



**MEMORANDUM**

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**TO** Howkingtech International Holding Limited

**FROM** Hogan Lovells

**DATE** November 30, 2022

*Privileged and Confidential*

**SUBJECT** Memorandum of Advice – Sanctions analysis in accordance with the HKEX guidance letter HKEX-GL101-19

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**1. INTRODUCTION AND SCOPE**

- 1.1 We have acted as the international sanctions counsel to Howkingtech International Holding Limited (the “**Company**”) in connection with the proposed initial public offering (the “**Offering**”) and listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**HKEX**”). In light of the guidance letter HKEX-GL101-19 issued by the HKEX (the “**Guidance Letter**”) effective from March 2019, 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). 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.
- 1.2 For the purpose of this memorandum and consistent with the Guidance Letter, 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 Guidance Letter.

**“Relevant Jurisdiction”** means any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purpose of this memorandum, the Relevant Jurisdictions include United States (“**U.S.**”), European Union (“**EU**”), United Nations (“**UN**”), the United Kingdom (“**UK**”) 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 the HKEX and 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 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 Guidance Letter.

**“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 Guidance Letter.

**“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 Guidance Letter.

- 1.3 This memorandum provides preliminary analysis in accordance with the Guidance Letter based on the facts provided to date 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.

- 1.4 In preparing this memorandum, Hogan Lovells reviewed the Company's responses to the "International Sanctions Due Diligence Checklist" dated November 6, 2020 (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**"). The Group's responses to the Sanctions DD Checklist have included various contracts 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 Guidance Letter include: Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine/Russia and Donetsk People's Republic ("**DPR**") and Luhansk People's Republic ("**LPR**") regions. Russia (excluding Crimea) is not a Sanctioned Country as of the date of this memorandum. Based on the information available to us, we have not identified the Group's activities with any Sanctioned Countries during the three years ended December 31, 2021 and five months ended May 31, 2022, and up to November 21, 2022 (the "**Track Record Period**"). We have however identified the Group's business activities 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 Guidance Letter): Russia (excluding Crimea region) (the "**Relevant Region**").
- 1.6 We note that the Group had received payment from one of their Russian customers through VTB Bank Deutschland AG ("**VTB Bank**"), which is a bank subject to more limited U.S. sanctions that target certain types of financial transactions. The banking relationship is referred to herein as the "SSI Directive 1 Bank". However, based on the information provided by the Group, the Group's transaction with the SSI Directive 1 Bank do not appear to violate or implicate any breaches of International Sanctions in light of the current limited scope of restrictions that apply to SSI Directive 1 Bank, and the fact that the bank is used by the Group's non-sanctioned customer to make payment to the Group, which is not among the activities targeted by U.S. sanctions that apply to SSI Directive 1 Bank.
- 1.7 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 Group. If any of the assumptions are incorrect, or any changes occur in or correction to the information given, the Group is recommended to inform Hogan Lovells so that it can confirm the content of this analysis.
- 1.8 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 Group and after carrying out its procedures and analysis set out below, Hogan Lovells is of the view that the Group:

2.1.1 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 (with the exception of activities with an end-user, Gorkovskiy Avtomobilnyy Zavod ("**GAZ**"), that owned 50% or more by a SDN, GAZ Group, thus subject GAZ to the same sanctions applicable to GAZ Group, that involved USD payments but did not violate US sanctions, as discussed below). As such, the Group would not appear to have violated applicable sanctions laws or regulations in the Relevant Jurisdictions that could result in any material sanctions risk to the Relevant Persons;

2.1.2 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 law or regulation in the Relevant Jurisdictions and its sales of antenna products used for smart power grids and for automotive industry (i.e., vehicle mounted antennas) to customers in Russia appear unlikely to be viewed by OFAC as the Group itself having "operated in the technology sector" of Russia for purposes of Executive Order 14024 ("**EO 14024**"), which is one of the basis of designation under that authority, or as we are providing a material support to an SDN end-customer (in light of the fact that OFAC's general license was in effect when our Russian Distributor was reselling our products to SDN end-customer), which may create secondary sanctions risk to the Group. As such, it does not appear likely that the Group's activities would result in the imposition of sanctions on the Relevant Persons;

2.1.3 Even though Russia (excluding Crimea) was not a Sanctioned Country, considering that (i) the Group indirectly sold its products to the GAZ via its Russian Distributor who is not a Sanctioned Target; and (ii) the Group received payments from its Russian Distributor in U.S. dollars, the Group's business activities in Russia (excluding Crimea) were Primary Sanctioned Activities for the purpose of the Guidance Letter. Nevertheless, GAZ has been covered by a series of general licenses issued by the OFAC authorizing continued sales of products by U.S. persons to GAZ under pre-existing arrangements from April 6, 2018 up to May 25, 2022. Accordingly, (i) all of the sales of the Group's products made by the Group's Russian Distributor during the Track Record Period to GAZ took place during the period when the OFAC's general license authorized U.S. persons to engage in sales to GAZ; and (ii) the Group can receive U.S.

dollars payments that were processed by U.S. financial institutions from the Russian Distributor during the period when the OFAC's general license is effective without violating relevant U.S. sanctions. As a result, the Group's sales to GAZ indirectly through the Russian Distributor were activities that a U.S. person itself could legally undertake pursuant to the authorization issued by the OFAC. Based on the aforementioned, the Group has not engaged in a violation of primary U.S. sanctions due to its direct sales to the Russian Distributor, nor did its indirect sales to GAZ create exposure under secondary U.S. sanctions as such sales were authorized by the OFAC's general license. Therefore, even though the Group's direct sales to the Russian Distributor and indirect sales to GAZ in Russia (excluding Crimea) were Primary Sanctioned Activities for the purpose of the Guidance Letter, such activities did not cause our Group to violate International Sanctions given that such activities did not constitute a violation of the U.S. sanctions nor any sanctions maintained by Relevant Jurisdictions considering the nature of such activities and the authorization of general license granted to the SDN end-customer.

- 2.1.4 Has not been designated as a Sanctioned Target, nor is it located, incorporated, organised or resident in a Sanctioned Country; and
  - 2.1.5 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 Country entities or persons, or with Sanctioned Targets (in fact, no such revenue was identified).
- 2.2 As no apparent or material sanctions risks appear to be present, the Company is not required to make undertakings pursuant to the Guidance Letter, and the laws and regulation of the International Sanctions do not create a legal obligation for the Group to self-declare the Group activities to the Relevant Regions and with entities listed in paragraph 4.7 and 4.8 to any authorities administering the International Sanctions nor is it a common practice to do so.
- 2.3 We note that the Group had not been subject to any sanction imposed by the Relevant Jurisdictions. We have screened the list of Group entities using Accuity screening tool against the lists of Sanctioned Persons maintained by the Relevant Jurisdictions, and none of the Group entities on the list is designated under the lists of Sanctioned Persons maintained by the Relevant Jurisdictions.
- 2.4 We note that the Group entered into a supplementary agreement on August 19, 2022 (the "**Supplementary Agreement**") to the framework distribution agreement entered with Russian Distributor dated January 10, 2017 (the "**Agreement**") with our Russian Distributor, under which the Group's Russian Distributor provided that it would take any actions, including the sale, distribution or delivery of any products of the Group covered under the Agreement, that would cause the Group or the Russian Distributor to violate any applicable sanctions (the "**Actions**"). In addition, the Russian Distributor provided the Group with an annual sales certificate on August 19, 2022, confirming that it had not taken any such Actions as of the date of this certificate. The confirmation provided by the Russian Distributor in the Supplementary Agreement confirms that it will not be reselling our Group's products to the SDN end-customer

after expiration of OFAC's general license and to other Sanctioned Targets going forward.

