

TO	X.J. Electrics (Hu Bei) Co., Ltd. (湖北香江電器股份有限公司) Kai Di Road Li Shi Zhen Industrial Park Qichun County Hubei Province PRC	
CC:	Sinolink Securities (Hong Kong) Company Limited (the " Sole Sponsor-Overall Coordinator ") Units 3501-08 35/F, Cosco Tower 183 Queen's Road Central Hong Kong (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries)	
FROM	Stephen Peepels	TELEPHONE: +852 9097 3997
DATE	June 17, 2025	
<i>Privileged and Confidential</i>		<i>By Electronic Mail</i>
SUBJECT	Memorandum of Advice – International laws and Regulations Relating to Trade Sanctions and Export Controls	

1. INTRODUCTION AND SCOPE

- 1.1 I am instructed to act as the international sanctions counsel to X.J. Electrics (Hu Bei) Co., Ltd (湖北香江電器股份有限公司) (the "**Company**"). This memorandum assesses the applicability to the Company, and its subsidiaries (the Company and its subsidiaries together, the "**Group**") of United States ("**U.S.**"), European Union ("**EU**"), United Nations ("**UN**") and Australian regulations and rules related to economic sanctions programs and export controls ("**International Sanctions**"). My analysis has been prepared in the context of the proposed initial public offering and listing of the Company's H shares on The Stock Exchange of Hong Kong Limited (the "**Offering**"). However, my advice is applicable whether or not the Company proceeds with the Offering.
- 1.2 This memorandum provides analysis of the Group's international business transactions and operations based on the facts and information provided by the Group as of the date of the memorandum. To prepare this memorandum, I have provided to the Group a Sanctions Due

Diligence Questionnaire dated September 8, 2024, which has been updated through the date of this memorandum (the "**Sanctions DD Questionnaire**"). In response, the Group completed the Sanctions DD Questionnaire, including providing supplemental information as to its business and operations, and updated this information through the date of this memorandum. In addition, I was afforded the opportunity to request any follow-up information as I deemed necessary to prepare this memorandum, and had the opportunity to interact with the Group via telephone and e-mail communications. Further, I was given the opportunity to participate in the preparation of the Group's prospectus prepared in connection with the Offering (the "**Prospectus**"), and have reviewed the disclosures in the Prospectus as of the date of this memorandum. The information that I have reviewed as set forth in this paragraph 1.2 is referred to in this memorandum as the "**Group Information**".

- 1.3 This memorandum is not intended as a full due diligence review of these issues, nor is it intended to provide any assessment of the Group's existing policies or wider procedures implemented to manage its compliance with International Sanctions. I regularly advise on the implementation of sanctions compliance programs and internal controls policies and would be happy to assist the Company in this manner if requested.
- 1.4 For the purpose of this memorandum, the countries/regions to which International Sanctions may apply to the Group's business (as described in the Prospectus) are Egypt, Haiti, Lebanon, Russia, Ukraine and Venezuela (the "**Relevant Countries**"), each of which countries is subject to International Sanctions programs. I note specifically and the Company has confirmed, on behalf of the Group that Group does not have sales or operations in the Crimean, Donetsk, Luhansk and Sevastopol Regions of Ukraine (the "**Sanctioned areas of Ukraine**", which are comprehensively sanctioned) during the Track Record Period, and these areas are not included in the Relevant Countries.
- 1.5 It is important to note that international sanctions laws, rules and regulations are subject to ongoing review by the governments and governmental organizations that implement and enforce them. It is my advice that companies such as the Group that conduct international business operations make the efforts required to keep abreast of the developments in international sanctions regulations to assure that their business practices continue to comply with all applicable regulations. This memorandum is current as of its date, but I undertake no obligation to update this memorandum to reflect developments in the international sanctions area after the date hereof.
- 1.6 This memorandum is based on the understanding and assumptions detailed herein. In particular, I have relied on the Group to provide accurate, complete and not misleading information about its international business and operations. If any of the assumptions are incorrect, it may adversely impact the accuracy of my analysis herein. The Group is recommended to inform the Sole Sponsor and myself if it becomes aware of any fact that may make my assumptions invalid.

2. EXECUTIVE SUMMARY

- 2.1 The Group is based in the PRC and engages in the research and development, design, manufacturing and sales of electric household appliances and non-electric household appliances. The Group primarily manufactures and sells its products to ODM/OEM customers under their respective brands, and its customer base includes many global brand names, including Walmart, Philips, SEB, Sensio, Hamilton Beach and others. On an OEM basis, the Group manufactures according to designs developed by its customers. For ODM sales, the Group collaborates with its customers to develop designs according to their requirements.
- 2.2 The Group's production facilities are located in seven different locations in the PRC, in addition to a production facility under development in Indonesia, and plans to open another production facility in Thailand.
- 2.3 During the Track Record Period, the Group sold products to over 70 countries located in North America, Europe, Oceania, Asia, South America, and Africa, in addition to its sales in various provinces, municipalities and autonomous regions in China, including but not limited to Beijing, Xiamen, Jiangsu, Zhejiang, Sichuan and Guangdong.
- 2.4 The Group mainly sells its products through direct sales to corporate customers and through distribution sales to distributors. During the years ended December 31, 2022, 2023 and 2024 (collectively, the "**Track Record Period**"), the Group's sold its products to customers located in the Relevant Countries.
- 2.5 United States
- 2.5.1 On the basis of my review of the Group Information and due diligence process, together with the Company's declarations (for and on behalf of the Group) that:
- 2.5.1.1 the Group has two U.S. subsidiaries, conducts significant sales to customers located in the United States, and has one directors, together with employees and one property located in the territory of the United States; however, based on the analysis in this memorandum and the nature of the Group's business, these facts do not present concerns under U.S. sanctions rules and regulations;
- 2.5.1.2 no financing or financial assistance has been received by the Group, either directly or indirectly, from any company, entity or body incorporated or located in the United States;
- 2.5.1.3 no products supplied, sold, exported or otherwise transferred by the Group to the Relevant Countries incorporate more than 10% value of U.S.-origin content;
- 2.5.1.4 none of the finished products sold to the Relevant Countries were covered by U.S. owned intellectual property rights.

- 2.5.1.5 none of the Group's counterparties in the Relevant Countries during the Track Record Period was an individual, entity or organization that has been designated as Specially Designated Nationals and Blocked Persons ("**SDNs**");
- 2.5.1.6 no services have been exported (either directly or indirectly) to any persons or entities identified on the U.S. Department of Commerce, Bureau of Industry and Security's Entity List, Denied Parties List, the Military End User List (Supplement No. 7 to part 744 of the EAR (as defined in Clause 4.2.2)) or Unverified List (collectively, the "**BIS List**"); and
- 2.5.1.7 the Group's services and activities did not involve industries or sectors that are currently subject to specific sanctions by the United States;

Based on the facts presented in paragraphs 2.5.1.1 – 2.5.1.7, my assessment is that the business dealings of the Group during the Track Record Period as described to me by the Group, do not primary or secondary sanctions or U.S. export control laws.

