of February 19, 2004, as last amended by Council Regulation (CFSP) 2022/595 of April 11, 2022.
  - (ii) The sanctions include a ban on the export of arms and equipment that might be used for internal repression, a ban on the export of surveillance equipment and the freezing of funds and economic resources of certain persons, entities and bodies responsible for serious human rights violations or abuses or the repression of civil society and democratic opposition and persons, entities and bodies whose actions, policies or activities otherwise undermine democracy or the rule of law in Venezuela, as well as persons, entities and bodies associated with them.

- (iii) During part of the Track Record Period ending December 31, 2021, the EU sanctions on Zimbabwe were extended to the UK Overseas Territories, including the Cayman Islands, through the Zimbabwe (Sanctions) (Overseas Territories) Order 2012.
- (iv) As of January 1, 2021, the UK replaced the EU sanctions on Zimbabwe by the Zimbabwe (Sanctions) (EU Exit) Regulations 2019, as amended by the Sanctions (EU Exit) (Miscellaneous Amendments) (No. 2) Regulations 2020 and the Sanctions (EU Exit) (Miscellaneous Amendments) (No. 4) Regulations 2020. These regulations have been extended to apply to the UK Overseas Territories by the Zimbabwe (Sanctions) (Overseas Territories) Order 2020.

(h) **Application to the Group**

- (i) On the basis of our due diligence process and the Company's confirmation (for and on behalf of the Group) that:
  - (1) the Company is incorporated in the Cayman Islands and is consequently subject to the rules and regulations applicable in the UK Overseas Territories;
  - (2) all activities involving the Relevant Regions 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, the UK, or the UK Overseas Territories. Therefore, these activities do not fall within the jurisdictional scope of UK or EU sanctions;
  - (3) the Group's activities are limited to the sales of piston aircrafts and parts, jet aircraft and their parts, pilot training, and aircraft services that are not subject to EU or UK export controls, and did not involve any products that are subject to sectoral sanctions in the EU or UK;
  - (4) neither the Group nor any of its agents, directors, officers, or employees has or is engaged in transactions, business or financial dealings that directly or indirectly involve or benefit a person or entity listed under EU or UK sanctions, or has or is engaged in any other activity subject to restrictions under sectoral EU or UK sanctions;
  - (5) neither the Group nor any of its 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, or shale formations, or in the provision of finance including loans or credit to Russia;
  - (6) the Group has not been, directly or indirectly, involved in the export from the EU, the UK and/or UK Overseas Territories of any items listed in the EU Common Military List or the EU Common Military List, EU Dual Use list (Annex I to Regulation (EU) 2021/821) or the UK Military List destined to any of the Relevant Regions,

- (7) the Group's activities involving the Relevant Regions have not identified any person specifically designated (i.e., listed/targeted) under any existing EU sanctions regime;
- (8) the Group's transactions did not potentially fund or facilitate EU sanctions-prohibited activity, nor grant any benefit towards any sanctioned person or entity;
- (9) the Group has not exported or directly or indirectly supply arms and related materiel, or equipment which might be used for internal repression;
- (10) 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;
- (11) the Group has not provided financing or financial assistance related to any activities referred to above in paragraph 7.4 (d) (9) through (10);

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

(i) **EU and UK export controls**

- (i) In addition to EU sanctions measures, the EU applies export controls on dual-use items, including technology. Until September 9, 2021, EU export controls were set out in Council Regulation (EC) No 428/2009 of May 5, 2009, which applied to the UK until December 31, 2020. As of September 9, 2021, the EU export control framework has been replaced by Regulation (EU) No 2021/821 of May 20, 2021 setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items, as last amended by Commission Delegated Regulation (EU) 2023/996 of February 23, 2023, which governs (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), (ii) the provision of technical assistance relating to controlled items and (iii) 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). As of January 1, 2021, the UK export control framework is set out in Export Control Act 2002, the Export Control Order 2008 and the Retained Dual-Use Regulation.
- (ii) The Group has confirmed its understanding that it has not been, directly or indirectly, involved in the export from the EU, the UK and/or UK Overseas Territories of any items listed in the EU Common Military List or the UK Military List. The Group has not been involved in the export from the EU (including the UK) of items listed in the EU Dual Use list (Annex I to Regulation 428/2009 and Regulation 2021/821) to any Relevant Region. 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 by Hogan Lovells. Our 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 to any Relevant Region.

Based on the information provided by the Company, Hogan Lovells understands that the EU export rules are not implicated by the Group's activities.

## 8. AUSTRALIAN SANCTIONS

### 8.1 Overview

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

## 8.2 Application to Egypt

- (a) Australia has not imposed any targeted sanctions (autonomous or otherwise) in relation to Egypt.

## 8.3 Application to Hong Kong

- (a) Australia has not imposed any targeted sanctions (autonomous or otherwise) in relation to Hong Kong during the Track Record Period.

## 8.4 Application to Turkey

- (a) Australia has not imposed any targeted autonomous sanctions in relation to Turkey.

## 8.5 Application to Venezuela

- (a) Australia has not imposed any targeted autonomous sanctions in relation to Venezuela.