### 3. EXECUTIVE SUMMARY

3.1 The Group offers Internet of Things ("IoT") solutions and telecommunication products (including various antenna products) to its customers in manufacturing, municipal services and other industries to assist its customers to grow revenue, reduce costs, improve operational efficiency, and enhance business value through digital transformation of their business operation. During the Track Record Period, the Group had sold telecommunication (antenna) products to the Relevant Region.

#### 3.2 United States

3.2.1 On the basis of the Group's confirmations that:

3.2.1.1 Except our Director, Chen Ping, there are no U.S. persons for purposes of U.S. sanctions in the Group, neither the Company nor any of its Group entities are incorporated in the United States and the Group does not otherwise maintain any subsidiaries, branches or affiliates which are either incorporated, domiciled or otherwise located in the territory of the United States;

3.2.1.2 neither the Company nor its Group entities have any activities involving Sanctioned Countries. Therefore, no U.S. persons employed or otherwise engaged by the Company or its Group entities have been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of, any activities of the Company or its Group entities involving Sanctioned Countries;

3.2.1.3 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;

3.2.1.4 no product supplied, sold, exported or otherwise transferred by the Group to the Relevant Region incorporates more than 10% of U.S.-origin content by value;

3.2.1.5 With the exception of activities with an end-user, GAZ, that owned 50% or more by a SDN, GAZ Group, thus subject GAZ to the same sanctions applicable to GAZ Group, that involved USD payments but did not violate US sanctions, the Group has not, during the Track Record Period, undertaken, either directly or indirectly, a contract or any other activity with a counterparty from, nor has otherwise provided goods or services to (i) any person or entity in a Sanctioned Country or (ii) with or to any individuals, entities or organizations that have been designated as Specially Designated Nationals and Blocked Persons ("SDNs") or designated on another sanctions list

maintained by the Relevant Jurisdictions (collectively, "**Sanctioned Persons**"), or (iii) any Sanctioned Country government, or (iv) any person or entity that is owned or controlled by, or acting as an agent of, any party in (ii)-(iii) above;

- 3.2.1.6 The Group confirmed that activities with GAZ were during April 6, 2018 through May 25, 2022, which is within the time period authorised by Ukraine Related Sanctions Regulations 31 CFR part 589 GENERAL LICENSE NO. 15L ("**GL 15L**"). The Group activities with GAZ did not violate with US sanctions because the sales to the GAZ subsidiary are automotive related and took place during the period when GL 15L authorised U.S. persons to engage in sales to GAZ, those sales should be authorized by GL 15L because the transactions and activities were ordinarily incident and necessary to the sale of components and spare parts produced by an entity in which GAZ Group owns 50 percent or greater interest, including the Group's end-user, GAZ. As a result, the Group's sales to GAZ indirectly through the Russian Distributor were activities that a U.S. person itself could legally undertake pursuant to the GL 15L.
- 3.2.1.7 Except as outlined in 4.7 below, no products or 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, or Unverified List (collectively, "**BIS List**") and even the sales described in 4.7 did not involve items subject to US law; and
- 3.2.1.8 the Group's provision of antenna products did not involve industries or sectors in Sanctioned Countries or Venezuela that are currently subject to specific sanctions by the United States. The Group's sales of such antenna products to Russia should not be considered as the Group operating in Russia's "technology sector" which is targeted by EO 14024 because such antenna products for smart power grids and automotive applications (i.e., vehicle mounted antennas) arguably cannot be used for behaviours that EO 14024 targets, which were described by OFAC in its FAQ 886 as follows: "national security threats posed by specified harmful foreign activities of the Russian Federation, including: its efforts to undermine the conduct of free and fair democratic elections and democratic institutions in the United States and its allies and partners; engaging in and facilitating malicious cyber-enabled activities against the United States and its allies and partners; fostering and using transnational corruption to influence foreign governments; pursuing extraterritorial activities targeting dissidents or journalists; undermining security in countries and regions important to United States national security; and violating well-established principles of international law, including respect for the territorial integrity of states." OFAC guidance in FAQ

887 confirms that identification of a sector pursuant to EO 14024 (such as the “technology sector” in Russia) “does not automatically block all persons operating in the sector” although it does provide “notice that persons operating in the identified sector are exposed to sanctions risks”;

Hogan Lovells’ assessment is that the business dealings of the Group with the Relevant Region do not appear to violate or implicate any breaches of applicable U.S. sanctions laws and regulations.

### 3.3 United Nations

#### 3.3.1 On the basis that:

- 3.3.1.1 the Group’s activities involving the Relevant Region were limited to provision of telecommunication (antenna) products that are not export-controlled; and
- 3.3.1.2 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 appear to implicate restrictive measures adopted by the UN.

### 3.4 EU and United Kingdom

#### 3.4.1 Based on the Group’s confirmation that:

- 3.4.1.1 all activities involving the Relevant Region were negotiated, entered into and performed without any involvement (including in any approval or decision making capacity) by any national of or domiciled, or otherwise located in either the territories of the EU, the United Kingdom (the “**UK**”), or the UK Overseas Territories (the “**UK Overseas Territories**”);
- 3.4.1.2 the Group’s activities are limited to provision of telecommunication (antenna) products that are not export-controlled or subject to sectoral sanctions in the EU, the UK, or UK Overseas Territories;
- 3.4.1.3 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, UK or UK Overseas Territories sanctions, or engage in any other activity subject to restrictions under sectoral EU, UK or UK Overseas Territories sanctions; and



- 3.4.1.4 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 Dual Use list (Annex I to EU Regulation 428/2009), Annex I to Council Regulation 428/2009 as retained by the European Union (Withdrawal) Act 2018 (**'the UK Dual-Use Regulation'**), or any items listed under Schedule 2 or 3 of the UK's Export Control Order 2008 as amended,

Hogan Lovells' assessment is that the prohibitions and wider restrictions under existing EU or UK sanctions measures, including those extended to the UK Overseas Territories, do not render the Group's business activities with the Relevant Region unlawful under applicable EU, UK or UK Overseas Territories laws.

### 3.5 Australia

#### 3.5.1 On the basis that:

##### 3.5.1.1 the Company or any of its subsidiaries 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

##### 3.5.1.2 the Group's dealings do not appear to involve products or services that are restricted under Australian export controls,

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. The Company is incorporated in the Cayman Islands. 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 (as defined in the Prospectus), immediately upon completion of the Capitalization Issue and the Global Offering, respectively.

4.1 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

4.2 The Company has confirmed that, save for the Executive Director, Chen Ping, none of its or its subsidiaries' directors, during the Track Record Period, is a U.S., EU, UK or Australian national.

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

Director	Name	Nationality
<b>Executive Directors</b>	Chen Ping (陳平)	American
	Wang Zheshi (王者師)	Chinese
	Feng Yijing (馮義晶)	Chinese
	Wang Jun (王軍)	Chinese
<b>Independent non-executive Directors</b>	Gu Jiong (顧炯)	Chinese
	Fong Wo, Felix (方和)	Chinese
	Yang Hai (楊海)	Chinese

4.4 The Group offers IoT solutions and telecommunication products (including various antenna products) to its customers in manufacturing, municipal services and other industries to assist its customers to grow revenue, reduce costs, improve operational efficiency, and enhance business value through digital transformation of their business operation. During the Track Record Period, the Group had sold antenna products to the Relevant Region to be used for smart power grids and for automotive applications (i.e., vehicle-mounted antennas).

4.5 Payments received from the Group's sales of antenna products to the Relevant Region were denominated in U.S. dollar ("**USD**").

4.6 In respect to the Group's transaction with the SSI Directive 1 Bank, the Group confirms that they have received USD payment from one of their non-sanctioned Russian customers who wired funds through an intermediary bank account at VTB Bank. The payment was settled by their non-sanctioned Russian customer directly through an account with VTB Bank to the Group USD account in China Everbright Bank. Pursuant to the supplementary agreement entered between the Company and their non-sanctioned Russian customer dated March 9, 2022, we understand that the payments between that non-sanctioned Russian customer will be settled by their non-sanctioned Russian customer directly through an account with Raiffisenbank AO through CitiBank NA to the Group USD account in China Everbright Bank.

