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Attorney Work Product
Privileged and Confidential

September 21, 2026

ATTORNEY WORK PRODUCT
PRIVILEGED & CONFIDENTIAL

To: Shenzhen Kinwong Electronic Co., Ltd.
Kinwong Electronics Building, No.158 Guangyuan 3rd Road, Dongkeng Community, Fenghuang Street, Guangming District, Shenzhen, China

CITIC Securities (Hong Kong) Limited
Merrill Lynch (Asia Pacific) Limited
Guolian Securities International Capital Market Co., Limited
(collectively, the "**Joint Sponsors**")

CLSA Limited
Merrill Lynch (Asia Pacific) Limited
Guolian Securities International Capital Co., Limited
(collectively, "**Overall Coordinators**")

Hong Kong Underwriters and International Underwriters named in the Hong Kong Underwriting Agreement and the International Underwriting Agreement relating to the IPO
(collectively, the "**Underwriters**")

Re: Memorandum regarding U.S. Export Controls, International Sanctions, U.S. Outbound Investment Rule and U.S. Tariff Matters in Connection with Initial Public Offering of Shenzhen Kinwong Electronic Co., Ltd.

We have acted as special legal advisor as to United States ("**U.S.**") export controls and international sanctions for Shenzhen Kinwong Electronic Co., Ltd. ("**Company**"), a joint stock company incorporated in the People's Republic of China ("**PRC**") with limited liability, in connection with the Company's proposed initial public offering ("**IPO**") on The Stock Exchange of Hong Kong Limited ("**HKEX**"). We understand that the IPO will constitute the offer of up to 72,944,300 H shares of the Company, nominal value RMB 1.00 each (the "**Shares**"), and listing of the Shares on the Main Board of the HKEX, the details of which are set out in the Prospectus of the Company relating to the IPO filed with the Registrar of Companies in Hong Kong on September 21, 2026 (the "**Prospectus**"). The Underwriters will serve as the underwriters of the IPO pursuant to the Hong Kong Underwriting Agreement and the International Underwriting Agreement, respectively, by and among the Company, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters and/or International Underwriters named therein, as the case may be (the "**Underwriting Agreements**"). The Company has requested us to provide advice on relevant U.S. export controls, Outbound Investment Rule (defined below), U.S. tariff matters, as well as U.S., European Union ("**EU**"), United Kingdom ("**UK**") and United Nations ("**UN**") sanctions ("**international sanctions**") matters in accordance with the HKEX Guide for New Listing Applicants (the "**Guide**"). This memorandum is delivered to you at the request of the Company in accordance with the conditions precedent to the Underwriting Agreements.

The following provides our views regarding: (i) the U.S. export controls and international sanctions risks for the Group (as such term defined in the Prospectus); (ii) whether and to what extent any of the Group's activities as described in this memorandum is subject to or may have violated U.S. export controls and international sanctions laws during the Track Record Period (as such term is defined in the Prospectus); (iii) the Outbound Investment Rule and the impact, if any, on the IPO of the Company; (iv) the impact of U.S. tariffs on the Group, and (v) measures to mitigate the Company's U.S. export controls and international sanctions risks, including with respect to legal, operational, and reputational risks.

As further described in this memorandum and subject to the assumptions, qualifications, and other limitations set forth herein, we are of the view that: (i) there are minimal U.S. export controls and international sanctions risks for the Group, there is a low risk the Group's activities as described in this memorandum may have violated such laws during the Track Record Period; and it is unlikely that the Group's activities would result in the imposition of any sanctions against the Relevant Persons (as defined in the Guide); (ii) there is minimal Outbound Investment Rule impact on any U.S. person's investment in the publicly traded H Shares of the Company; (iii) it is unlikely that current U.S. tariffs should have a material impact on the Group's business operations; and (iv) the Company should not be deemed unsuitable for listing on the HKEX within the terms of the Guide. In addition, we identify measures to mitigate the Company's legal, operational, and reputational risks.

This memorandum is based solely on the documents, facts, and representations provided to us by the Company ("**Company Responses**"), and our independent due diligence via publicly available resources, including a review of the Company's public disclosures (including the Prospectus). We have not independently verified the facts or representations provided by the Company. Except as expressly described herein, we have assumed the accuracy and completeness of all documents provided to us. We note that, as special legal advisor as to U.S. export controls and international sanctions to the Company, we do not represent the Company generally, and there may be facts relating to the Company of which we have no knowledge. Our analysis is subject to change pending any new or different facts.

I. Overview of the Company

The Company was founded in 1993 and is listed on the main board of Shanghai Stock Exchange (stock code: 603228). The Company is primarily engaged in the research and development, production, and sales of printed circuit boards and high-end electronic materials. The Company currently has seven production bases worldwide, including six in China and one in Thailand. The Company has more than 20,000 employees worldwide.