## 8.6 Application to to Russia (excluding specified regions in Ukraine)

- (a) Australia imposes an autonomous sanctions regime in relation to Russia/Ukraine pursuant to the Regulations and the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015 (Cth) ("**Autonomous Sanctions Specification**").
- (b) The Australian Government announced on March 19, 2014, that it would impose a sanctions regime in response to the Russian threat to the sovereignty and territorial integrity of Ukraine. On September 1, 2014, the then Prime Minister of Australia announced expanded autonomous sanctions in relation to Russia, Crimea and Sevastopol. These measures were implemented through amendments to the Regulations commencing on March 31, 2015 and February 24, 2022.
- (c) Australian sanctions laws 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' (without a sanctions permit):
  - (i) arms or related materiel. (The import, purchase or transport of arms or related materiel which originated in or has been exported from Russia is also prohibited); and
  - (ii) items suited to any of the following categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf:
    - (1) oil exploration and production in waters deeper than 150 meters;
    - (2) oil exploration and production in the offshore area north of the Arctic Circle; or
    - (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).
- (d) Australian sanctions laws also prohibit (without a sanctions permit):
  - (i) the provision to Russia, or to a person for use in Russia:

- (1) technical advice, assistance or training;
- (2) financial assistance;
- (3) a financial service; or
- (4) another service,

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

- (A) a military activity; or
  - (B) the manufacture, maintenance or use of 'arms or related materiel';
- (ii) 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 specialised 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:
- (1) oil exploration and production in waters deeper than 150 metres;
  - (2) oil exploration and production in the offshore area north of the Arctic Circle; or
  - (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);
- (iii) the provision to a person of an investment service if it assists with, or is provided in relation to, a sanctioned commercial activity (listed in subparagraphs (iv) and (v) below);
- (iv) 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:
- (1) is issued after July 28, 2017 by an entity specified in the Autonomous Sanctions Specification; and
  - (2) has a maturity period specified in the Autonomous Sanctions Specification for the financial instrument and the entity.
- This prohibition does not apply to an activity in relation to tradable securities or any other financial instrument that:
- (A) is a derivative product the value of which is linked to an underlying asset of a type mentioned in (iv); and
  - (B) does not involve the purchase or sale of, or any other dealing in relation to, the underlying asset;
- (v) directly or indirectly making, or being part of any arrangement to make loans or credit if the loan or credit:

- (1) is made to an entity specified in the Autonomous Sanctions Specification; and
- (2) has a maturity period specified in the Autonomous Sanctions Specification for the financial instrument and the entity.

This prohibition does not apply to:

- (A) loans or credit that have a specific and documented objective to provide:
    - (I) financing for non-prohibited imports or exports of goods and non-financial services between Australia and Russia; or
    - (II) emergency funding to meet the solvency and liquidity criteria for legal persons: established in Australia and whose proprietary rights are more than 50% owned by an entity specified in the Autonomous Sanctions Specification; and
  - (B) drawdowns or disbursements made under a contract concluded before July 28, 2017 if:
    - (I) all the terms and conditions of such drawdown or disbursement: were agreed before July 28, 2017 and have not been modified on or after July 28, 2017; and
    - (II) 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.
- (vi) from 25 April 2022, the import, purchase or transport of oil, refined petroleum products, natural gas, coal and other energy products from Russia;
  - (vii) directly or indirectly supplying, selling, transferring certain luxury goods to, for use in, or for the benefit of Russia;
  - (viii) directly or indirectly supplying, selling, transferring aluminium ores (including bauxite), alumina and related products to, for use in, or for the benefit of Russia;



- (ix) the import, purchase or transport of gold (including gold plated with platinum) in unwrought or in semi-manufactured forms, or in powder form, that originate in, or was exported from, Russia after 30 September 2022;
- (x) directly or indirectly making an asset available to (or for the benefit of) a designated person or entity;
- (xi) using or dealing with an asset, or allowing or facilitating another person to use or deal with an asset, if the asset is owned or controlled by a designated person or entity (the assets are 'frozen' and cannot be used or dealt with); and
  - (1) an 'asset' includes an asset or property of any kind, whether tangible or intangible, movable or immovable;
  - (2) a 'controlled asset' is an asset owned or controlled by a designated person/entity (and in some cases a person/entity acting on their behalf or another entity owned or controlled by the designated person/entity); and
- (xii) the entry or transit to Australia of designated persons.

#### 8.7 Application to Zimbabwe

- (a) Australia imposes an autonomous sanctions regime in relation to Zimbabwe.
- (b) Australian sanctions law includes restrictions on the supply, sale or transfer of arms or related materiel without a sanctions permit.
- (c) Australia's sanctions laws prohibit (without a sanctions permit) the provision to Zimbabwe, or to a person for use in Zimbabwe, of:
  - (i) technical advice, assistance or training;
  - (ii) financial assistance;
  - (iii) a financial service; or
  - (iv) another service,if it assists with, or is provided in relation to military activity, arms or related materiel.
- (d) Currently, Australian law also prohibits (without a sanctions permit):
  - (i) the use of or dealing with an asset that is owned or controlled by a 'designated person or entity' for Zimbabwe; and
  - (ii) making an asset available directly or indirectly to, or for the benefit of, a 'designated person or entity' for Zimbabwe.
- (e) An 'asset' is defined broadly to include an asset or property of any kind, whether tangible or intangible, movable or immovable.
- (f) The Australian Minister for Foreign Affairs may grant a sanctions permit authorising an activity that would contravene the above prohibitions if the Minister is satisfied

that it would be in the national interest to do so (although additional criteria may apply).