4.7 Based on the information provided by the Company, we note among the customers of the Group's sales within the PRC, one Chinese customer, Huahang Institute of Radio Measurement (北京华航无线电测量研究所), was designated by the U.S. Department of Commerce's Bureau of Industry and Security on the Entity List on May 14, 2001, and is restricted from receiving items subject to the EAR. The Group has confirmed that products sold to Huahang Institute of Radio Measurement (北京华航无线电测量研究所) were Chinese origin, made outside the US with no US content and were not direct products of controlled US-origin technology. Therefore, the products would not be subject to the EAR and no BIS license

under the EAR would have been required for the purpose of these sales. As such, Hogan Lovells's assessment of the Group's sales of non-EAR products to Huahang Institute of Radio Measurement (北京华航无线电测量研究所) would not trigger relevant EAR export control restrictions.

- 4.8 Based on the information provided by the Company, we note among the customers of the Group's sales within the PRC, one Chinese customer, China Electronics Technology Group Corporation (中国电子科技集团有限公司)<sup>1</sup>, was designated by the U.S. Treasury Department on the Non-SDN Chinese Military-Industrial Complex Companies List ("CMIC") on June 3, 2021 with relevant sanctions effective on August 2, 2021, such sanctions only prohibit 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 China Electronics Technology Group Corporation (中国电子科技集团有限公司) by U.S. persons. The Group has confirmed that Group's business activities with China Electronics Technology Group Corporation (中国电子科技集团有限公司) only involved sales and provision of the Group's products and services, and did not involve the activities prohibited under the sanctions on China Electronics Technology Group Corporation (中国电子科技集团有限公司), nor is the Company a U.S. person. As such, Hogan Lovells's assessment of the Group's sales of non-EAR products to Huahang Institute of Radio Measurement (北京华航无线电测量研究所) that the Group's business activities with China Electronics Technology Group Corporation (中国电子科技集团有限公司) did not implicate Primary Sanctioned Activities nor Secondary Sanctionable Activities.
- 4.9 The Company has confirmed on behalf of all entities in the Group that, to its best knowledge, 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 our understanding of the nature of the Group's products and services formed by our due diligence process, an analysis of the Group's business against U.S. export control restrictions is not necessary and has not been undertaken by Hogan Lovells.
- 4.10 Based on the information provided by the Group, the Group believes that none of the products supplied, sold or exported or transferred by the Group are controlled under EU, UK and/or UK Overseas Territories export controls or are otherwise restricted for transfer either directly or indirectly, from the EU (or by EU persons), including the UK, or from the UK Overseas Territories (or by UK Overseas Territories nationals) to or for use in any third country. On this basis and our understanding of the nature of the Group's products and services, an analysis of the Group's business against EU, UK and/or UK Overseas Territories export control and trade related sanctions restrictions is not necessary and has not been undertaken by Hogan Lovells.
- 4.11 Based on the information provided by the Group, the Group believes that:

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<sup>1</sup> including Guilin Xintong Technology Co., Ltd.(桂林信通科技有限公司) and Chinacloud Information Technology Co., Ltd.(中电科华云信息技术有限公司)

- 4.11.1 None of the goods 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; and
- 4.11.2 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 our understanding of the nature of the Group's services, an analysis of the goods supplied, exported or transferred to the Relevant Region under Australian export control and sanctions laws is not necessary and has not been undertaken by Hogan Lovells.

- 4.9 The table below sets forth the revenue from the provision of the Group's products and services in relation to consignments to and/or from the Relevant Region and the corresponding percentage of the Group's total revenues during the Track Record Period.

<b>Year/Period Ended</b>	<b>Total consolidated revenue (RMB'000)</b>	<b>Consolidated revenue attributable to the Relevant Region (RMB'000)</b>	<b>Percentage of the Group's total revenue (%)</b>
Year ended December 31, 2019	80,885	13,220	16%
Year ended December 31, 2020	127,425	13,178	10%
Year ended December 31, 2021	189,552	24,312	13%
Five months ended May 31, 2022	82,947	2,497	3%

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

### 5.1 U.S. Economic Sanctions

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

- 5.1.1.1 "Primary" U.S. sanctions applicable to "U.S. persons" or activities involving 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);

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

5.1.2 Primary Sanctions Applicable to U.S. Persons

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

5.1.2.2 When the U.S. Government imposes economic sanctions against a foreign country, entity, or individual, U.S. law prohibits (with limited exceptions that do not apply in this case) U.S. companies or U.S. persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeted country, entity or individual. 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.

5.1.2.3 Persons Governed by U.S. Sanctions

- (a) In general, U.S. economic sanctions apply to "U.S. persons." The term "U.S. persons" includes:
- (i) entities organized under U.S. Law (such as 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 or U.S. subsidiaries of non-U.S. companies.
  
- (b) In the case of U.S. sanctions applicable to Iran and 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”).
  
- (c) In the case of U.S. sanctions applicable to other countries in the Relevant Region, 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., 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.
  
- (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 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;
- (ii) 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
- (iii) Changes the operating policies and procedures of a particular affiliate with the specific purpose of facilitating transactions that would be prohibited by this part if performed by a U.S. person or from the United States." ITSR § 560.417.

#### 5.1.2.4 Targets of Primary U.S. Sanctions Programs

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

Ukraine/Russia (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 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, 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 (or entities owned at 50% or higher level, directly or indirectly, 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.

#### 5.1.2.5 Application to Russia (excluding Crimea)

- (a) The U.S. President has issued the following 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, and Executive Order of March 11, 2022, finding that the actions and policies of the Government of Russia, including its purported 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, 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 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).
- (c) 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):
  - (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 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.

- (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 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.
- (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 (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."

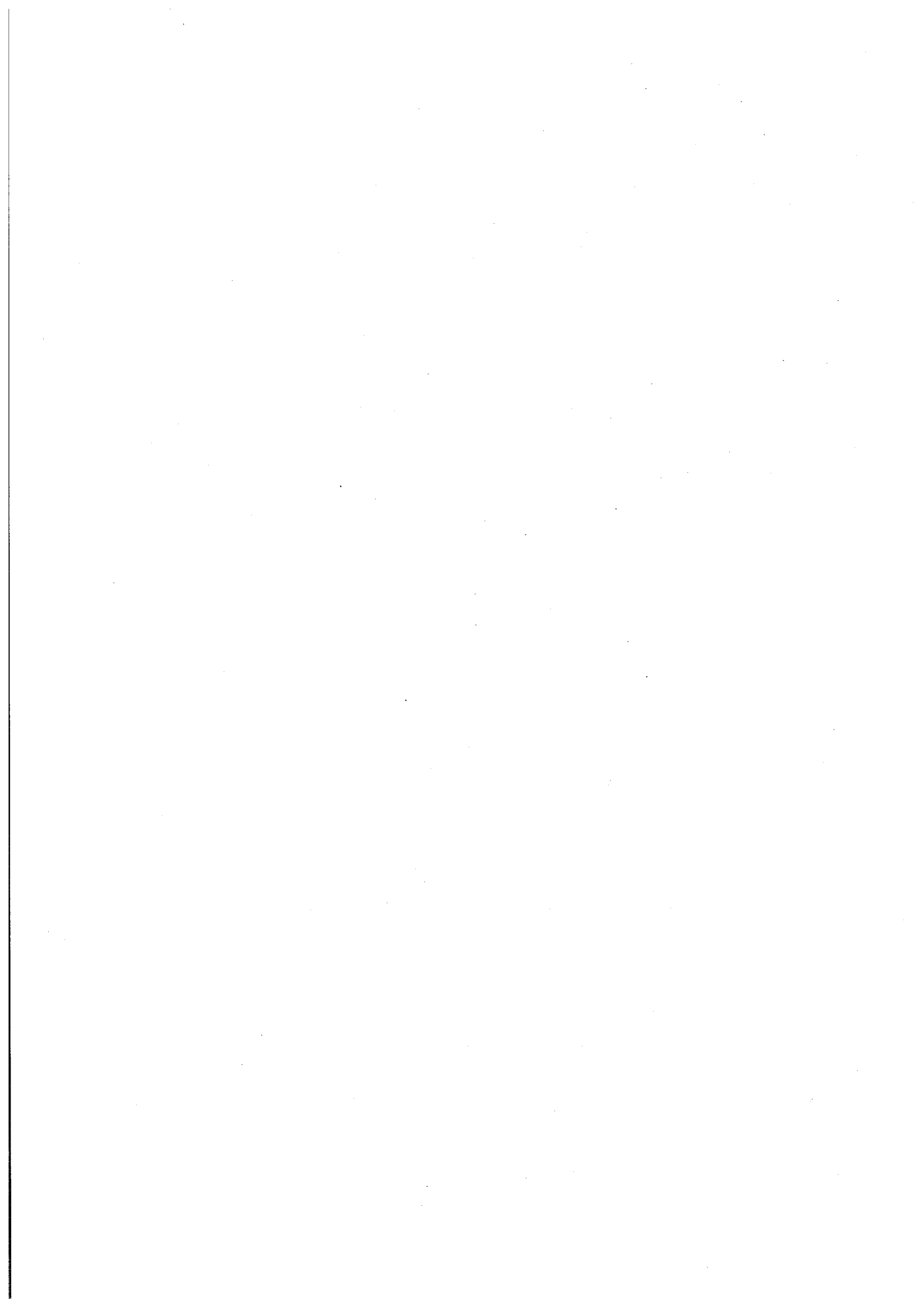
- (d) The SSIL restrictions apply not only to U.S. persons' dealings with the designated under the directives above, but also to entities directly or indirectly owned 50% or more by entities listed on the SSIL (the "SSI").
- (e) "Debt" in the SSIL context includes bonds, loans, extensions of credit, 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).
- (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 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