2.6 United Nations

- 2.6.1 On the basis of my review of the Group Information and due diligence process, and the Company's declarations (for and on behalf of the Group) that:
 - 2.6.1.1 the Group's activities involving any sanctioned countries were limited to the sale of electric household appliances and non-electric household appliances that are not export-controlled; and
 - 2.6.1.2 the Group has confirmed that it does not have business dealings with parties targeted by UN sanctions,

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

2.7 European Union

- 2.7.1 On the basis of my review of the Group Information and my due diligence process, and the Company's declarations (for and on behalf of the Group) that:
 - 2.7.1.1 all activities involving the Relevant Countries were negotiated, entered into and performed without any involvement (including in any approval or decision-making capacity) by any national of or entity incorporated, domiciled, or otherwise located in either the territories of the EU Overseas Territories;
 - 2.7.1.2 the Group's activities are limited to the sale of electric household appliances and non-electric household appliances, which are not

export-controlled in the EU Overseas Territories;

- 2.7.1.3 neither the Group nor any of its affiliates, agents, directors, officers, or employees are engaged in transactions, business or financial dealings that directly or indirectly involve or benefit a person or entity listed under EU Overseas Territories sanctions;
- 2.7.1.4 no financing or financial assistance received by the Group (either directly or indirectly) from any company, entity or body incorporated or located in the EU Overseas Territories (including the Cayman Islands and the British Virgin Islands) has been used in any way in relation to activities involving Relevant Countries;
- 2.7.1.5 the Group's activities involving Relevant Countries have not identified any person specifically designated (i.e. listed / targeted) under any existing EU sanctions regime; and
- 2.7.1.6 the Group has not been, directly or indirectly, involved in the export from the EU Overseas Territories of any items listed in the EU Common Military List or the EU Dual Use list (Annex I to EU Regulation 428/2009,

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

2.8 Australia

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

- 2.8.1.1 the Group is not:
 - (a) a person in Australia;
 - (b) an Australian citizen or Australian-registered body;
 - (c) owned or controlled by Australians or persons in Australia; or
 - (d) a person using an Australian flag vessel or aircraft to transport goods or transact services subject to Australian autonomous sanctions; and
- 2.8.1.2 the Group has confirmed that no Australian citizens employed or otherwise engaged by the Group have been involved in any way, including in the negotiation or approval of, or with the on-going performance of, or in any wider decision-making capacity, with

respect to any of the Group's indirect dealings involving the Relevant Countries;

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

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

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

3. COMPANY BACKGROUND

- 3.1 X.J. Electrics (Hu Bei) Co., Ltd. is incorporated in the PRC. As at the Latest Practicable Date, the Group had approximately nine subsidiaries in the PRC, two subsidiaries in Hong Kong, two subsidiaries in the U.S., one subsidiary in Indonesia and one subsidiary in Thailand. The Group's major operating subsidiaries are: (1) X.J. Electronics (Shenzhen), (2) Yuantexin Electronics, (3) MeiNuoWei Electrics, (4) X.J. Intelligent Electronics, (5) X.J. Group (HK) and (6) THS Industrial (Hong Kong). All of the Group's major operating subsidiaries are incorporated in the PRC or Hong Kong and engage in the manufacture and sale of electric household appliances and non-electric household appliances.
- 3.2 In preparing this summary, I have relied on the Prospectus for the Group's shareholding structure, immediately before and after completion of the Global Offering, respectively. The Company has confirmed that it is not owned 50% or more, or controlled, by one or more U.S. persons as defined under U.S. economic sanctions laws and regulations.
- 3.3 The following table set out the information regarding Directors of the Company.

Director	Name	Nationality
Executive Directors	Mr. Pan Yun (潘允)	Chinese
	Mr. Guangshe Pan	American
	Ms. Ji Ying (吉穎)	Chinese
	Ms. Li Youxiang (李友香)	Chinese
	Mr. Xu Xiping (徐細平)	Chinese
	Ms. Hu Yan (胡彥)	Chinese
Independent non-executive Directors	Dr. Huang Hanxiong (黃漢雄)	Chinese
	Dr. Li Jiannan (李健男)	Chinese
	Dr. Gu Zhaoyang (顧朝陽)	Chinese

- 3.4 The Group was founded in the PRC in 2012. During the Track Record Period, the Group has focused on research and development, design, manufacturing and sales of electric household appliances and non-electric household appliances. The Group's electric household appliances consist of products in three categories, namely (i) electro-thermic appliances, such as electric griddles, waffle makers and kettles; (ii) motor-driven appliances, such as blenders, mixers and electric can openers; and (iii) electronic appliances such as digital kitchen scales, sport action cameras and laser projector lights. The Group also offer non-electric household appliances such as garden hose and cookware.
- 3.5 During the Track Record Period, the Group's customers mainly comprised overseas ODM/OEM customers, including global brand owners, which represented more than 90% of

the Group's total revenues during this period. In addition, the Group operates an OBM business that focuses on sales to distributors for its self-branded products (i.e. products under ("Weighmax"), ("Accuteck") and ("Aigoli")) and direct sales of the Group's self-branded products to consumers, mainly through ecommerce marketplaces including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多).

- 3.6 In response to the Sanctions DD Questionnaire, on September 10, 2024, the Group provided me with a spreadsheet listing various export related information concerning the Group's sales to the Relevant Countries during the Track Record Period, as well as contracts and other relevant information and updates relating to these sales to Relevant Countries. From the information provided by the Group, I identified that the Relevant Countries were listed as customer destinations of the Group's products. I note further that no other countries or jurisdictions that are subject to international sanctions by the United States, the UN, the EU or Australia were revealed by my diligence review.
- 3.7 Transactions with customers in the Relevant Countries were mainly conducted in U.S. Dollars and certain other currencies, and payment was made either by bank remittance or bank check.
- 3.8 The Group has confirmed that none of the products supplied, sold or exported or transferred by the Group are controlled under U.S. export controls or are otherwise restricted for transfer, either directly or indirectly, from the United States (or by U.S. persons) to or for use in any third country. On the basis of this confirmation and my understanding of the nature of the Group's products and services formed by my due diligence process, an analysis of the Group's products against U.S. export control and trade related sanctions restrictions has not been undertaken.
- 3.9 Based on the information provided by the Group, the Group believes that none of the products supplied, sold, exported or transferred by the Group are controlled under EU and/or UK Overseas Territories export controls or are otherwise restricted for transfer either directly or indirectly, from the EU (or by EU persons) or from the UK Overseas Territories (or by UK Overseas Territories nationals) to or for use in any third country. On this basis and my understanding of the nature of the Group's products and services, an analysis of the Group's products against EU and/or UK Overseas Territories export control and trade related sanctions restrictions has not been undertaken.
- 3.10 Based on the information provided by the Group, the Group believes that:
- 3.10.1 None of the goods or services supplied, sold, exported or transferred by the Group are controlled under Australian export controls or are otherwise restricted for supply, sale, export or transfer, either directly or indirectly, from Australia (or by Australian citizens) to or for use in any third country.
- 3.10.2 No goods or services were supplied, sold, exported or transferred by the Group to any country subject to International Sanctions from (or via) Australia.

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

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

Year Ended	Total consolidated gross revenues (RMB'000)	Consolidated gross revenues attributable to sanctioned countries (RMB'000)	Percentage of the Group's total revenues (%)
Year ended December 31, 2022	1,096,965	4,995	0.445%
Year ended December 31, 2023	1,188,321	7,375	0.62%
Year ended December 31, 2024	1,501,510	5,931	0.40%

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

4.1 U.S. Economic Sanctions

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

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

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

4.1.2 Primary Sanctions Applicable to U.S. persons

4.1.2.1 The U.S. Treasury Department's OFAC administers primary U.S. sanctions programs against targeted countries, entities, and individuals. As the economic sanctions are intended to further the foreign policy goals of the United States, they vary considerably from

program to program. Likewise, OFAC has wide latitude to interpret and enforce its regulations based on the foreign policy goals of the U.S. Government.