The Company's products cover conventional printed circuit boards ("**PCBs**"), as well as flex, rigid flex, high-density interconnect (HDI), radio frequency (RF), metal-based, and high-layer-count PCBs to support electronics applications. The Company serves customers across the automotive, telecommunications, computing, smart terminal, industrial & medical, power supply, and consumer devices sectors.

II. U.S. Export Controls Implications

As stated above, we have been asked to analyze: (i) U.S. export controls risks for the Group; and (ii) whether and to what extent any of the Group's activities are subject to or may have violated such laws.

A. U.S. Export Controls Framework

The U.S. Export Administration Regulations (the "**EAR**") 15 C.F.R. § 730, *et seq.*, administered by the U.S. Department of Commerce, Bureau of Industry and Security ("**BIS**"), controls the export, reexport, and transfer (in-country) of "dual-use" commodities, software, and technology.[1] The EAR applies to all items "subject to the EAR" as defined at EAR §§ 734.2 – 734.5. Items subject to the EAR include U.S.-made items and items physically in the United States as well as certain foreign-made items.[2] Therefore, U.S. persons and foreign persons (including foreign companies) must determine if their items are subject to the EAR.

The U.S. asserts jurisdiction over goods, software, and technology subject to the EAR located anywhere in the world. Depending on the destination country, end-user, end use, and the classification of the item on the Commerce Control List ("**CCL**"),[3] transferring, exporting, or re-

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1 "Dual use" refers to items that have both commercial and military applications. The International Traffic in Arms Regulations, 22 C.F.R. Part 130 ("ITAR"), administered by the U.S. Department of State control the export and reexport of defense articles and defense services. This memorandum does not address the regulation of defense articles and defense services. We are not aware of any Company activities involving items subject to the ITAR.

2 Certain foreign-made items are subject to the EAR if they incorporate more than a *de minimis* amount of U.S. controlled content (25% to most destinations and 10% to certain embargoed countries). *See* EAR § 734.4. Also subject to the EAR are certain foreign-made items that are the direct product of U.S. origin software or technology or produced by a plant or major component of a plant located outside the United States that is a direct product of certain U.S.-origin software or technology. *See* EAR § 734.3(a)(4) - (5).

3 The Commerce Control List is found at Supplement No. 1 to EAR Part 774.

exporting an item subject to the EAR may require a U.S. export license unless a license exception is available.[4]

B. October 2023 Amendments to Export Controls Related to Advanced Computing and Semiconductor Manufacturing Equipment

On October 17, 2023, BIS announced amendments to existing export controls relating to advanced computing and semiconductor manufacturing equipment. The amendments follow the rulemaking on October 7, 2022, in connection with advanced computing integrated circuits ("**ICs**"), supercomputers, and semiconductor manufacturing equipment.

First, the October 17, 2023, interim final rule modified Export Control Classification Number ("**ECCN**") 3A090 by adjusting the controls on certain chips based on a new defined term of "total processing performance" and "performance density."[5] Second, BIS further amended the foreign direct product rule on certain advanced ICs ("**the Advanced Computing FDP Rule**"), which treats certain non-U.S.-made items as subject to the EAR if the item meets the product scope in new EAR § 734.9(h)(1)[6] and destination scope in paragraph (h)(2).[7] Third, BIS imposed new end

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[4] License exceptions are found at EAR Part 740.

[5] Effective November 17, 2023, ECCN 3A090 captures the following chips:

a) Integrated circuits having one or more digital processing units having either of the following: (i) a total processing performance of 4800 or more; or (iii) a total processing performance of 1600 or more and a performance density of 5.92 or more.
b) Integrated circuits having one or more digital processing units having either of the following: (i) a total processing performance of 2400 or more and less than 4800 and a performance density of 1.6 or more and less than 5.92; or (ii) a total processing performance of 1600 or more and a performance density of 3.2 or more and less than 5.92.

[6] Specifically, the product scope applies when either of the following criteria are met:

1) The non-U.S. made item meets both of the following conditions:
    a) The non-U.S. made item is the "direct product" of "technology" or "software" subject to the EAR and specified in the following ECCNs: 3D001, 3D991, 3E001, 3E002, 3E003, 3E991, 4D001, 4D090, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E991, or 5E002; and
    b) The non-U.S. made item is:
        i) Specified in ECCN 3A090, 3E001 (for 3A090), 4A090, or 4E001 (for 4A090); or
        ii) An integrated circuit, computer, "electronic assembly," or "component" meeting the performance parameters in ECCNs 3A001.z, 4A003.z, 4A004.z, 4A005.z, 5A002.z, 5A004.z, or 5A992.z;

OR

2) The non-U.S. made item meets both of the following conditions:
    a) The non-U.S. made item is produced by any complete plant or 'major component' of a plant that is located outside the United States, when the plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is specified in ECCN 3D001, 3D991, 3E001, 3E002, 3E003, 3E991, 4D001, 4D090, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, 5E991, 5D002, or 5E002; and
    b) The non-U.S. made item is:
        i) Specified in ECCN 3A090, 3E001 (for 3A090), 4A090, or 4E001 (for 4A090); or
        ii) An integrated circuit, computer, "electronic assembly," or "component" meeting the performance parameters in ECCNs 3A001.z, 4A003.z, 4A004.z, 4A005.z, 5A002.z, 5A004.z, or 5A992.z.