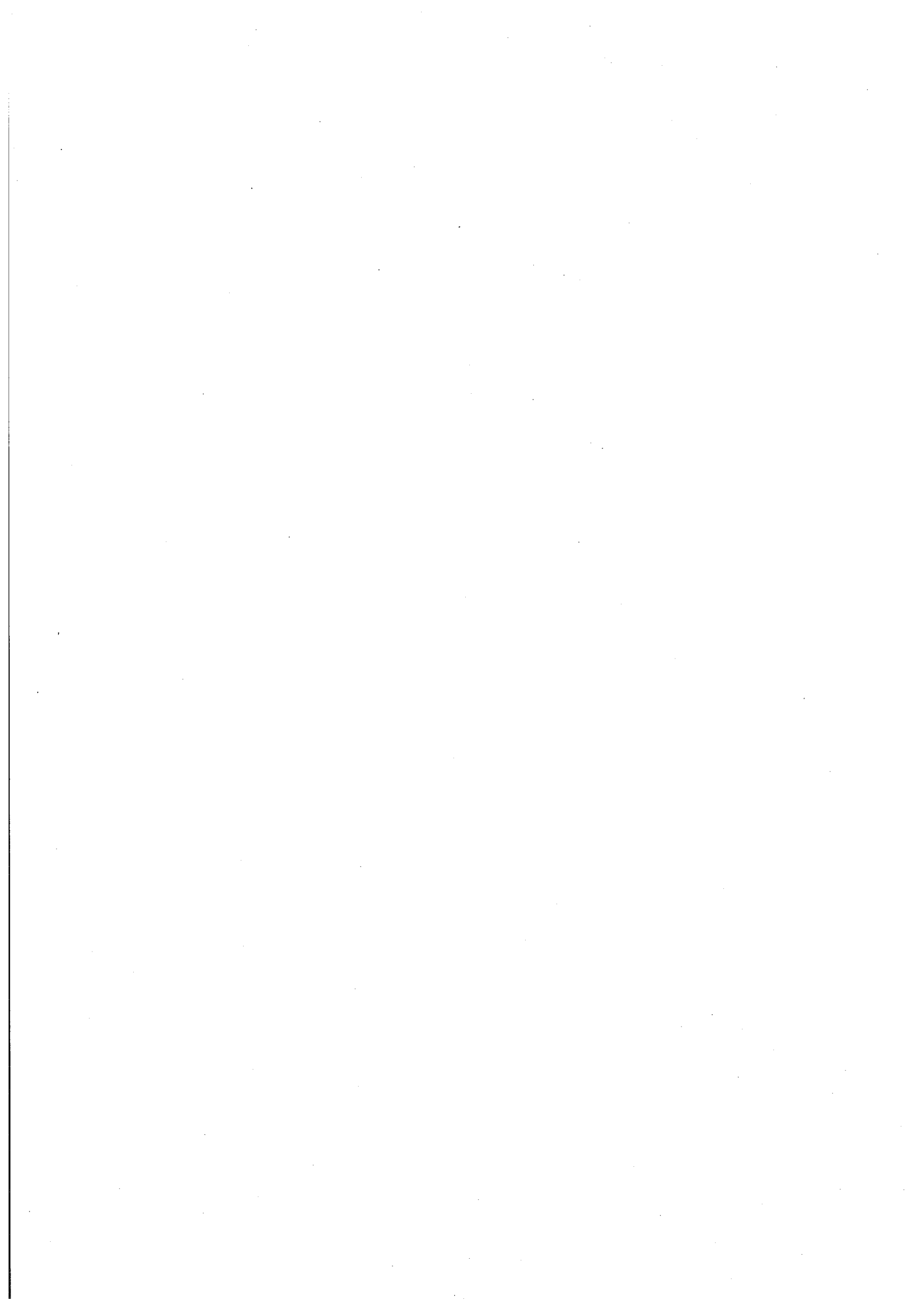
“persons that are part of, or operate for or on behalf of, the defense and intelligence sectors of the Government of the Russian Federation” so foreign parties have additional clarity as to who in Russia is targeted by this measure and can avoid engaging in “significant” transactions with such parties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

- (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 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.



- (l) 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 totaling 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.
  
- (m) 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.
  
- (n) 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:
  - (i) 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.

- (ii) 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.
- (iii) 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.
- (iv) 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.
- (o) 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.

- (p) On March 31, 2022, OFAC issued a formal determination that three additional sectors of the Russian economy are subject to sanctions pursuant to EO 14024: aerospace, marine, and electronics. By virtue of this determination, OFAC can impose sanctions on any individual or entity determined to operate or have operated in any of these three sectors in Russia.
- (q) On February 21, 2022, the President issued EO 14065 which prohibits
  - (i) New investment in DPR or LPR by a U.S. person;
  - (ii) Import into the United States, directly or indirectly, of any goods, services, or technology from DPR or LPR;
  - (iii) 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
  - (iv) U.S. person approval, financing, facilitation, or guarantee of a transaction by a foreign person that would be prohibited as noted above.
- (r) On March 8, 2022, the President issued EO 14066 which prohibits:
  - (i) 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;
  - (ii) new investment in the energy sector in the Russian Federation by a United States person, wherever located; and
  - (iii) 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.
- (s) On March 11, 2022, the President issued EO 14068 which prohibits:
  - (i) 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;

- (ii) 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;
  - (iii) 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;
  - (iv) 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
  - (v) 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.
- (t) 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.
- (u) On April 6, 2022, OFAC issued EO 14071 which prohibited
- (i) new investment in the Russian Federation by a United States person, wherever located;
  - (ii) 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 (as a result of the May 8 determination by OFAC, services targeted by EO 14071 include accounting, trust/corporate formation, and management consulting, and subsequently quantum computing services were added as well); and

- (iii) 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.
- (v) 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.