4.1.2.2 When the U.S. Government imposes economic sanctions against a foreign country, entity, or individual, U.S. law prohibits (with limited exceptions that do not apply in this case) U.S. companies or U.S. persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeted country, entity or individual. U.S. law also may require a U.S. company or a U.S. person to “block” any assets owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within possession or control of a U.S. person. A “blocked” asset means no transaction may be undertaken or effected with respect to the asset – no payments, benefits, provision of services or other dealings – except pursuant to an authorization or license from OFAC.

4.1.2.3 Persons Governed by U.S. Sanctions

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

- (i) U.S. companies and their U.S. subsidiaries;
- (ii) any U.S. company's domestic and foreign branches;
- (iii) any individual who is a U.S. citizen or permanent resident alien (“green card” holder), regardless of his or her location in the world;
- (iv) any individual, regardless of his or her nationality, who is physically present in the United States; and
- (v) U.S. branches of non-U.S. companies.

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

as a person subject to U.S. jurisdiction for Cuba sanctions purposes non-U.S. entities that are affiliates and subsidiaries of U.S. corporations.

- (c) In the case of U.S. sanctions applicable to comprehensively sanctioned countries other than Iran and Cuba, such primary sanctions only apply to U.S. persons as defined above, not to their foreign subsidiaries or to non-U.S. companies.
- (d) In addition, primary sanctions prohibit U.S. persons, wherever located, from approving, financing, facilitating, or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. person or within the United States. This is generally known as the “facilitation” prohibition and is a broad extension of the jurisdictional reach of U.S. sanctions applicable to U.S. persons in countries subject to comprehensive sanctions prohibitions. See, e.g., Iranian Transactions and Sanctions Regulations (“ITSR”), 31 C.F.R. § 560.208. Sudanese Sanctions Regulations, 31 C.F.R. § 538.206. The processing of payments by U.S. banks for Iran-related trade by non-U.S. companies would constitute “facilitation” of such trade and is prohibited.
- (e) The facilitation concept is broad. In general, a U.S. person is not permitted to facilitate in any way activities of a third party with a sanctioned country or a sanctioned person if the U.S. person itself could not directly engage in the underlying activity. Usually, it arises in the context of parent companies and their subsidiaries or between affiliates, where one entity is jurisdictionally required to comply but the other is not. The issue may also arise in the dealer/sub-dealer context, where the dealer is dependent on support from its supplier/partner. “Facilitation” may include the following activities:

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

- (i) Alters its operating policies or procedures, or those of a foreign affiliate, to permit a foreign affiliate to accept or perform a specific contract, engagement or transaction involving a party in or the government of a sanctioned country without the approval of the U.S. person, where such transaction previously required approval by the U.S. person and such transaction by

the foreign affiliate would be prohibited by this part if performed directly by a U.S. person or from the United States;

- (ii) Refers to a foreign person purchase orders, requests for bids, or similar business opportunities involving a party in or the government of a sanctioned country to which the U.S. person could not directly respond as a result of U.S. sanctions laws or regulations; or
- (iii) Changes the operating policies and procedures of a particular affiliate with the specific purpose of facilitating transactions that would be prohibited by this part if performed by a U.S. person or from the United States." ITSR § 560.417.

4.1.2.4 Targets of Primary U.S. Sanctions Programs

- (a) There are two types of primary U.S. sanctions programs – country-based programs (which are territorial in nature) and list-based programs (which are not territorial in nature, as they do not apply to the entire country or all of its territory). Violations of either type of primary U.S. sanction program can result in "strict" civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, willful violations may result in criminal liability punishable by imprisonment and elevated fines.
 - (i) *Country-based sanctions programs.* U.S. sanctions programs targeting specific countries fall into two categories: programs that are comprehensive in scope and programs that are limited in scope.
 - (1) Comprehensive sanctions programs prohibit U.S. persons from dealing in any manner with sanctioned countries and their governments, as well as with any persons or entities in those countries or territories. Currently, the United States maintains comprehensive sanctions against: Cuba, Iran, North Korea, Syria and the Sanctioned areas of Ukraine (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).

- (2) Limited sanctions programs prohibit U.S. persons from participating in certain types of transactions with sanctioned countries and/or governments, such as the provision of services, financing, investments, exports, and/or imports. Prohibited activities vary from program to program, and they generally are not as broad (for example, they do not target activities with all persons or entities in that country). Currently, the U.S. government maintains limited sanctions programs in relation to countries such as Iraq and Libya, and OFAC has issued a series of general licenses authorizing numerous activities.
- (ii) *List-based sanctions programs.* In addition to country-based sanctions programs, primary U.S. sanctions include list-based sanctions that prohibit U.S. persons from dealing with or facilitating dealings with individuals, entities and organizations that have been designated as SDNs by OFAC for a variety of reasons. Although some of these programs reflect the name of a particular country in its title (e.g., Belarus, Burundi, Central African Republic, the Congo, Lebanon, Somalia, South Sudan, Ukraine/Russia, Venezuela, Yemen, Zimbabwe), these sanctions are not territorial in nature and do not apply to the country as a whole, and they do not target the government of such country as a whole nor all persons and entities in the country. Instead, the restrictions apply only to persons and entities that are on the SDN list, which may include some government officials or other parties designated for a variety of reasons (the restrictions also apply to entities owned, at 50% or higher level, by designated SDNs). The names of these designated parties are published on the OFAC SDN List; they include persons or entities targeted for a variety of reasons including but not limited to:

- (1) terrorists and terrorist organizations;
 - (2) narcotics traffickers;
 - (3) persons involved in the proliferation of weapons of mass destruction;
 - (4) persons or entities undermining democratic processes, freedom of expression, or those involved in human rights abuses or censorship activities, among other targeted activities; and
 - (5) individuals and entities that the U.S. Government considers to be “arms” of the sanctioned governments identified above.
- (iii) U.S. persons are not permitted to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List unless authorized by OFAC. The SDN List is updated often, and is available on OFAC's website at <https://sdnsearch.ofac.treas.gov/>. Numerous vendors also provide screening solutions that can be tailored to fit a particular business' needs and IT systems.

4.1.2.5 Application to Egypt

- (a) At the date of this memorandum, the United States has not imposed any sanctions on Egypt. Certain SDNs reside in Egypt, and U.S. persons are prohibited from dealings with such parties and entities they own or control.

4.1.2.6 Application to Haiti

- (a) At the date of this memorandum, the United States has not imposed any sanctions on Haiti. Certain SDNs targeted under OFAC sanctions programs reside in Haiti, and U.S. persons are prohibited from dealings with such parties and entities they own or control.