## 8.8 Application to the Group

- (a) The Company has confirmed that no Australian citizens employed or otherwise engaged by the Group have been involved in any way, including in the negotiation or approval of, or with the on-going performance of, or in any wider decision making capacity, with respect to any of the Group's dealings involving the Relevant Regions; and
- (b) On the basis of the Company's confirmations that neither the Group nor any of its subsidiaries is:
  - (i) a person in Australia;
  - (ii) an Australian citizen or Australian-registered body;
  - (iii) owned or controlled by Australians or persons in Australia;
  - (iv) a person using an Australian flag vessel or aircraft to transport goods or transact services subject to Australian autonomous sanctions; or
  - (v) engaged in any activities in Australia; and
  - (vi) the Group's dealings do not involve (i) products or services that are restricted under Australian export controls; or (ii) parties sanctioned under the Australian regime,

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

## 9. SANCTIONS COVERED INFORMATION

9.1 We have reviewed certain information relating to sanctions regulatory matters, as defined below as "Sanctions Covered Information", in the Company's Prospectus Offering Documents. In regards to sanctions regulatory matters, we have not performed any review of any other information in the Prospectus Offering Documents. For purposes of this Section 9 of our memorandum, we have examined the following information contained in the Prospectus under the following captions ("**Sanctions Covered Information**"):

- (a) SUMMARY: Top Customers and Suppliers—Top Customers.
- (b) REGULATORY OVERVIEW: Laws and Regulations concerning International Trade.
- (c) REGULATORY OVERVIEW: Laws and Regulations concerning Foreign Investment in the United States.
- (d) CONNECTED TRANSACTIONS: One-Off Connected Transaction—1. Aircraft Development Program Agreement—*Background and principal terms*.
- (e) CONNECTED TRANSACTIONS: Non-Exempt Continuing Connected Transactions that are Subject to Reporting, Annual Review and Announcement Requirements—2. AG100 Aircraft Service Framework Agreement—*Background and principal terms*.

- (f) CONNECTED TRANSACTIONS: Non-Exempt Continuing Connected Transactions that are Subject to Reporting, Annual Review and Announcement Requirements—4. Aircraft Kits Sale and Program Services Framework Agreement—*Background and principal terms.*
- (g) RISK FACTORS: Risks Related to Our Business and Industry—*We could be adversely affected as a result of any sales we make to certain countries or certain customers that are, or become subject to, sanctions administered by the U.S., the European Union, the United Nations, the UK, Australia and other relevant sanctions authorities.*
- (h) RISK FACTORS: Risks Related to Our Business and Industry—*Our business is subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which we operate.*
- (i) RISK FACTORS: Risks Related to Our Business and Industry—*We are subject to anti-corruption, anti-bribery, and similar laws, and noncompliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.*
- (j) RISK FACTORS: Risks Related to Our Business and Industry—*We are subject to the risks of serving customers in foreign countries that could adversely impact our business.*
- (k) RISK FACTORS: Risks Related to Our Business and Industry—*We are subject to significant laws, regulations and directives in the U.S. and foreign countries in which we operate. Increasing compliance risks and changes in government regulations imposing additional requirements and restrictions on our operations could increase our operating costs, result in service delays and disruptions, and adversely affect our business, financial conditions, results of operation and prospects.*
- (l) HISTORY, REORGANIZATION AND CORPORATE STRUCTURE: Our Corporate Development—Our Principal Subsidiaries—*Cirrus Industries and Legacy Cirrus Industries*
- (m) BUSINESS: International Sanctions Relevant to Certain Business Activities and Affiliates.

9.2 Based upon the information provided by the Company on behalf of the Group, and subject to and limited by the assumptions, qualifications, exceptions, and limitations set forth in our memorandum, we advise that:

- (a) The statements in the Sanctions Covered Information of the Prospectus Offering Documents insofar as such Sanctions Covered Information constitute summaries of documents or legal proceedings or refer to matters of law or legal conclusions, are accurate and complete in all material respects and present fairly the information purported to be described in the Sanctions Covered Information of the Prospectus Offering Documents.
- (b) The International Sanctions summarized in the Sanctions Covered Information of the Prospectus are the International Sanctions that are material to the Company's business as described in the Prospectus Offering Documents
- (c) Nothing has come to our attention that causes us to believe that the Sanctions Covered Information included in the Prospectus, as of its date, the Disclosure

Package, as of the time of sale, and the Final Offering Circular, as of its date and as of the closing date, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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


This memorandum is only intended for the benefit of the person(s) to whom it is addressed, including the Sponsor and the Underwriter(s) of the Offering; provided, however, that we shall not have any liability (whether under statute, in contract, in equity, in tort or otherwise) to the Sponsor or the Underwriters of the Offering with respect to, or resulting from, this memorandum (or anything contained in or omitted from this memorandum) or the furnishing of this memorandum to the Sponsor or the Underwriters of the Offering; provided, further, that nothing in these terms regarding the receipt and use of this memorandum shall limit our liability to the Sponsor or the Underwriters of the Offering for any loss due to our fraud, bad faith, gross negligence or wilful default.

This memorandum may also be disclosed for information only to (but not relied on by) the HKEX, the Companies Registry, and within the period and in accordance with the procedures specified in the Prospectus, made available for inspection to the public, and such disclosure and non-reliance and the liability waiver referred to above are governed by and construed in accordance with the laws of England and Wales.