#### 5.1.2.6 Application to the Group

- (a) Except our Director, Chen Ping, there are no U.S. persons for purposes of U.S. sanctions in the Group, neither the Company nor any of its Group entities are incorporated in the United States and the Group does not otherwise maintain any subsidiaries, branches or affiliates which are either incorporated, domiciled or otherwise located in the territory of the United States.
- (b) No U.S. persons 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, any activities of the Company or its Group entities involving the Relevant Region.
- (c) The Group has not had activities involving Cuba, Crimea region, Iran, North Korea, or Syria. Therefore, no US persons employed or otherwise engaged by the Group have been involved in any way (either directly or indirectly) in any activities of the Group involving Cuba, Crimea region, Iran, North Korea, or Syria. Thus, the Group is not subject to any of the above described primary U.S. sanctions administered by OFAC,

either country-based or list-based, when the activity does not otherwise involve a U.S. nexus.

- (d) The Company has advised, for and on behalf of the Group, the Group did not instruct its customers to use any particular payment route, but, the Group had received payments for the sales of antenna products to the Relevant Region in USD which is consistent with its international sales practice.
- (e) The Company confirmed for and on behalf of the Group, except GAZ, the Group's customers, end-users and suppliers are not SDNs, and neither the Group nor any of its affiliates, agents, directors, officers or employees are engaged in other transactions, business or financial dealings that directly or indirectly involve Cuba, Iran, North Korea, Syria or the Crimea region of Ukraine/Russia. We have screened the list of customers and counterparties located in the Relevant Region provided by the Group using Accuity screening tool against the lists of Sanctioned Persons maintained by the Relevant Jurisdictions, and none of the customers and counterparties on the list is designated under the lists of Sanctioned Persons maintained by the Relevant Jurisdictions. The receipt of a USD payment through the SSI Directive 1 Bank did not trigger relevant OFAC restrictions on dealings in new debt or new equity of VTB Bank because that payment made by a non-sanctioned customer through such bank did not involve the Group's dealing in equity or debt of VTB Bank itself. Accordingly, the Group's sales of antenna products to the Relevant Region involving non-sanctioned parties would not have triggered relevant primary sanctions restrictions. The Group confirmed that activities with GAZ were during April 6, 2018 through May 25, 2022, which is within the time period authorised by GL 15L. The Group activities with GAZ did not violate US sanctions because the sales to the GAZ subsidiary are automotive related and took place during the period when GL 15L authorised U.S. persons to engage in sales to GAZ, those sales should be authorized by GL 15L because the transactions and activities were ordinarily incident and necessary to the sale of components and spare parts produced by an entity in which GAZ Group owns 50 percent or greater interest, including the Group's end-user, GAZ. As a result, the Group's sales to GAZ indirectly through the Russian Distributor were activities that a U.S. person itself could legally undertake pursuant to the GL 15L.
- (f) The Group did not, in any circumstances, make any payment (including refund) to any party in the Relevant Region during

the Track Record Period.

- (g) 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.

Hogan Lovells assessment is that the business dealings of the Group with the Relevant Region do not appear to violate or implicate any breaches of applicable U.S. sanctions.

### 5.1.3 Secondary Sanctions Applicable to Non-U.S. Persons

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

- (a) those who are dealing in "confiscated" property in Cuba;
- (b) those who are engaging in certain Syria- or Iran-related activities, including certain targeted sectors of Iranian, North Korean, Belarussian, Myanmar (Burmese), Russian and Venezuelan economy;
- (c) those who are found to "operate in" the Crimea region or in the targeted sectors of Venezuelan economy (gold, oil, financial, defense/security) or Russian economy (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), Myanmar/Burmese (defense), Belarussian (defense and related materiel, security, energy, potassium chloride (potash) sector, tobacco products, construction, or transportation);
- (d) those engaging in "significant" transactions with Iranian or Russian SDNs; and
- (e) 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).

5.1.3.2 The Company has, for and on behalf of the Group, confirmed that it has had no dealings with Cuba, Crimea region of Ukraine/Russia, Iran, North Korea, Sudan, and Syria, or with any SDNs (with the exception of GAZ). EO 14024 does not define the term "technology sector" nor does it define what is meant to be "operating in" such targeted sector of Russia's economy. The nature of its antenna products provided to customers in Russia for smart power grids and for the automotive industry (i.e., vehicle-mounted antennas) involve



purposes other than those activities targeted by EO 14024. Russia's automotive sector is not a sector of Russian economy targeted by the EO 14024. The Group confirmed that activities with GAZ were during April 6, 2018 through May 25, 2022, which is within the time period authorised by GL 15L. The Group activities with GAZ did not violate US sanctions because the sales to the GAZ subsidiary are automotive related, those sales should be authorized by GL 15L because the transactions and activities were ordinarily incident and necessary to the sale of components and spare parts produced by an entity in which GAZ Group owns 50 percent or greater interest, including the Group's end-user, GAZ. As such, those sales to Russia should not trigger U.S. secondary sanctions targeting certain sectors in Russia (technology, defense and related materiel sectors, as the Company arguably is not "operating in" those sectors itself when it is selling its antenna products to customers in Russia). The Group's exportation of vehicle mounted antennas should not be viewed as our operations in Russia's "technology" sector for purposes of EO 14024, considering that the Group do not have a presence in Russia. Furthermore, the OFAC's guidance in FAQ 964 provides that a sector determination pursuant to EO 14024 does not automatically impose sanctions on all persons who operate or have operated in the sector; while only persons determined, pursuant to EO 14024, by the Secretary of the Treasury in consultation with the Secretary of State, or by the Secretary of State, in consultation with the Secretary of the Treasury, to operate or have operated in the EO 14024 identified sectors are subject to sanctions. As such, the Group do not "operate in" a designated sector of Russia's economy that creates secondary sanctions exposure under EO 14024. Accordingly, secondary sanctions should not be triggered by the Group's dealings, based on our due diligence process, and the information provided by the Company (for and on behalf of the Group). For those reasons, Hogan Lovells' assessment is that secondary U.S. sanctions do not appear to have been implicated, and the Group's activities in Russia (excluding Crimea) were not Secondary Sanctionable Activities..