4.1.2.8 Application to Lebanon

- (a) Currently, the U.S. government maintains targeted list-based sanctions against the Lebanon. These sanctions only block the property and interests in property of SDNs. These regulations are set forth at 31 C.F.R. Part 549. For Lebanon sanctions purposes, persons and entities can be designated as SDNs for

having engaged in the following activities in violation of Executive Order 13441:

- (i) to have taken, or to pose a significant risk of taking, actions, including acts of violence, that have the purpose or effect of undermining Lebanon's democratic processes or institutions, contributing to the breakdown of the rule of law in Lebanon, supporting the reassertion of Syrian control or otherwise contributing to Syrian interference in Lebanon, or infringing upon or undermining Lebanese sovereignty;
 - (ii) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of, such actions, including acts of violence, or any person described above;
 - (iii) to be a spouse or dependent child of any person described above.
- (b) Under Executive Order 13441, 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 13441 and appearing on the OFAC SDN List with the identifier "[LEBANON]". 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.

4.1.2.9 Application to Russia

- (a) The U.S. President has issued four Executive Orders: Executive Order 13660 of March 6, 2014, Executive Order 13661 of March 16, 2014, Executive Order 13662 of March 20, 2014, and Executive Order 13685 of December 19, 2014, finding that the actions and policies of the Government of Russia, including its purported annexation of Crimea and its use of force in Ukraine, continue to undermine democratic processes and institutions in Ukraine; threaten its peace, security, stability, sovereignty, and territorial integrity; and contribute to the misappropriation of its assets, and thereby constitute an unusual and extraordinary threat to the national security and foreign policy of the United States. These Executive Orders impose comprehensive restrictions on dealings with SDNs (including entities owned, at 50% or higher

level, by SDNs directly or indirectly, individually or in the aggregate), comprehensive trade embargo on the Sanctioned areas of Ukraine, and more limited restrictions (so-called “sectoral sanctions”) on certain types of dealings with designated parties in Russia’s energy, financial and defense sectors (including entities owned by them, at 50% or higher level, directly or indirectly, individually or in the aggregate).

- (b) With certain exceptions, U.S. persons are prohibited from dealing with certain Russian persons and entities listed on OFAC’s SDN List (or entities owned by them, as noted above); from dealing in any property in the United States or in the possession or control of a U.S. person in which any SDN has an interest; and in making any new investment in or exporting or importing any product, service or technology to or from the Sanctioned areas of Ukraine. In addition, there are export restrictions on certain U.S.-origin products as well as restrictions on U.S. persons’ ability to provide any products or services to certain parties in Russia targeted by sectoral sanctions if such items would be used for one of the three types of targeted oil/gas production or exploration projects (irrespective of the origin of such goods or services).
- (c) Pursuant to Executive Order 13662 and the Ukraine-Related Sanctions Regulations (“**URSR**”), OFAC promulgated financial restrictions on companies operating in specific sectors of the Russian economy, and the restrictions apply whenever there is a U.S. nexus to the transaction (including USD payments). *The entities listed on the SSIL (“Sectoral Sanctions Identifications List”) have not been added to the SDN List so these SSIs are not subject to blocking requirements noted above.* Instead, OFAC has prohibited certain types of transactions with the SSIs. Specifically, OFAC issued four “directives” as outlined below (certain of these have since been amended, as described in further detail below):
 - (i) Directive 1: The following transactions by U.S. persons or within the United States involving targeted companies are prohibited by Directive 1: “all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity or new equity of [these] persons..., their property, or their interests in property...” All other transactions with these persons are permitted, provided such transactions are not otherwise prohibited by any other sanctions programs implemented by OFAC.

- (ii) Directive 2: The following transactions by U.S. persons or within the United States involving targeted companies are prohibited by Directive 2: “all transactions in, provision of financing for, and other dealings in new debt of longer than 90 days maturity of [these] persons..., their property, or their interests in property...” All other transactions with these persons are permitted, provided such transactions do not otherwise involve any other sanctions programs implemented by OFAC. Unlike Directive 1, Directive 2 does not place restrictions on transacting in, providing financing for, or otherwise dealing in new equity of the entities listed pursuant to Directive 2.
- (iii) Directive 3: The following transactions by U.S. persons or within the United States involving targeted companies are prohibited by Directive 3: “all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity of [these] persons..., their property, or their interests in property...” All other transactions with these persons are permitted, provided such transactions do not otherwise involve any other sanctions programs implemented by OFAC. Unlike Directive 1, Directive 3 does not place restrictions on transacting in, providing financing for, or otherwise dealing in new equity of the entities listed pursuant to Directive 3.
- (iv) Directive 4: The following transactions by U.S. persons or within the United States involving targeted companies are prohibited by Directive 4: “the provision, exportation, or re-exportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater (more than 500 feet), Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory...”
- (d) The SSIL restrictions apply not only to U.S. persons’ dealings with the designated under the directives above, but also to entities directly or indirectly owned 50% or more by SSI entities.
- (e) “Debt” in the SSIL context includes bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers’

acceptances, discount notes or bills, or commercial paper. "Equity" includes stocks, share issuances, depositary receipts, or any other evidence of title or ownership. OFAC has advised that these lists are illustrative, not exhaustive. OFAC has confirmed that the term "extension of credit" would include providing an SSI customer with payment terms that exceed 30 or 90 days, depending on the Directive under which the SSI is designated.

- (f) In addition, there are export restrictions on certain U.S.-origin products as well as restrictions on U.S. person's ability to provide any products or services to certain parties in Russia targeted by sectoral sanctions if such items would be used for one of the three types of targeted oil/gas production or exploration projects (irrespective of the origin of such goods or services). None of these current restrictions, however, target smart devices and solutions, so activities involving even U.S.-origin products are not prohibited under current sanctions when no SDNs or designated parties under sectoral sanctions are involved.
- (g) On August 2, 2017, President Trump signed into law the "Countering America's Adversaries Through Sanctions Act" ("CAATSA"), which amended some of the existing U.S. primary sanctions against Russia and added secondary sanctions targeting certain activities involving Russia. For example, CAATSA required OFAC to amend Directive 1 by reducing the maturity term from 30 to 14 days, and Directive 2 by reducing the maturity term from 90 to 60 days, tightening restrictions on the extension of credit to SSI entities targeted by these directives. On September 29, 2017, OFAC issued amended Directives 1 and 2, indicating that the reduction of maturity term to 14 and 60 days, respectively, would be effective as of November 28, 2017. CAATSA also required OFAC to amend Directive 4, which targets certain energy projects, expanding its territorial reach beyond Russia to any location in the world where one of the targeted exploration/production projects is located so long as a Russian SSI party has at least a 33% interest in such project (this took effect on January 29, 2018). CAATSA also authorizes the U.S. Government to designate state-owned entities in the Russian railway sector and impose sectoral sanctions upon such designations.
- (h) In addition to changes to sectoral sanctions, there are also secondary sanctions that were imposed by CAATSA, so any

persons (U.S. or non-U.S.) who engage in these activities could face exposure to restrictive U.S. measures, even if the underlying activity has no U.S. nexus. These new Russia-related secondary sanctions include (but are not limited to):

- (i) Making of an investment that directly and significantly contributes to the enhancement of the ability of the Russian Federation to construct energy export pipelines; or selling, leasing or providing to the Russian Federation, for the construction of Russian energy export pipelines, goods, services, technology, information, or support that could directly and significantly facilitate the maintenance or expansion of the construction, modernization, or repair of energy export pipelines by the Russian Federation, and which meet either of the following criteria:
 - (1) Any of which have a fair market value of US\$1,000,000 or more; or
 - (2) That, during a 12-month period, have an aggregate fair market value of US\$5,000,000 or more.
- (ii) Making an investment, with actual knowledge, of US\$10,000,000 or more (or any combination of investments of not less than US\$1,000,000 each, which in the aggregate equals or exceeds US\$10,000,000 in any 12-month period), or facilitates such an investment, if the investment directly and significantly contributes to the ability of the Russian Federation to privatize state-owned assets in a manner that unjustly benefits:
 - (1) Officials of the Government of the Russian Federation; or
 - (2) Close associates or family members of those officials.
- (iii) Knowingly engaging in a “significant” transaction with a person that is part of, or operates for or on behalf of, the Russian defense or intelligence sectors. The U.S. Government issued a list of “persons that are part of, or operate for or on behalf of, the defense and intelligence sectors of the Government of the Russian Federation” so foreign parties have additional clarity as

to who in Russia is targeted by this measure and can avoid engaging in “significant” transactions with such parties unless such foreign parties want to face exposure under secondary U.S. sanctions.