Save as set forth above, no recipient may disclose this memorandum to any other person or quote or refer to it in any public document or file it with any person, without our prior written consent in each specific case. This memorandum may, however, be disclosed by the addressees hereof to the extent required by law, regulation or any governmental or competent regulatory authority or reasonably necessary in asserting any defense to actual or threatened court proceedings relating to the Offering; provided that no such party to whom this memorandum is disclosed may rely upon it without our express written consent.

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If you have questions or comments regarding this memorandum, or would otherwise like to discuss the information herein, please contact Ben Kostrzewa at [ben.kostrzewa@hoganlovells.com](mailto:ben.kostrzewa@hoganlovells.com), or Stephanie Tang at [stephanie.tang@hoganlovells.com](mailto:stephanie.tang@hoganlovells.com).



**Hogan Lovells International LLP**



## MEMORANDUM

Hogan Lovells  
11th Floor, One Pacific Place  
88 Queensway  
Hong Kong  
T +852 2219 0888  
F +852 2219 0222  
[www.hoganlovells.com](http://www.hoganlovells.com)

**TO** Cirrus Aircraft Limited  
China International Capital Corporation Hong  
Kong Securities Limited  
As sponsor ("**Sponsor**") and representative of  
the several underwriters (the "**Underwriters**")  
in the Offering (as defined below)

**FROM** Hogan Lovells International LLP

**DATE** June 28, 2024

***By Electronic Mail  
Privileged and confidential***

**SUBJECT** Memorandum of Advice – U.S. Anti-Money Laundering laws and regulations  
analysis

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We have acted as the counsel to Cirrus Aircraft Limited (the "**Company**") as to U.S. Anti-Money Laundering ("**AML**") matters ("**AML regulatory matters**") in connection with the proposed global initial public offering and listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKEX**") of the Company, including the offer and sale of equity securities to the public in Hong Kong and the concurrent offer and sale of equity securities in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), pursuant to an exemption from the registration requirements under the Securities Act, and outside the United States in offshore transactions in reliance on Regulations S under the Securities Act (the "**Offering**"). This memorandum is provided for the purposes of the Offering only. However, our advice is applicable whether or not the Company proceeds with the Offering.

You have asked us to advise on potential legal issues associated with certain third-party payment arrangements (as defined below) in advance of the Offering of shares of Cirrus Aircraft Limited ("**Cirrus**"), based on certain information provided to us (as more fully described in footnote seven below). This Section sets out our views on potential non-compliance risks associated with these third-party payment arrangements under applicable provisions of U.S. federal anti-money laundering laws and regulations as currently in effect ("**U.S. AML Law**")<sup>1</sup> including, potential penalties under U.S. AML Law with respect to those third-party payment arrangements, and certain factors that mitigate those risks. While we have reviewed certain Cirrus documents as part of this review, this is not a full evaluation of Cirrus' AML or other compliance programs.

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<sup>1</sup> 12 USC § 1829b, 12 USC §§ 1951-1960, 31 USC §§ 5311-5314, 5316-5336; 18 U.S.C. §§ 1956, 1957, 1960; 31 C.F.R. § 1010, et seq.; 31 C.F.R. § 1010.205(b)(1)(iv).

## I. Executive Summary

U.S. AML Law including the Bank Secrecy Act and its implementing regulations (“BSA”), requires “financial institutions” to develop and maintain effective AML compliance programs. The definition of “financial institution” under U.S. AML law includes a provision that expressly exempts sellers of aircraft, such as Cirrus, from the obligation to establish and maintain a compliance program<sup>2</sup> is set forth in Exhibit A attached hereto. Based on facts provided to us by Cirrus, all of which we have assumed without independent investigation or inquiry to be accurate and complete in all respects relevant to the matters discussed in this memorandum, Cirrus is not a “financial institution” as defined by the BSA and also has had no occasion to file BSA reports. Nonetheless, if any payments it has received are subsequently found to involve activity prohibited by U.S. AML Law, Cirrus’ and its employees could be subject to liability under U.S. AML Law based on whether and to what extent it or its employees they knew or should have known about the illegal source of the funds.

Regardless of whether the transaction takes place within the United States or abroad, Cirrus and its employees could face criminal liability under the Money Laundering Control Act if they were either in conspiracy with those who were moving illegal proceeds or wilfully blind to the fact that a transaction involved proceeds of illegal conduct.

## II. Factual Background

Cirrus has provided<sup>3</sup> us with the information set forth in this Part II, all of which we have assumed without independent investigation or inquiry to be accurate and complete in all respects relevant to the matters discussed in this memorandum:

From time to time in the ordinary course of business, Cirrus accepts payment from an entity or individual payor who is different from the purchaser of the aircraft. In such a transaction, Cirrus and the purchaser are the two parties to the purchase agreement, and the payor is someone other than the purchaser, as arranged by the purchaser without Cirrus’s active involvement or assistance. An example may include where the purchaser engages a finance company to assist with the purchase of the aircraft. While Cirrus does advertise a financing option to assist customers in a place to begin, customers are not required to use that option. In the event that the customer utilizes this or another financing option, Cirrus permits the finance company to settle the payment directly with Cirrus on behalf of the purchaser. Other examples provided by Cirrus, and their related commercial scenarios as explained by Cirrus are discussed below.