#### 5.1.4 The Offering

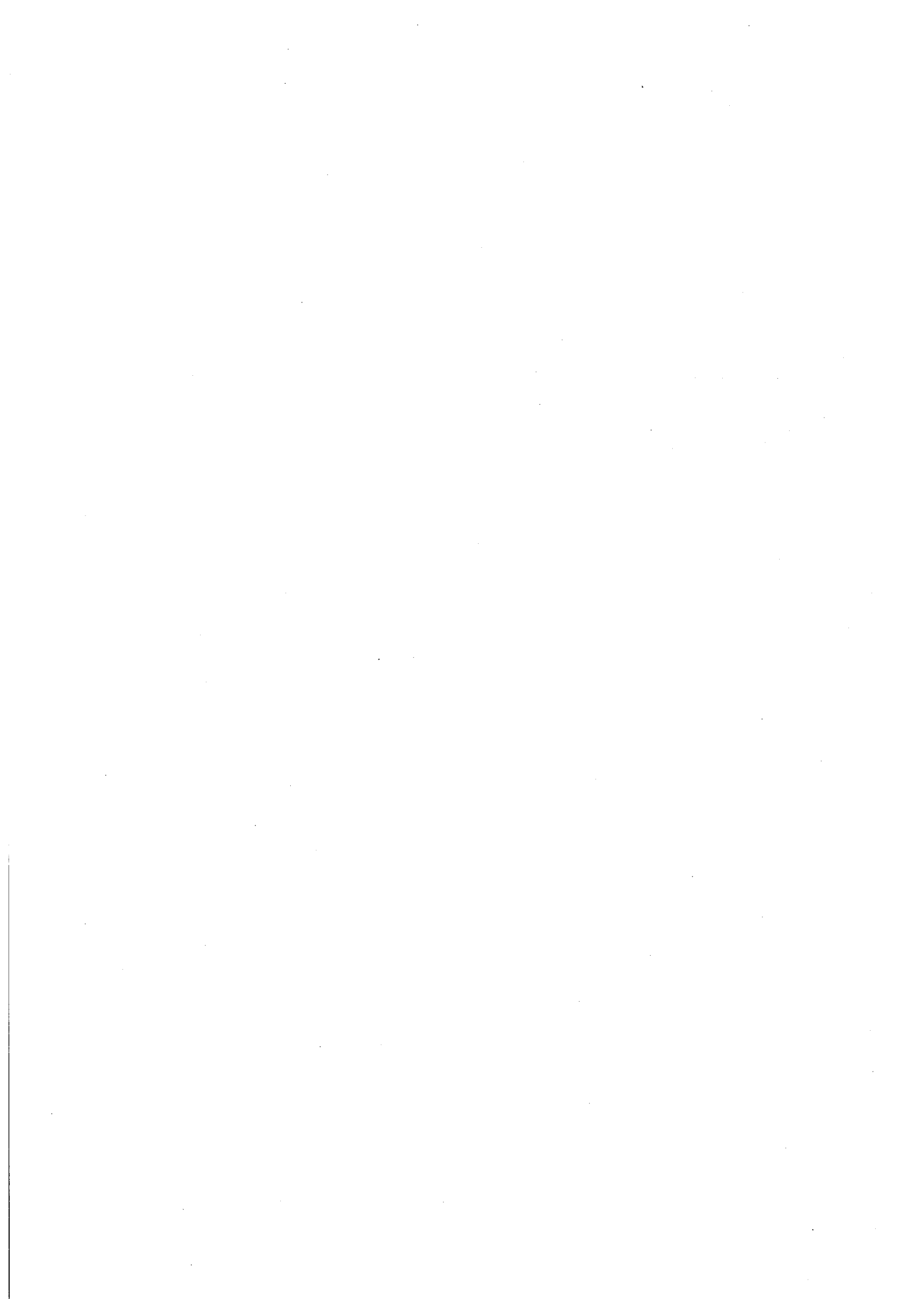
5.1.4.1 The Group will be required to make standard representations, warranties and covenants to the Sponsor in the Hong Kong Underwriting Agreement that the proceeds of the Offering will not be used in any manner that could be found to violate any International Sanctions laws or regulations, including 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.

- 5.1.4.2 We note from the Prospectus as of November 30, 2022 under which the Company'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 Company has confirmed that such statements are accurate in all respects. In those statements, the Company confirms that the proceeds will be used:
- (a) for improving the Group's private 5G network solutions;
  - (b) for research and development of industrial WLAN;
  - (c) for developing a common digitalization foundation to further upgrade the Group's Universal IoT Platform;
  - (d) for purchase of lab equipment; and
  - (e) for further strengthening the Group's business development capabilities.
- 5.1.4.3 As such, there is no risk of any proceeds being used in any manner that could be found to violate any International Sanctions laws or regulations, as they would not be made available to (i) a person or entity on the SDN List or (ii) fund any activity that is prohibited by International Sanctions laws or regulations. The Group had not engaged during the Track Record Period in Secondary Sanctionable Activity because it had no business activities targeted by extra-territorial provisions of sanctions law or regulation 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.
- 5.1.4.4 We also note that none of the Group, its respective shareholders, directors or officers disclosed in the Prospectus is a person or entity named on the SDN List.
- 5.1.4.5 We have been informed by the Sponsor and the Company that the Offering contemplated by the Prospectus will not be made in the United States or to U.S. persons.

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

- 5.2.1 Unlike U.S. economic sanctions that follow the persons or parties involved, U.S. export controls follow the product involved. Any item that is sent from the United States to a foreign destination is an export. "Items" include commodities, software or technology, including but not limited to circuit boards, automotive parts, blueprints, design plans, retail software packages and technical information. How an item is transported outside of the United States does not matter in determining export license requirements. For example, an item can be sent by regular mail, hand-carried on an airplane, sent via facsimile, software can be uploaded to or downloaded from an Internet site, or technology can be transmitted via e-mail or during a telephone conversation. Regardless of the method used for the transfer, the transaction is considered an export (or a re-export if such U.S.-origin item is transferred from one foreign country to another).
- 5.2.2 The U.S. Department of Commerce, Bureau of Industry and Security (the "BIS") controls exports and re-exports of commercial and dual-use products, software and technology. These controls are implemented by the United States Export Administration Regulations, 15 C.F.R. Parts 730-774 (the "EAR"), administered by BIS.
- 5.2.3 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. To the best knowledge of the Company, none of its counterparties reflects any parties on the BIS List.
- 5.2.4 We have been informed by the Company that the Group does not:
- 5.2.4.1 export products, software or technology that subject to the EAR from the United States or incorporate U.S.-origin technology or software;
  - 5.2.4.2 deal with parties on the BIS List, except one customer described in 4.7 but those sales did not involve Items subject to the EAR; and
  - 5.2.4.3 sell U.S.-origin products or non-U.S. origin products that incorporate 10% or more of controlled U.S.-origin products, software or technology or that are a direct product of controlled U.S.-origin technology.

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



## 6. UN SANCTIONS

6.1 UN sanctions measures are adopted via a Resolution of the UN Security Council (“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 EU 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 Russia

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

6.4 Application to the Group

6.4.1 On the basis of the Group's confirmation that neither the Group nor any of its affiliates, agents, directors, officers, or employees is engaged in transactions that directly or indirectly involve or benefit a person on the sanctions list of the UN; and that

6.4.2 All of the Group's business in relation to the Relevant Region was in relation to its provision of IoT solutions and sales of telecommunication products, which does not involve export-controlled products,

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

## 7. EU AND UK SANCTIONS

7.1 Overview of EU and UK Sanctions Measures

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

- 7.1.1 Sanctions applicable in the EU stem from:
- 7.1.1.1 sanctions adopted by the UN; or
  - 7.1.1.2 autonomous sanctions regimes adopted by the EU without any UN action.
- 7.1.2 The EU implements sanctions measures via a unanimous decision of the Council of the European Union (the "**Council**"). Members States of the EU are then legally bound to act in conformity with the decision.
- 7.1.3 Certain sanctions, such as arms embargoes and travel bans, are implemented directly by EU Member States. Such measures only require a decision by the Council. Economic sanctions measures require separate implementing legislation in the form of a Council Regulation.
- 7.1.4 Council Regulations are directly applicable in EU Member States. However, some Member States 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.
- 7.1.5 EU sanctions regimes are generally targeted, meaning that the relevant prohibitions or restrictions are focused on individual people or organizations, certain sectors of the target's economy, specified goods, technology, technical assistance and wider associated services, or specific activities.
- 7.1.6 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 EU 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. For the part of the Track Record Period starting on 1 January 2021, UK applies its own sanctions programs.
- 7.1.7 EU sanctions measures have also been extended by the UK on a regime by regime basis to apply to and in the UK Overseas Territories, including the Cayman Islands until December 31, 2020. Although the UK was an EU Member State during the Track Record Period, the UK Overseas Territories (apart from Gibraltar) were not. For the part of the Track Record Period starting January 1, 2021, the UK has extended its autonomous sanctions regimes to apply to and in the UK Overseas Territories.

## 7.2 Overview of UK sanctions

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.

7.2.1 As of January 1, 2021, sanctions applicable in the UK stem from:

7.2.1.1 Sanctions adopted by the UN; or

7.2.1.2 Autonomous sanctions regimes adopted by the UK; Some of which have been retained from EU legislation and have been transitioned into UK law.

7.2.2 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 programs 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. To this date, the UK has transitioned most of the EU sanctions regimes with UK ones having substantially the same effect.

7.2.3 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 regime by regime basis to apply to and in the UK Overseas Territories (without requiring enactment of any further legislation by them), including the Cayman Islands as of January 1, 2021.