- (iv) Foreign financial institutions determined to have knowingly facilitated certain defense- and energy-related transactions on behalf of the Russian Government, or have knowingly facilitated a significant financial transaction on behalf of any Russian SDN.
- (i) Non-U.S. companies engaging in these sanctionable activities are potentially subject to the imposition of several restrictions by the U.S. Government, such as visa denials, prohibition on importation of products into the United States, restrictions on accessing U.S. financing or processing USD payments, and even a designation as an SDN.
- (j) Moreover, CAATSA also required the President to submit a list identifying “the most significant senior foreign political figures and oligarchs in the Russian Federation, as determined by their closeness to the Russian regime and their net worth.” This list was submitted on January 29, 2018, but did not result in the imposition of sanctions on the individuals listed.
- (k) The U.S. Government has issued guidance to clarify broad language used in Section 228. A broad reading of Section 228 would have allowed the U.S. Government to impose restrictive measures on any non-U.S. person who facilitates a “significant” transaction with an SSI entity, even if such transaction is not prohibited by primary U.S. sanctions. The term “significant” is not defined in CAATSA, and the U.S. Government could use multiple factors in deciding what is significant. The recent guidance made it clear that the term “significant transaction” will not include transactions that do not require a U.S. person to obtain a specific license from OFAC to participate in them. As such, the activities with SSIs (such as Sberbank, VTB, Rosneft, etc.) that are not prohibited by sectoral sanctions should also not trigger exposure under Section 228. The OFAC guidance indicates that a transaction in which a party is on the SSI list “must also involve deceptive practices (i.e., attempts to obscure or conceal the actual parties or true nature of the transaction(s), or to evade sanctions) to potentially be considered significant.”
- (l) Finally, it is important to note that the U.S. government, as well as the governments of the United Kingdom, many countries in

the European Union, Australia and elsewhere around the world have adopted various laws and regulations that restrict transactions with Russia in response to the current hostilities initiated by Russia against Ukraine. While these restrictions are among the most extensive adopted by these governments, they do not constitute “comprehensive sanctions” within the meaning of this memorandum, and do not impact the sale and delivery of electric household appliances and non-electric household appliances by the Group’s distributors to end users in Russia. As such, detailed analysis of the sanctions on Russia pertaining to its conflict in Ukraine are beyond the scope of this memorandum.

4.1.2.10 Application to Ukraine

- (a) The U.S. President issued four recent Executive Orders: Executive Order 13660 of March 6, 2014, Executive Order 13661 of March 16, 2014, Executive Order 13662 of March 20, 2014, and Executive Order 13685 of December 19, 2014, finding that the actions and policies of the Government of Russia, including its annexation of Crimea and its use of force in Ukraine, continue to undermine democratic processes and institutions in Ukraine; threaten its peace, security, stability, sovereignty, and territorial integrity; and contribute to the misappropriation of its assets, and thereby constitute an unusual and extraordinary threat to the national security and foreign policy of the United States.
- (b) With certain exceptions, U.S. persons are also prohibited from dealing with certain Ukrainian persons and entities listed on OFAC’s SDN List and from dealing in any property in the United States or in the possession or control of a U.S. person in which any blocked person has an interest.

4.1.2.11 Application to Venezuela

- (a) 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.
- (b) 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.

- (c) 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.
- (d) On August 25, 2017, the U.S. imposed more limited restrictions targeting the debt and equity of the Government of Venezuela and certain subsidiaries. The restrictions apply to the Government of Venezuela'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.
- (e) On March 19, 2018, the U.S. prohibited transactions related to, provision of financing for, and other dealings, by U.S. persons or persons within the United States of any digital currency, digital coin, or digital token, issued by for, or on behalf of the Government of Venezuela on or after January 9, 2018 under Executive Order 13827.
- (f) On May 21, 2018, under Executive Order 13835, the U.S. prohibited U.S. persons or persons within the United States from all transactions related to, provision of financing for, and other dealings in the purchase of any debt owed to the Government of Venezuela, including accounts receivable; any debt owed to the Government of Venezuela that is pledged as collateral after May 21, 2018, including accounts receivable; and the sale, transfer, assignment, or pledging as collateral by the Government of Venezuela of any equity interest in any entity in which the Government of Venezuela has a 50 percent or greater ownership interest.
- (g) On November 1, 2018, under Executive Order 13850, the United States blocked all property and interests in property of persons determined to operate in the gold sector of the

Venezuelan economy or in any other sector of the Venezuelan economy as determined by the Secretary of the Treasury, to be responsible for or complicit in, or to have directly or indirectly engaged in, any transaction or series of transactions involving deceptive practices or corruption and the Government of Venezuela or projects or programs administered by the Government of Venezuela, or to be an immediate adult family member of such person; 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 this paragraph; or any person owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this executive order.

- (h) On January 28, 2019, under Executive Order 13850, the United States designated PdVSA as an SDN.

4.1.2.12 Application to the Group

- (a) The Group consists of companies incorporated in the PRC, as well as subsidiaries in Hong Kong, the United States, Indonesia and Thailand.
- (b) The Group delivered or sold electric household appliances and non-electric household appliances to customers in the Relevant Countries, either directly or indirectly through its various PRC and international distributors. As the sales or deliveries to the Relevant Countries did not involve SDNs or other sanctioned persons, the sales or deliveries in non-comprehensively sanctioned countries do not present any issues under U.S. sanctions laws and regulations.
- (c) The Group has confirmed and, based on my due diligence process, during the Track Record Period, it has not had, directly or indirectly, any contracts or any other activity with a counterparty, nor has it otherwise provided goods or services to any person, in a country or territory subject to comprehensive U.S. sanctions (currently, Cuba, Iran, North Korea, Syria, and the Sanctioned areas of Ukraine) or to any SDNs.
- (d) The Group's customers are not SDNs, and the Group confirmed and, based on my due diligence process, I concur that it and any of its affiliates, agents, directors, officers or employees are not engaged in other transactions, business or financial dealings that directly or indirectly involve Cuba, Iran,

North Korea, Syria or the Sanctioned areas of Ukraine. Accordingly, the Group's business activities involving the manufacture and sale of electric household appliances and non-electric household appliances to its customers in the Relevant Countries would not have triggered these sanctions regulations.

- (e) No financing or financial assistance has been received by the Group, either directly or indirectly, from any company, entity or body incorporated or located in the United States.
- (f) Therefore, on the basis of my due diligence process and review of the Group Information, and the Group's confirmation of the facts set forth in (a) – (e) above, my assessment is that the business dealings of the Group with the Relevant Countries do not appear to be inconsistent with applicable U.S. sanctions.