In all sales at Cirrus, such “third-party payment arrangements” are for business transactions involving the actual exchange of goods and are supported by documentation, including purchase orders, invoices, and payment records; Cirrus has advised that it is fairly common in the aviation industry to for customers to use a third-party payor. This has been confirmed independently by Frost & Sullivan.

Purchasers of Cirrus’ products, generally pay by (i) credit card/bank transfer for the initial deposit (\$15,000) and (ii) bank transfer for the remaining balance of the purchase price of the aircraft. For third-party payments, Cirrus additionally requires the third party making the payment to note in the payment file the order number or serial number the payment is intended for. Cirrus does not require the purchaser/registered owner guarantee use of a specific third party for payment nor indemnify Cirrus for any issues that may arise.

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<sup>2</sup> 12 U.S.C. § 5312(a)(2); 31 C.F.R. 1010.100(t); Note that 31 C.F.R. § 1010.205(b)(1)(iv) exempting sellers of aircraft from the requirement to establish or maintain an AML compliance program).

<sup>3</sup> The information in this Part II was provided to us in the document titled “4.4.1 AML DDA Question Responses” provided by Cirrus, in discussions with Cirrus executives, and in copies provided to us by Cirrus of its Code of Ethics and Business Conduct, its Employee Handbook and its Export Management Control Program. Cirrus provided confirmation of all facts in an email to Hogan Lovells US dated June 5, 2023.

From January 1, 2020, forward, all third-party payments were made through U.S. financial institutions, and Cirrus has not accepted a currency payment in excess of \$10,000 for the sale of an aircraft.

Cirrus has engaged in the following types of these arrangements ("Paying Arrangements"):

| Scenario | Purchaser/<br>Registered<br>owner of aircraft | Payor for<br>aircraft           | Relationship<br>between<br>purchaser/registered<br>owner and payor  | Reason for<br>Paying<br>Arrangement  |
|----------|---|---------------------------------|---|--|
| 1        | Individual                                    | A company                       | Paid by a company which is owned by, or related to <sup>4</sup> , the purchaser and/or registered owner who signed the sales contract | Individuals will sign the contract, but make the purchase through either an existing business or a limited liability company related to the individual buyer of the purchased aircraft either for commercial or other personal reasons |
| 2        | Individual                                    | A bank or<br>finance<br>company | Paid by a bank or finance company acting as lender to the individual for the purchase   | Financing for the purchasing of aircraft, which is quite common, is arranged by the individual buyer of the aircraft either through the Cirrus' finance partner or a third-party finance company                                       |
| 3        | Company                                       | Another<br>company              | Paid by a company which is owned by, or related to, the purchaser/registered owner which signed the sales contract                    | This typically occurs when a person registers his or her aircraft under a limited liability company for that aircraft and sends funds to complete the purchase through another company   |

<sup>4</sup> "Related to" below includes relationships such as, but not limited to, shareholding, employment, trust, financing, business partnership or kinship between the purchaser/registered owner and payor



|   |         |               |  |   |
|---|---------|---------------|--|---|
|   |         |               |  | related to that person, either for commercial or other personal reasons   |
| 4 | Company | An individual | Cirrus is the owner of the aircraft, but the purchase is funded by individuals with no immediately apparent relationship to the entity purchase. However, it is common that the individual is part or whole owner of the entity for which payment is being made. | This typically occurs when the individual registers his or her aircraft under a limited liability company for that aircraft, but the individual directly pays for it, either for commercial or other personal reasons |

None of the payors under the Paying Arrangements during the Track Record Period had any past or present relationship (whether business, employment, family, trust, fund flow, financing or otherwise) with Cirrus or its subsidiaries, their directors, shareholders, senior management, or any of their respective associates.

Cirrus, through its financial partner, has a screening program that guards against money laundering, terrorist financing and financial transactions involving illegal activities. In addition, in its sales delivery packet, Cirrus requires certain attestations and identifiers from its customers, such as the name and address of the final end user. Cirrus' watchlists are aggregated from more than thirty-five countries.

Cirrus' salespeople understand and know the reason why for the purchaser is using a third-party payor in each instance, and they are able to certify that they have no knowledge of third-party payment arrangements that involve money laundering.

The identity or other information regarding the ultimate beneficial owners (commonly known as UBOs) is not researched, collected, nor retained by Cirrus.

No fine, penalty or other sanction has been imposed on Cirrus for any non-compliance by Cirrus with U.S. AML Law or foreign equivalent laws, and Cirrus has not received written notice from any U.S. governmental agency of any alleged non-compliance by Cirrus with U.S. AML Law or foreign equivalent laws.

**A. Overview of Certain U.S. AML Law Provisions Regarding Third-Party Payment Arrangement:**

In general, companies such as Cirrus, its customers located in the United States and abroad, and third parties are free under U.S. AML Law to receive, pay, or transfer U.S. Dollars in, out, or through the United States for legitimate transactions. Receiving payments through third parties does not, on its face, violate U.S. AML Law as long as (a) the relevant financial institutions involved in the transaction (which, as indicated above, we have assumed do not include Cirrus) comply with their obligations under the BSA and (b) the third-party payment arrangements do not involve money

laundering activities prohibited by U.S. AML Law, including knowledge or wilful blindness on the part of Cirrus or its employees that the transaction is part of a plan of:

- engaging in a financial transaction involving the proceeds of certain crimes in order to conceal the nature, source, or ownership of proceeds they produced;
- engaging in a financial transaction involving the proceeds of certain crimes in order to promote further offenses;
- transporting funds generated by certain criminal activities into, out of, or through the United States in order to promote further criminal activities, or to conceal the nature, source, or ownership of the criminal proceeds, or to evade reporting requirements;
- engaging in a financial transaction involving criminal proceeds in order to evade taxes on the income produced by the illicit activity;
- structuring financial transactions in order to evade reporting requirements;
- spending more than \$10,000 of the proceeds of certain criminal activities;
- traveling in, or use of the facilities of, interstate or foreign commerce in order to distribute the proceeds of certain criminal activities;
- traveling in, or use of the facilities of, interstate or foreign commerce in order to promote certain criminal activities;
- transmitting the proceeds of, or funds to promote, criminal activity in the course of a money transmitting business;
- transmitting funds in the course of an unlawful money transmitting business;
- smuggling unreported cash across a U.S. border; or
- failing to comply with the U.S. Department of the Treasury's anti-money laundering provisions.

The final point above, referring to the AML provisions set out by the U.S. Department of the Treasury and its Financial Crimes Enforcement Network ("**FinCEN**"), is required only of "financial institutions," which, based on facts provided by Cirrus all of which we have assumed without independent investigation or inquiry to be accurate and complete in all respects relevant to the matters discussed in this memorandum, does not include Cirrus.

Although the statutory language of the BSA includes as a "financial institution" a "business engaged in vehicle sales, including automobile, airplane, and boat sales," BSA regulations in place since 2002 have temporarily exempted certain categories of "financial institutions" from most BSA-related obligations, including establishing and maintaining an AML programs.<sup>5</sup> In particular, 31 C.F.R. Chapter X. Subpart B § 1010.205 (b) provides an exemption, under which "seller[s] of vehicles, including automobiles, airplanes, and boats" are temporarily "exempt from the requirement in 31 U.S.C. 5318(h)(1) concerning the establishment of anti-money laundering programs."<sup>6</sup> This "temporary" exemption has been in place for over 20 years,<sup>7</sup> and there are no known proposals by FinCEN to revoke it with regard to sellers of airplanes.

"Financial Institutions," that are required to establish and maintain AML compliance programs must, for example, know their customers' business, the source of their customers' money, and the type of transactions that are typical for their customers. Financial institutions have an obligation to

<sup>5</sup> 12 U.S.C. § 5312(a)(2)(T); 31 C.F.R. 1010.100(t); 31 C.F.R. § 1010.205(b)(1)(iv).

<sup>6</sup> 31 C.F.R. § 1010.205(b)(1)(iv).

<sup>7</sup> 67 Fed. Reg. 82 (Monday, April 29, 2002); 68 Fed. Reg. 8568 (Feb. 24, 2003).

report or, in some cases, to refuse to conduct transactions they find suspicious, including those that appear to be from an illegitimate source, have no legitimate business purpose, or are out of character with what they understand their customers' business to be. "Financial institutions" compliance programs "must establish a due diligence program that includes appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to detect and report known or suspected money laundering activity" and the scale and sophistication of their compliance programs may vary as long as they are "commensurate with the risks posed by the location and size of, and the nature and volume" of the transactions that the financial institution engages in. See, e.g., 31 C.F.R. § 1022.210 (a)-(b); FACT SHEET for Section 312 of the USA PATRIOT Act Final Regulation and Notice of Proposed Rulemaking.

Businesses that are not "financial institutions" are not obligated under U.S. AML law to maintain such a compliance program. Aircraft sellers, such as Cirrus, are expressly exempted from this requirement. Accordingly, they do not have an affirmative requirement to maintain controls that would enable them to detect and report suspected money laundering. Nevertheless, they may, out of good business practices and risk management, maintain internal controls that require certain information regarding their customers' purchases. However, non-financial institutions need not maintain a due diligence program that would require them ensure the legality of the source of funds for purchases of their products, absent red flags or actual knowledge of illegality.

While such businesses are exempt from FinCEN's AML compliance program requirements, they do have some remaining BSA filing obligations.<sup>8</sup> Specifically, pursuant to 31 C.F.R. § 1010.330, a financial institution who receives, in the course of its trade or business currency in excess of \$10,000 in cash and negotiable instruments must file Form 8300 with the Internal Revenue Service.<sup>9</sup> Cirrus has not engaged in any transactions that would trigger those requirements based on facts provided to us by Cirrus, all of which we have assumed without independent investigation or inquiry to be accurate and complete in all respects relevant to the matters discussed in this memorandum.

Separate from its status as a "financial institution," Cirrus or its employees could face criminal liability under the Money Laundering Control Act if they were either in conspiracy with those who were transacting with illegal proceeds or wilfully blind to the fact that a transaction involved proceeds of illegal conduct regardless of whether the transaction takes place within the United States or abroad.

Penalties for noncompliance with U.S. AML Law include prison terms, fines, restitution, asset forfeiture, and civil penalties may follow as a consequence of violating U.S. AML Law. Penalties for civil violations of FinCEN regulations, which apply to "financial institutions," range from \$1,600 to \$270,000 per offense and are adjusted for inflation annually.

If a financial institution handling Cirrus' payment were to fail to comply with its obligations under the BSA, that fact, alone, would not render the payment invalid. However, if products sold by Cirrus were determined to be "involved in" a money laundering transaction (*i.e.*, purchased using proceeds of crime), the product could be subject to administrative, civil, or criminal forfeiture.<sup>10</sup>

<sup>8</sup> See 31 C.F.R. §§ 1010.300 – 380.