### 7.3 Application of Sanctions Measures

7.3.1 EU and UK sanctions measures together with those extended to apply in the UK Overseas Territories broadly apply to: (i) any company incorporated under the laws of the EU, the UK or any UK Overseas Territory; (ii) any EU or UK national and any UK Overseas Territory national wherever located; and (iii) any business done in whole or in part within the EU or the UK or within a UK Overseas Territory.

7.3.2 EU and UK sanctions measures will therefore apply to:

7.3.1.1 any EU and UK nationals or citizens of a UK Overseas Territory employed by or otherwise engaged on behalf of the Group regardless of where they are located, such as in China, in the EU, the UK or in any other country;

7.3.1.2 any business of the Group conducted within the EU, the UK or a UK Overseas Territory;

7.3.1.3 any counterparty incorporated in the EU, the UK or a UK Overseas Territory with whom the Group does business including for example, suppliers, customers, distributors, agents, manufacturers, shipping agents and freight forwarders;

- 7.3.1.4 any EU, UK or UK Overseas Territories incorporated financial institution that the Group or any of its companies uses to provide payment processing services, trade finance services, short or long term debt financing or any other service; and
  - 7.3.1.5 any entity incorporated in the EU, the UK or a UK Overseas Territory, or national of these regions who subscribes for shares in the Group.
- 7.3.2 EU and UK sanctions do not apply to:
- 7.3.2.1 non-EU, non-UK, non-UK Overseas Territory 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, the UK or in a UK Overseas Territory); and
  - 7.3.2.2 any company subsidiary that is not incorporated under the laws of an EU Member State, the UK or a UK Overseas Territory, which acts in a wholly independent manner from its parent company and which does not carry out any activities in the EU, the UK or a UK Overseas Territory.
- 7.4 Restrictions under EU and UK Sanctions Measures
- 7.4.1 The restrictions applied under an EU or UK sanctions regime (including where extended to apply in the UK Overseas Territories) depend on the jurisdiction targeted by the regime. However, there are broadly four main offences:
- 7.4.1.1 making any funds or economic resources (see below) directly or indirectly available to or for the benefit of a sanctioned person or entity (a "**Designated Person**");
  - 7.4.1.2 dealing with any funds or economic resources that are owned, held or controlled by a Designated Person;
  - 7.4.1.3 exporting, selling, transferring or making certain controlled or restricted products<sup>2</sup> available (either directly or indirectly) to, or for use in, a jurisdiction subject to sanctions measures (a "**Prohibited Activity**"); and
  - 7.4.1.4 participating knowingly and intentionally in activities the object or effect of which is to: (i) directly or indirectly circumvent the offences listed above; or, (ii) enable or facilitate the commission of the offences.
- 7.4.2 The meaning of "economic resources" is defined widely to be "assets of every

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<sup>2</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.*



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".

7.4.3 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

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

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

7.5.1.2 export, finance, or facilitate the transfer of any controlled or restricted products to a third country including a Relevant Jurisdiction.

### 7.5.2 Application to Russia (excluding Crimea, DPR/LPR, Kherson and Zaporizhzhya)

The existing framework for EU Sanctions targeting Russia 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) 2022/1909 of October 6, 2022, and Council Regulation (EU) No 833/2014 of July 31, 2014, as last amended by Commission Regulation (EU) 2022/31904 of October 6, 2022. 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, brokering services, financing or financial assistance (with certain exemptions and licences; licenses with regard to certain listed entities will be rejected);
- (b) 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 to Russian parties or for use in Russia, and the provision of related technical assistance, brokering services, financing or financial assistance (with certain exemptions and licences; licenses with regard to certain listed entities will be rejected);

- (c) Prohibition to provide technical assistance, financing or financial assistance related to military goods to any Russian person or for use in Russia (with certain exemptions and licenses);
- (d) 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, brokering services, financing or financial assistance, or other services related to these goods;
- (e) 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, brokering services, financing or financial assistance or other services is (with certain exemptions and licenses);
- (f) 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, brokering services, financing or financial assistance, is prohibited (with certain exemptions and licenses);
- (g) 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, 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);
- (h) Prohibited to provide public financing or financial assistance for trade with or investment in Russia 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;
- (i) Prohibited to make any new investments or expand existing investments in, or to provide investments services to, entities active in the Russian energy 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;
- (j) Investments, participation or any other contribution to projects co-financed by the Russian Direct Investment Fund;
- (k) Capital market restrictions, which include:

- (i) Prohibition to 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
- (ii) 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.
- (iii) Prohibition to 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;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) 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;
- (viii) 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;
- (ix) Prohibition to sell EUR-denominated transferable securities issued after April 12, 2022 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;

- (x) Prohibition to sell EUR-denominated banknotes to Russia or to any party in Russia, including the government and the Central Bank of Russia, or for use in Russia;
  - (xi) Prohibition to provide crypto-asset wallet, account or custody services to Russian nationals or residents or Russian entities. Licenses are available;
  - (xii) 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;
- (l) 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;
  - (m) 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;
  - (n) 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 flights for humanitarian purposes;
  - (o) No access to ports and locks in the EU for any vessel registered under the flag of Russia, with the exception for the purpose of leaving the territory of the EU (with certain additional exemptions and licenses);
  - (p) Prohibition on the sale, supply, transfer or export of, and provision of technical assistance, 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);
  - (q) 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 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;

- (r) 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;
- (s) 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;
- (t) 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, insofar these goods exceed the value of EUR 300 per item unless otherwise specified (with certain exemptions and licenses);
- (u) 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, brokering services, financing, financial assistance, or other services. There are certain exemptions and licenses;
- (v) It is prohibited for any Russian road transport undertaking 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;
- (w) 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. There are also certain exemptions for specific Member States;
- (x) 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 if they are above the price cap agreed by the Price Cap Coalition;,,
- (y) 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;

- (z) Transaction ban with regard to certain listed state-owned entities. Certain exemptions are available;
- (aa) 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;
- (bb) 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;
- (cc) 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;
- (dd) Prohibition to provide professional services (accounting, auditing, including statutory audit, bookkeeping or tax consulting services, or business and management consulting or public relations services, as well as architecture, engineering, IT consultancy or legal advisory 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, Korea) and licenses are available;

7.5.2.1 As of January 1, 2021, the UK replaced the EU Russia sanctions, with substantially the same effect, by the Russia (Sanctions) (EU Exit) Regulations 2019, which came into effect on December 31, 2020, as amended by the Sanctions (EU Exit) (Miscellaneous Amendments) (No. 2) and (No. 4) Regulations 2020, the Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022 (as amended) (together, the "UK Russia Regulations"). The regulations have been extended to apply to the UK Overseas Territories by the. Russia (Sanctions) (Overseas Territories) Order 2020, the Russia (Sanctions) (Overseas Territories) (Amendment) Order 2021, the Russia (Sanctions) (Overseas Territories) (Amendment) Order 2022 and the Russia (Sanctions) (Overseas Territories) (Amendment) (No. 2) Order 2022.

7.5.2.2 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.

7.5.2.3 Further, throughout 2022, the UK published 12 amendment regulations which introduce additional financial, trade and shipping sanctions against Russia (summarized below):

(1) The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 introduced the following restrictions;

- (1) Prohibition on dealing with securities or money-market instruments issued by, or providing loans/credit to a person connected with Russia (including Russian incorporated entities and residents) or the Russian Government. The aforementioned prohibitions also apply to all entities listed in Schedule 2, including their UK subsidiaries.
- (2) Prohibition on UK credit or financial institutions from 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 by them.

(2) The Russia (Sanctions) (EU Exit) (Amendment) (No. 3) Regulations 2022 prohibit the following:

- (1) the export, supply, delivery and making available of dual-use goods and critical-industry goods;
- (2) the making available and transfer of dual-use technology and critical-industry technology; and
- (3) the provision of technical assistance, financial services, funds and brokering services, in relation to dual-use goods and technology and critical-industry goods and technology.