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

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

- (a) those who are dealing in "confiscated" property in Cuba (although these measures have been suspended such that lawsuits cannot be brought against such non-U.S. persons);
- (b) those who are engaging in certain Syria- or Iran-related activities;
- (c) those dealing with Iranian SDNs; and
- (d) those who are engaging in the provision of "material assistance" or support to most types of SDNs (including SDNs designated under the Ukraine/Russia sanctions program).

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

4.1.4 The Offering

4.1.4.1 The Company will be required to make standard representations, warranties and covenants to the Sole Sponsor (as defined in the

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

- 4.1.4.2 I have reviewed the sections of the final version of the Prospectus under which the Company's intended uses of the proceeds of the offering are set out in detail, and I have relied on those statements in connection with my analysis; the Group has confirmed that such statements are accurate in all respects. The Group's use of proceeds in the offering do not create any sanctions risk.
- 4.1.4.3 I also note that none of the Company and its subsidiaries, their respective shareholders, directors or officers disclosed in the Prospectus is a person or entity named on the SDN List.
- 4.1.4.4 I have been informed by the Sole Sponsor and the Company (for and on behalf of the Group) that the offering of Shares contemplated by the Prospectus will not be made in the United States or to U.S. persons.

4.2 U.S. Export/Re-Export Controls

- 4.2.1 Unlike U.S. economic sanctions that follow the persons or parties involved, U.S. export controls follow the product involved. Any item that is sent from the United States to a foreign destination is an export. "Items" include commodities, software or technology, including but not limited to circuit boards, automotive parts, blueprints, design plans, retail software packages and technical information. How an item is transported outside of the United States does not matter in determining export license requirements. For example, an item can be sent by regular mail, hand-carried on an airplane, sent via facsimile, software can be uploaded to or downloaded from an Internet site, or technology can be transmitted via e-mail or during a telephone conversation. Regardless of the method used for the transfer, the transaction is considered an export (or a re-export if such U.S.-origin item is transferred from one foreign country to another).
- 4.2.2 The U.S. Department of Commerce, Bureau of Industry and Security controls exports and re-exports of commercial and dual-use products, software and technology. These controls are implemented by EAR, as administered by BIS.
- 4.2.3 The EAR apply to exports of commodities, software and technology from the United States to foreign countries and to re-exports from one foreign country to another. In addition, they apply to shipments from one foreign country to another

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

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

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

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

4.2.5.2 deal with parties on the BIS List; and

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

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

5. UN SANCTIONS

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

5.2 Application to Egypt

5.2.1 During the five-year period prior to the date of this memorandum, the UN has not imposed any sanctions on Egypt.

5.3 Application to Haiti

5.3.1 During the Track Record Period, the UN has not imposed any sanctions on Haiti.

5.4 Application to Lebanon

- 5.4.1 On October 31, 2005, the UNSC adopted Resolution 1636 (2005) imposing travel and financial sanctions in relation to Lebanon, in response to the terrorist bombing in Beirut on February 14, 2005 that killed former Lebanese Prime Minister Rafiq Hariri and 22 others. Additional sanctions measures were introduced with the adoption of Resolution 1701 (2006) following the conflict between Israel and Hezbollah in July 2006. These measures prohibit:
 - 5.4.1.1 the unauthorized supply, sale or transfer to Lebanon of arms or related material;
 - 5.4.1.2 the unauthorized provision to Lebanon of any technical training or assistance related to the provision, manufacture, maintenance or use of goods referred to above; and
 - 5.4.1.3 the use or dealing with the assets of, and the making available of assets to, persons and entities listed by the UNSC or by the Committee established by the UNSC sanctions pursuant to Resolution 1636.
- 5.4.2 To date, the relevant UN Security Council Sanctions Committee has not designated any targets under the relevant Lebanon related UNSCRs.
- 5.5 Application to Russia
 - 5.5.1 During the Track Record Period, the UN imposed significant sanctions with respect to Russia as a result of Russia's involvement in hostilities in Ukraine. However, as noted in Clause 4.1.2.10(I), none of these sanctions Turkey are applicable to the sale by distributors of the Group's smart devices and solutions in Russia.
- 5.6 Application to Ukraine
 - 5.6.1 During the Track Record Period, the UN has not imposed any sanctions with respect to Ukraine.
- 5.7 Application to Venezuela
 - 5.7.1 During the Track Record Period, the UN has not imposed any sanctions with respect to Venezuela.
- 5.8 Application to the Group
 - 5.8.1 On the basis of my due diligence process and review of the Group Information, together with the Company's confirmation on behalf of the Group that:
 - 5.8.1.1 that neither the Company nor any of its affiliates, agents, directors, officers, or employees is engaged in transactions that directly or

indirectly involve or benefit a person on the sanctions list of the UN;
and that

- 5.8.1.2 All of the Group's business in relation to the Relevant Countries was in relation to smart devices and solutions which does not involve export-controlled products,

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

6. EU SANCTIONS

6.1 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.

6.1.1 Sanctions applicable in the EU stem from:

- 6.1.1.1 sanctions adopted by the UN; or

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

6.1.2 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.

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

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

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

6.2 Application of Sanctions Measures

6.2.1 EU sanctions measures broadly apply to: (i) any company incorporated under the

laws of the EU; and (ii) any business done in whole or in part within the EU.

6.2.2 EU sanctions measures will therefore apply to:

- 6.2.2.1 Any overseas Entities operated by the Group in the Cayman Islands and the BVI, and any of the Group's subsidiaries or affiliates incorporated in the EU; as of the date of this memorandum, there were no such Group entities;
- 6.2.2.2 any EU nationals employed by or otherwise engaged on behalf of the Group regardless of where they are located, such as in Singapore, in the EU or in any other non-EU country;
- 6.2.2.3 any Group business conducted within the;
- 6.2.2.4 any counterparty incorporated in the EU with whom the Group or any of its subsidiaries does business including for example, suppliers, customers, distributors, agents, manufacturers, shipping agents and freight forwarders;
- 6.2.2.5 any EU incorporated financial institution that the Group or any of its companies uses to provide payment processing services, trade finance services, short- or long-term debt financing or any other service; and
- 6.2.2.6 any entity or national incorporated in the EU who subscribes for shares in the Company as part of the Offering.

6.2.3 EU sanctions will not apply to:

- 6.2.3.1 Non-EU nationals in their personal capacity, including the Company's Directors (to the extent that they are not carrying out business of the Group in the territory of the EU); and
- 6.2.3.2 any Group subsidiary that is not incorporated under the laws of an EU Member State, which acts in a wholly independent manner from its parent company and which does not carry out any activities in the EU.

6.3 Restrictions under EU Sanctions Measures

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

- 6.3.1.1 making any funds or economic resources (see below) directly or indirectly available to or for the benefit of a sanctioned person or entity (a **"Designated Person"**);
- 6.3.1.2 dealing with any funds or economic resources that are owned, held or

controlled by a Designated Person;

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

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

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

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

6.4 EU sanctions: Dealing with a sanctioned country

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

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

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

6.5 Overview of EU Sanctions Measures

6.5.1 Application to Egypt

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. The sanctions were subsequently extended and now apply until March 22, 2019.