<sup>9</sup> 31 CFR 1010.330(a)(1)(i). "Cash" and "negotiable instruments" include cashier's checks, bank drafts, traveler's checks, and money orders in face amounts of \$10,000 or less, if the instrument is received in a "designated reporting transaction." 31 CFR 1010.330(c)(1)(ii)(A). A "designated reporting transaction" is defined as the retail sale of a consumer durable, collectible, or travel or entertainment activity. 31 CFR 1010.330(c)(2). In addition, a seller of aircraft would need to treat the instruments as currency if the financial institution knows that a customer is using the instruments to avoid the reporting of a transaction on Form 8300. 31 CFR 1010.330(c)(1)(ii)(B).

<sup>10</sup> See 18 U.S.C. § 981(a)(1)(C); 18 U.S.C. § 982(a)(1); 21 U.S.C. § 853(a); 18 U.S.C. § 924; 28 U.S.C. § 2461(c).

Criminal consequences for violation U.S. AML Law include up to 20 years imprisonment, forfeiture of assets that are either the proceeds of the money laundering transaction or were used as an instrumentality to commit the offense, and fines of no more than the greater of \$500,000 or twice the value of the property involved in the offense.

**B. Cirrus' Risk of Violating U.S. AML Law Based on Third-Party Payment Arrangement:**

As outlined below, we are of the view that (a) as an aircraft seller, Cirrus is explicitly exempted from the obligations applicable to "financial institutions" under the U.S. AML Law to establish and maintain an AML compliance program, to know customers' sources of funds or otherwise to ascertain the relationship between (or have a written contract between) us and third-party payors, (b) receiving payments from third parties through U.S. financial institutions complying with their obligations under the Bank Secrecy Act for legitimate transactions without involving money laundering activities does not violate U.S. AML Law; and (c) based on the due diligence conducted (including but not limited to reviewing sales records and other underlying documents for the Payment Arrangements, documents relevant to the Company's internal control measures and discussions with the management) and that Cirrus is not a "financial institution" for purposes of U.S. AML Law that is obligated to establish or maintain an AML program, there has been no non-compliance by us with U.S. AML Law. Notwithstanding the above, Cirrus also has internal control measures in this regard for its own risk management purposes, including:

- (i). Cirrus has a designated screening program that guards against illegal activities for its sales and Cirrus screens its customers against numerous lists from worldwide government authorities covering, among others, money laundering, fraud, corruption and breach of International Sanctions;
- (ii). Cirrus only processes payments under the Payment Arrangements made through U.S. financial institutions, which are required to establish and maintain effective Bank Secrecy Act compliance programs according to relevant U.S. laws;
- (iii). as a matter of its standard procedures and consistent with a risk-based approach to preventing and detecting violations of U.S. AML Law, Cirrus has control measures requiring all payment arrangements be made for business transactions involving the actual exchange of goods and are supported by documentation, including but not limited to purchase orders, invoices, payment records or delivery notes that require attestations and identifiers from customers, including the name and address of the final end user, and Cirrus ensures payments from customers' designated parties are indeed settled on behalf of the relevant customers by tracking the identifiable serial number or transaction number which is unique for each aircraft sold in the payment records;
- (iv). Cirrus has policies and procedures set forth in our code of ethics and business conduct in our employee handbook, which are aimed at preventing our employees from, among others, engaging in a transaction that violates U.S. AML Law, and Cirrus employees receive training and acknowledge the codes of conduct and other compliance policies upon hire as well as through its annual verification process; and
- (v). Cirrus has implemented a whistleblower program in place for employees, suppliers and customers to anonymously report violations to the code of conduct, fraud, or questionable accounting or auditing practices, and such program details are available on the Company's intranet and are communicated to all employees.

The following facts which we have assumed, in Part II above, to be accurate significantly mitigate the risk that Cirrus would be involved in a transaction that would violate U.S. AML Law:

- 1) Cirrus has policies and procedures set forth in its Code of Ethics and Business Conduct, its Employee Handbook, and its Export Management Control Program, which are aimed at

preventing it or its employees from engaging in a transaction that violates U.S. federal AML laws;

- 2) Cirrus is not a “financial institution” that is required to, for example, establish and maintain an AML compliance program, know its customers’ sources of funds, file Suspicious Activities Reports, under the BSA;
- 3) Third-party payment arrangements are for business transactions involving the actual exchange of goods and are supported by documentation, including purchase orders, invoices, delivery, and payment records consistent with a risk-based approach to preventing and detecting violations of U.S. AML Law;
- 4) Cirrus Directors, management, and sales staff are able to certify that they have no knowledge of third-party payment arrangements that involve money laundering;
- 5) All third-party payments are handled by U.S. financial institutions, which are required to establish and maintain effective BSA compliance programs; and
- 6) Cirrus received no currency payments (whether from a third-party or a purchaser) that would be reportable transactions under the BSA from January 1, 2020, through the present.

As a business specifically exempted from the requirement to maintain an AML compliance program, Cirrus does not have an obligation to maintain such controls nor to ensure the legality of payment sources, absent red flags or actual knowledge about the source of funds. Nevertheless, the internal controls listed above are consistent with the types of measures that a business would implement as part of a risk-based compliance program reasonably designed to detect and prevent money laundering transactions.