(3) 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).

(4) The Russia (Sanctions) (EU Exit) (Amendment) (No. 4) Regulations 2022 prohibit Russian 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.

- (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:
  - (1) extend the existing finance, shipping and trade sanctions relating to the Autonomous Republic of Crimea and city of Sevastopol ("Crimea") to the non-government controlled areas of the Donetsk oblast and Luhansk oblast of Ukraine;
  - (2) extend the relevant exceptions and licensing provisions to the non-government controlled areas of the Donetsk and Luhansk oblasts;
  - (3) prohibit the provision to, or for the benefit of, a designated person of technical assistance relating to aircraft and ships. This includes a power to designate persons for the purposes of that sanctions measure; and
  - (4) 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:



- (1) oil refining goods and technology,
  - (2) quantum computing and advanced materials goods and technology;
  - (3) luxury goods, and
  - (4) 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:
- (1) maritime goods and maritime technology;
  - (2) military goods and technology with non-government controlled Ukrainian territory;
  - (3) defence and security goods and technology;
  - (4) interception and monitoring services;
  - (5) banknotes;
  - (6) jet fuel and fuel additives; and
  - (7) 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:
- (1) professional and business services;
  - (2) miscellaneous essential goods required for the functioning of the Russian economy;
  - (3) oil and oil products means;
  - (4) gold; and
  - (5) coal and coal products.
- (12) Under the UK Russia Regulations, it is prohibited to export the following products to or for use in Russia:
- (1) military goods and technology to non-government controlled Ukrainian territory;
  - (2) energy-related goods;
  - (3) luxury goods;
  - (4) sterling or European Union denominated banknotes; and
  - (5) jet fuel and fuel additives.
- (13) 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) oil and oil products; and
  - (5) coal and coal products.
- (14) The UK Russia Regulations prohibit the supply or delivery of the following goods:

- (15) Prohibition on supply or delivery of restricted goods, energy related goods, luxury goods, jet fuel and fuel additives and dependency and further goods from a third country to Russia.
- (16) Prohibition on supply or delivery of iron and steel products from Russia to a third country.
- (17) 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.
- (18) 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.
- (19) 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.
- (20) Prohibition on the acquisition of oil and oil products, gold and coal and coal products that originate or are located in Russia, with the intention of those goods entering the United Kingdom.
- (21) Prohibition on making energy related goods available to a person connected with Russia.
- (22) Prohibition on making infrastructure-related goods available for use in non-government controlled Ukrainian territory.
- (23) 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.
- (24) Pursuant to UK Russia Regulations technical support is prohibited in relation to certain specified goods or technology.
- (25) 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.
- (26) The prohibition applies to technical assistance to persons connected with Russia or for use in Russia.

- (27) The provision of technical assistance to in connection with specific arrangements, as specified in the UK Russia Regulations, is prohibited.
- (28) Pursuant to UK Russia Regulations the provision of financial services and funds related to certain goods and technology is prohibited.
- (29) 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.
- (30) 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.
- (31) Under the Pursuant to UK Russia Regulations the provision of brokering services is prohibited.
- (32) 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.
- (33)

7.1.1 Application to the Group

7.1.1.1 On the basis of our due diligence process and the Company's confirmation (for and on behalf of the Group) that:

- 7.1.1.1.1 the Group's activities involving the Relevant Region have not identified any person specifically designated (i.e. listed / targeted) under any applicable EU or UK sanctions regime;
- 7.1.1.1.2 no EU or UK nationals, nor any citizens of any UK overseas territories, nor any wider persons resident or otherwise located in either the territories of the EU, the UK 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 Region;
- 7.1.1.1.3 the Group's transactions did not potentially fund or facilitate sanctions-prohibited activity, nor grant any benefit towards any sanctioned person or entity;

- 7.1.1.1.4 the Group has not exported or directly or indirectly supplied arms and related materiel, or equipment which might be used for internal repression;
- 7.1.1.1.5 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;
- 7.1.1.1.6 the Group has not provided financing or financial assistance related to any activities referred to above;
- 7.1.1.1.7 Neither the Group nor any of its affiliates, agents, directors, officers or employees have been engaged in the export of listed 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;

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

## 7.2 EU and UK export controls

- 7.2.1 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 428/1009 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) 2022/699 of May 3, 2022, 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).
- 7.2.2 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 UK Dual-Use Regulation and Customs and Excise Management Act 1979.
- 7.2.3 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 or UK Dual Use list (Annex I to Regulation 428/2009 and Regulation 2021/821) or any items listed under Schedule 2 or 3 of the UK's Export Control Order 2008 to any Relevant Region.

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

## 8 AUSTRALIAN SANCTIONS

### 8.1 Overview

- 8.1.1 Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy. 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**").
- 8.1.2 The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to:
- a. any person in Australia;
  - b. any Australian anywhere in the world;
  - c. companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or
  - d. any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.
- 8.1.3 The ASO maintains the Consolidated List of all persons and entities designated for the purposes of sanctions regimes implemented under Australian sanction laws.
- 8.1.4 A criminal offence is committed if an individual or a body corporate to whom Australian sanctions measures apply, engages in conduct and the conduct contravenes a sanction law.
- 8.1.5 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**").
- 8.1.6 The Act prohibits a person from engaging in conduct that is in breach of the sanctions laws.
- 8.1.7 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.

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

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

8.2.1 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**").

8.2.2 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 and February 24, 2022.

8.2.3 Australian sanctions laws prohibit 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):

8.8.3.1 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

8.8.3.2 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).

8.2.4 Australian sanctions laws also prohibit (without a sanctions permit):

8.6.5.1 the provision to Russia, or to a person for use in Russia:

8.2.4.1.1 technical advice, assistance or training;

8.2.4.1.2 financial assistance;

8.2.4.1.3 a financial service; or

8.2.4.1.4 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';

8.6.5.2 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:

(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);

8.6.5.3 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 8.6.5.4 and 8.6.5.5 below);

8.6.5.4 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.

This prohibition does not apply to an activity in relation to tradable securities or any other financial instrument that:



- (c) is a derivative product the value of which is linked to an underlying asset of a type mentioned in 8.6.5.4; and
- (d) does not involve the purchase or sale of, or any other dealing in relation to, the underlying asset;

8.6.5.5 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.

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:
  - (iii) 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
  - (iv) 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.

8.5.5.6 from 25 April 2022, the import, purchase or transport of oil, refined petroleum products, natural gas, coal and other energy products from Russia;

8.5.5.7 directly or indirectly supplying, selling, transferring certain luxury goods to, for use in, or for the benefit of Russia; directly or indirectly supplying,

selling, transferring aluminum ores (including bauxite), alumina and related products to, for use in, or for the benefit of Russia;

8.5.5.8 directly or indirectly making an asset available to (or for the benefit of) a designated person or entity;

8.5.5.9 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

(a) an 'asset' includes an asset or property of any kind, whether tangible or intangible, movable or immovable;

(b) the Consolidated List of designated persons and entities is available on the Department of Foreign Affairs and Trade's website; and

(c) if you become aware that you are holding an asset of a designated person or entity, you are required to freeze (hold) that asset and notify the Australian Federal Police as soon as possible.

8.5.5.10 the entry or transit to Australia of designated persons.

### 8.3 Application to the Group

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

(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,

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 Australian Government.

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The conclusion stated in this memorandum is not binding on OFAC, the U.S. Department of State, the European Commission, the competent authorities of European Union Member States, the UK, 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.

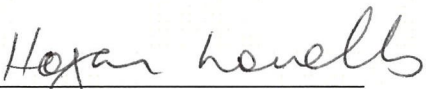
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Save as the above, no recipient may disclose this memorandum to any other person or quote or refer to it in any public document or file it with any person, without our prior written consent in each specific case.

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

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Hogan Lovells