6.5.2 Application to Haiti

The EU sanctions on Haiti are set out in Council Decision 94/315/CFSP of 30 May 1994, where the EU introduced a prohibition to satisfy claims by the authorities of Haiti with regard

to contracts and transactions whose performance is affected by the measures taken in accordance with UN Security Council Resolutions 917(1994), 841 (1993), 873 (1993) and 875 (1993).

6.5.3 Application to Lebanon

6.5.3.1 On September 15, 2006, the EU adopted Council Common Position 2006/625/CFSP establishing an embargo on all arms transfers to Lebanon not authorized by the Government of Lebanon or the UN peacekeeping force in Lebanon. The embargo mirrored a UN embargo established on August 11, 2006. As with the UN embargo, the EU prohibition covers the provision of any technical training or assistance related to the supply, manufacture, maintenance or use of arms and related equipment.

6.5.3.2 EU sanctions measures targeting Lebanon have been extended to apply in the UK Overseas Territories, including the Cayman Islands, pursuant to the Lebanon (UN) (Overseas Territories) Order 2007.

6.5.4 Application to Russia

6.5.4.1 The existing framework for EU Sanctions targeting Russia and certain Russian Persons, in view of the current situation in Ukraine, is implemented pursuant to the following EU Regulations:

- (a) Council Regulation (EU) No 833/2014 ("**Regulation 833/2014**"), adopted on July 31, 2014, and most recently extended by Council Decision 2017/2426 of December 21, 2017, which gave immediate effect to a range of measures, including prohibitions with respect to:
 - (i) The sale, supply, export or transfer of dual-use goods and technology to certain Russian persons, as listed in Annex IV;
 - (ii) 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 September 12, 2014 by certain Russian entities, including those listed in Annex VI; and
 - (iii) Making or being part of any arrangement to make new loans or credit with a maturity exceeding 30 days to certain Russian entities, including those listed in Annex VI after September 12, 2014.

6.5.4.2 Regulation 269/2014, Regulation 692/2014 and Regulation

833/2014 are extended to the UK Overseas Territories by the UK's Russia, Crimea and Sevastopol (Sanctions) (Overseas Territories) Order 2014, as amended.

6.5.5 Application to Ukraine

6.5.5.1 On March 5, 2014, the Council adopted Council Decision 2014/119/CFSP providing for the freezing of funds and economic resources of persons alleged to be responsible for the misappropriation of Ukrainian state funds, and persons responsible for human rights violations in Ukraine, and natural or legal persons, entities or bodies associated with them.

6.5.5.2 Further, on March 17, 2014, the Council adopted Decision 2014/145/CFSP providing for travel restrictions and for the freezing of funds and economic resources of certain persons alleged to be responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine, including actions on the future status of any part of the territory which are contrary to the Ukrainian Constitution, and natural or legal persons, entities or bodies associated with them.

6.5.5.3 These two Council decisions were implemented pursuant to Council Regulation (EU) No. 208/2014 of 5 March 2014 as last amended by Council Implementing Regulation 2017/374 of 3 March 2017, and Council Regulation (EU) No. 269/2014 of 17 March 2014 as last amended by Council Decision 2017/2153 of 20 November 2017. The Regulations require:

- (a) all funds and economic resources belonging to, owned, held or controlled by any natural persons or natural or legal persons, entities or bodies associated with them as listed in annexures to the Regulation shall be frozen; and
- (b) no funds or economic resources shall be made available, directly or indirectly, to or for the benefit of 269 Sanctioned Persons.

6.5.5.4 In July 2014, the EU adopted a further wide-ranging package of restrictive measures via Council Decision 2014/512/CFSP as last amended by Council Decision (CFSP) 2017/1148 of June 28, 2017 and implemented pursuant to Council Regulation (EU) No. 833/2014 of July 31, 2014. Measures implemented pursuant to EU Regulation 833/2014 include measures aimed at limiting access to EU capital markets for Russian state-owned financial institutions, a prohibition on new loans or credit arrangements, an embargo on trade in arms, an export ban for dual use goods for military end use and end users,

and restrictions on access to certain sensitive technologies particularly in the oil sector. The package was further extended on September 8, 2014 by the adoption of the Council Regulation (EU) No 960/2014 and amended on December 4, 2014 by the adoption of the Council Regulation (EU) No 1290/2014.

6.5.5.5 In June 2014, the EU adopted restrictive measures interrupting trade between the EU and the Crimea and Sevastopol regions of Ukraine via Council Decision 2014/384 and implemented pursuant to Council Regulation 692/2014 of June 24, 2014. Measures implemented included a ban on imports of goods from Crimea or Sevastopol, and a ban on provision of certain services from those territories. These measures were subsequently extended in December 2014 by Council Decision 2014/933 and implemented by 1351/2014. These additional measures included: a ban on investment in real estate in Crimea and Sevastopol; a ban on investment in entities in Crimea and Sevastopol; an embargo on certain goods and technology for use in certain sectors (transport, telecommunications, energy, oil, gas and mineral resources); a list of goods and technology for use in these sectors; a ban on provision of certain services (related to such goods and technology); a ban on provision of certain services related to infrastructure in certain sectors (transport, telecommunications, energy, oil, gas and mineral resources); a ban on provision of certain services related to tourism; prohibition for certain ships to enter listed ports in Crimea and Sevastopol.

6.5.5.6 EU sanctions measures targeting Russia and Ukraine have been extended to apply in the UK Overseas Territories, including the Cayman Islands, pursuant to the Ukraine (Sanctions) (Overseas Territories) Order 2014 No. 2 and 3 and The Russia, Crimea and Sevastopol (Sanctions) (Overseas Territories) Order 2014, as amended by the Russia, Crimea and Sevastopol (Sanctions) (Overseas Territories) (Amendment) Order 2015.

6.5.6 Application to Venezuela

6.5.6.1 The EU recently imposed sanctions by Council Decision (CFSP) 2017/2074 of November 13, 2017 and Council Regulation 2017/2063 of November 13, 2017.

6.5.6.2 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.

6.5.7 Application to the Group

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

- (a) all activities involving the Relevant Countries were negotiated, entered into and performed without any involvement (including in any approval or decision-making capacity) by any entity incorporated, domiciled, or otherwise located in either the territories of the EU Overseas Territories;
- (b) the Group's activities involving the Relevant Countries have not identified any person specifically designated (i.e. listed / targeted) under any existing EU sanctions regime;
- (c) no EU nationals, nor any citizens of any UK overseas territories, nor any wider persons resident or otherwise located in either the territories of the EU or the UK Overseas Territories who are employed or otherwise engaged by the Group have been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of, or in any wider decision making capacity, with respect to any activity involving the Relevant Countries;
- (d) the Group's transactions could not potentially fund or facilitate sanctions-prohibited activity, nor grant any benefit towards any sanctioned person or entity;
- (e) the Group has not exported or directly or indirectly supply arms and related materiel, or equipment which might be used for internal repression;
- (f) the Group has not provided technical assistance related to military activities, or to the provision, manufacture, maintenance and use of arms and related materiel of any type;
- (g) the Group has not provided financing or financial assistance related to any activities referred to above;
- (h) Neither the Group nor any of its affiliates, agents, directors, officers or employees have been engaged in the export of items for use in oil exploration and production in deep water, the Arctic as listed in Annex 2 of Regulation 833/2014, or shale formations, or in the provision of finance including loans or credit to Russia;