### C. Conclusion

Based on facts provided to us by Cirrus, all of which we have assumed without independent investigation or inquiry to be accurate and complete in all respects relevant to the matters discussed in this memorandum, Cirrus is not a “financial institution” that is required to establish or maintain an AML program. It does retain the obligation to file reports of certain currency payments received, but that obligation has not been triggered during the time period relevant to this memorandum. Nonetheless, if any payments it has received are subsequently found to require reporting or involve activity prohibited by U.S. AML Law, Cirrus’ and its employees could be subject to liability under U.S. AML Law.

Regardless of whether the transaction takes place within the United States or abroad, Cirrus and its employees could face criminal liability under the Money Laundering Control Act<sup>11</sup> if they were either in conspiracy with those who were moving illegal proceeds or wilfully blind to the fact that a transaction involved proceeds of illegal conduct.

In addition, we have reviewed certain information relating to U.S. AML Law in the Company’s Prospectus under the heading “Business—Key Terms of Our Sales Contracts” (the “**U.S. AML Law Information**”), and subject to and limited by the assumptions, qualifications, exceptions, and limitations set forth in our memorandum, we advise that the statements in the U.S. AML Law Information of the Prospectus insofar as such U.S. AML Law Information refer to matters of law or legal conclusions, are accurate and complete in all material respects and present fairly the information purported to be described in the U.S. AML Law Information of the Prospectus.

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<sup>11</sup> 18 U.S.C. §§ 1956 & 1957.

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This memorandum has been prepared based on the directions of Cirrus for the sole purpose of assisting Cirrus in its preparation of documentation for the Offering. We have prepared this memorandum upon the express understanding that it will be used only for that purpose and not as a recommendation or inducement to any person or entity to participate in the Offering or any other transaction or relationship. This memorandum should not be treated as a substitute for, and does not itself constitute, a warranty, indemnity, or other protection customary for a transaction such as the Offering. It does not purport to describe all the advice and other matters we have discussed with Cirrus regarding AML regulatory matters or the Offering. It is not a full evaluation of Cirrus' AML or other compliance programs. The analysis, views and conclusions contained herein are based solely on information provided to us by Cirrus and set forth in Part II above, all of which we have assumed without independent investigation or inquiry to be accurate and complete in all respects. We make no representation or warranty regarding the sufficiency of this memorandum or the scope or procedures it describes for any purpose.

This memorandum speaks only as of the date set forth on the first page hereof, and we have no responsibility or obligation to update this memorandum, to consider its applicability or correctness to any person or entity other than Cirrus for the purpose set forth above, or to investigate, report or take into account any changes in law, facts or other developments of which we may become aware, or to inform Cirrus or any other person or entity if any of the statements, views or conclusions contained herein should subsequently be modified or become incorrect. We note that any analysis of AML regulatory matters is highly fact-specific, and therefore an inaccuracy, omission or change in the facts and circumstances described in or assumed for purposes of this memorandum could materially affect or invalidate the analysis, views and conclusions expressed herein. Moreover, we note that the matters discussed in this memorandum involve an area of U.S. law and regulation that is under active and continuing consideration by U.S. regulators and legislators and is subject to significant change at any time] and that there is limited guidance or precedent interpreting these matters. Any changes after the time of delivery of this memorandum could affect the analysis and views set forth herein.

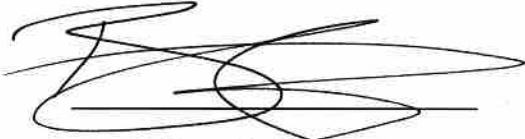
This memorandum is only intended for the benefit of the person(s) to whom it is addressed, including the Sponsor and the Underwriter(s) of the Offering; provided, however, that we shall not have any liability (whether under statute, in contract, in equity, in tort or otherwise) to the Sponsor or the Underwriters of the Offering with respect to, or resulting from, this memorandum (or anything contained in or omitted from this memorandum) or the furnishing of this memorandum to the Sponsor or the Underwriters of the Offering; provided, further, that nothing in these terms regarding the receipt and use of this memorandum shall limit our liability to the Sponsor or the Underwriters of the Offering for any loss due to our fraud, bad faith, gross negligence or wilful default.

This memorandum may also be disclosed for information only to (but not relied on by) the HKEX, the Companies Registry, and within the period and in accordance with the procedures specified in the Prospectus, made available for inspection to the public, and such disclosure and non-reliance and the liability waiver referred to above are governed by and construed in accordance with the laws of England and Wales.

Save as set forth above, no recipient may disclose this memorandum to any other person or quote or refer to it in any public document or file it with any person, without our prior written consent in each specific case. This memorandum may, however, be disclosed by the addressees hereof to the extent required by law, regulation or any governmental or competent regulatory authority or reasonably necessary in asserting any defense to actual or threatened court proceedings relating to the Offering; provided that no such party to whom this opinion letter is disclosed may rely upon it without our express written consent.

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If you have questions or comments regarding this memorandum, or would otherwise like to discuss the information herein, please contact Ben Kostrzewa at [ben.kostrzewa@hoganlovells.com](mailto:ben.kostrzewa@hoganlovells.com), or Stephanie Tang at [stephanie.tang@hoganlovells.com](mailto:stephanie.tang@hoganlovells.com).



**Hogan Lovells International LLP**