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

6.5.8 EU export controls

- 6.5.8.1 In addition to EU sanctions measures, EU dual-use controls, provided for in Council Regulation 428/2009 of May 5, 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items, as last amended by Commission Delegated Regulation (EU) 2017/2268 of September 26, 2017, govern (i) the export of certain controlled dual-use products and technology from the EU to any non-EU country jurisdiction (not just jurisdictions subject to sanctions) and (ii) the brokering of transactions that involve the transfer of controlled goods, certain wider restricted products and non-controlled products which may be destined for a prohibited end-use from one non-EU country to another non-EU country (again any third country jurisdiction not just jurisdictions subject to sanctions).
- 6.5.8.2 The Group has confirmed its understanding that it has not been, directly or indirectly, involved in the export from the EU and/or UK Overseas Territories of any items listed in the EU Common Military List or the EU Dual Use list (Annex I to EU Regulation 428/2009), the UK Military List or any items listed under Schedule 3 of the UK's Export Control Order 2008.
- 6.5.8.3 The Group has confirmed its understanding that none of the Group's products are controlled under EU export control regulation. As such, no further analysis (e.g. any assessment against the specific list of items controlled under the EU Dual Use Regulation) has been carried out. My conclusion is that such analysis is unnecessary based on the Group's confirmation that it is not directly or indirectly involved in the export from the EU and/or UK Overseas Territories of any items listed in the EU Common Military List or on the EU Dual Use list.

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

7. AUSTRALIAN SANCTIONS

7.1 Overview

- 7.1.1 Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy.
- 7.1.2 During the Track Record Period, Australia imposed significant sanctions with respect to Russia's involvement in hostilities in Ukraine. However, none of these

sanctions are applicable to the sale by distributors of the Group's electric vehicles in Russia.

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

7.1.2.1 any person in Australia;

7.1.2.2 any Australian anywhere in the world;

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

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

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

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

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

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

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

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

7.2 Application to Egypt

7.2.1 Australia has not imposed any targeted sanctions (autonomous or otherwise) in

relation to Egypt.

7.3 Application to Haiti

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

7.4 Application to Lebanon

- 7.4.1 Australia fully implements the UN sanctions regime in relation to Lebanon; and
- 7.4.2 Australia has not imposed any targeted autonomous sanctions in relation to Lebanon.

7.5 Application to Russia

- 7.5.1 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**").
- 7.5.2 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.

Restrictions on the export or supply of goods

- 7.5.3 Australian law prohibits the direct or indirect supply, sale or transfer to Russia, for use in Russia, or for the benefit of Russia, of the following 'export sanctioned goods':
- 7.5.3.1 arms or related materiel (please note that the import, purchase or transport of arms or related materiel from Russia is also prohibited); and
- 7.5.3.2 items suited to any of the following categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf:
- (a) oil exploration and production in waters deeper than 150 meters;
- (b) oil exploration and production in the offshore area north of the Arctic Circle; or

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

without a sanctions permit.

Restrictions on the export or provision of services

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

- 7.5.4.1 technical advice, assistance or training;

- 7.5.4.2 financial assistance;

- 7.5.4.3 a financial service; or

- 7.5.4.4 another service,

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

- 7.5.4.5 a military activity; or

- 7.5.4.6 the manufacture, maintenance or use of 'arms or related materiel',

without a sanctions permit.

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

- 7.5.5.1 oil exploration and production in waters deeper than 150 meters;

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

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

without a sanctions permit.

- 7.5.6 Australian law also prohibits the provision to a person of an investment service if it assists with, or is provided in relation to, a sanctioned commercial activity

without a sanctions permit.

Restrictions on commercial activities

7.5.7 Australian law also prohibits:

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

- (a) is issued after July 28, 2017 by an entity specified in the Autonomous Sanctions Specification; *and*
- (b) has a maturity period specified in the Autonomous Sanctions Specification for the financial instrument and the entity,

without a sanctions permit.

7.5.8 The prohibition in paragraph 7.12.7 does not apply to an activity in relation to tradable securities or any other financial instrument that:

7.5.8.1 is a derivative product the value of which is linked to an underlying asset of a type mentioned in paragraph 7.12.7.1; and

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

7.5.9 Australian law also prohibits:

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

- (a) is made to an entity specified in the Autonomous Sanctions Specification; and
- (b) has a maturity period specified in the Autonomous Sanctions Specification for the financial instrument and the entity, without a sanctions permit.

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

7.5.11 The prohibition in paragraph 7.12.9 does not apply to:

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

- (a) financing for non-prohibited imports or exports of goods and non-financial services between Australia and Russia; or
- (b) emergency funding to meet the solvency and liquidity criteria for legal persons:
 - (i) established in Australia; and
 - (ii) whose proprietary rights are more than 50% owned by an entity specified in the Autonomous Sanctions Specification; **and**

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

- (a) all the terms and conditions of such drawdown or disbursement:
 - (i) were agreed before July 28, 2017; and
 - (ii) have not been modified on or after July 28, 2017; and
- (b) 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.

7.6 Application to Ukraine

7.6.1 Australia imposes an autonomous sanctions regime in relation to Russia/Ukraine.

7.6.2 Currently, Australian law prohibits:

7.6.2.1 the use of or dealing with an asset that is owned or controlled by a 'designated person or entity' for Ukraine; and

7.6.2.2 making an asset available directly or indirectly to, or for the benefit of, a 'designated person or entity' for Ukraine,
without a sanctions permit.

7.6.3 An 'asset' is defined broadly to include an asset or property of any kind, whether tangible or intangible, movable or immovable.

7.6.4 Australia has enacted legislation containing a consolidated list of 'designated

persons and entities' for Ukraine.¹

7.7 Application to Venezuela

- 7.7.1 Australia has not imposed any targeted autonomous sanctions in relation to Venezuela.

7.8 Application to the Group

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

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

- 7.8.2.1 a person in Australia;
- 7.8.2.2 an Australian citizen or Australian-registered body;
- 7.8.2.3 owned or controlled by Australians or persons in Australia; or
- 7.8.2.4 a person using an Australian flag vessel or aircraft to transport goods or transact services subject to Australian autonomous sanctions,

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

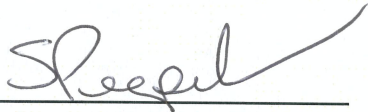
¹ Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) List 2014 (Cth)

8. CONCLUSION

- 8.1 On the basis of the information received from the Group and the corresponding analysis of relevant International Sanctions set forth above, I am of the view that the Group's activities during the Track Record Period do not appear to implicate restrictions under International Sanctions.
- 8.2 Further, given the Offering scope and the expected use of proceeds as detailed in this memorandum, I am of the view that the involvement by parties in the Offering will not implicate any applicable International Sanctions on such parties, including the Sole Sponsor, the Company and its subsidiaries, their respective directors and employees, the Company's or its subsidiaries' investors, shareholders as well as The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Hong Kong Securities Clearing Company Limited (the "**HKSCC**"), HKSCC Nominees Limited and the Securities and Futures Commission (the "**SFC**") or any person involved in the Offering and accordingly, the sanction risk exposure to the Group, their respective directors and employees, the Group's investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of the Company's shares (including the Stock Exchange, its listing committee and related group companies) is very low.

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

A handwritten signature in black ink, appearing to read "S. Peepels", written over a horizontal line.

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