See 15 CFR § 734.9(h)(1).

[7] A non-U.S. made item meets the destination scope of the Advanced Computing FDP Rule if there is "knowledge" that the foreign-produced item is:

1) Destined to a destination specified in Country Groups D:1, D:4, or D:5 (which includes the PRC), excluding any destination also specified in Country Groups A:5 or A:6, or will be incorporated into any "part,"

use controls that generally impose a license requirement on items subject to the EAR (or depending on the end use, for certain items subject to the EAR) when used in the development or production of a "supercomputer" located in or destined to the PRC or integrated circuits at a semiconductor fabrication "facility" in China that meets certain criteria. Lastly, the October 17, 2023, interim final rules included other amendments, such as changes to the restrictions on activities of U.S. persons[8] and the creation of a new Notified Advanced Computing ("**NAC**") License Exception.[9]

C. May 13, 2025 BIS Guidance

On May 13, 2025, BIS announced the rescission of the Biden administration's Artificial Intelligence (AI) Diffusion Rule, which was issued as an interim final rule on January 15, 2025 with an anticipated compliance date of May 15, 2025. The AI Diffusion Rule expanded controls on advanced computing ICs and added a new control on AI model weights for certain advanced closed-weight dual-use AI models.

In its announcement, BIS noted that it will issue a replacement diffusion rule, but provided no timeline for its release and has not issued a new rule as of the date of this memorandum. Effective on the same day, BIS issued three guidance documents to strengthen the U.S. export controls regime: (1) a policy statement on controls applicable to advanced ICs and other commodities used to train Chinese AI models ("**Policy Statement on AI Modeling**"); (2) guidance on General Prohibition 10 (GP 10) on 3A090 ICs produced by the PRC ("**Guidance on GP 10**"); and (3) guidance on preventing the diversion of AI supply chains ("**Guidance on Preventing Advanced Computing IC Diversion**").

The Policy Statement on AI Modeling does not add any new export controls on AI model training for Chinese companies. Rather, it provides guidance on the activities that trigger a license requirement under the EAR's part 744 catch-all controls for China, Macau, and other D:5 jurisdictions.

GP 10 prohibits any person from taking almost any action involving an item subject to U.S. export controls with "knowledge" that a violation of the EAR "occurred, is about to occur, or is intended to occur" in connection with 3A090 ICs. Particularly, Guidance on GP 10 establishes:

"component," "computer," or "equipment" not designated EAR99 that is destined to a destination specified in Country Groups D:1, D:4, or D:5 (which includes the PRC), excluding any destination also specified in Country Groups A:5 or A:6, or worldwide to any entity headquartered in, or whose ultimate parent company is headquartered in, either Macau or a destination specified in Country Group D:5; or

2) Technology developed by an entity headquartered in, or whose ultimate parent company is headquartered in, either Macau or a destination specified in Country Group D:5 (which includes the PRC), for the "production" of a mask or an integrated circuit wafer or die.

See 15 CFR § 734.9(h)(2).

[8] *See* 15 CFR § 744.6.

[9] *See* 15 CFR § 740.8. On March 9, 2024, BIS issued an interim final rule clarifying and correcting its October 2023 interim final rules. The clarifications and corrections included separating former License Exception NAC into two distinct license exceptions under 15 CFR § 740.8: License Exception NAC and License Exception Advanced Computing Authorized ("ACA"). *See* 89 FR 23876.

(1) A presumption of an EAR restriction on all AI ICs under the 3A090 category designed by companies "located in, headquartered in, or with an ultimate parent company headquartered in" China;
(2) Substantial criminal and administrative penalties to persons or entities that violate GP 10, except for those persons or entities that obtained BIS authorization for the export, reexport, and in-country transfer of these technologies;
(3) A non-exhaustive list of chips presumptively subject to EAR restrictions, with the explicit case of Huawei's Ascend chips (series 910B, 910C, and 910D) as reference.

The Guidance on Preventing Advanced Computing IC Diversion provides a non-exhaustive list of red flags to identify export controls evasion. This document primarily focuses on diversion, or the re-export of controlled advanced ICs to China through a third country.

D. Consequences for Violations of U.S. Export Controls

Transactions involving the export, reexport, or (in-country) transfer of items subject to the EAR are subject to ten general prohibitions.[10] Acting contrary to any one of these prohibitions would expose a party to a violation. These general prohibitions are:

(1) **General Prohibition One** — Export and reexport of controlled items to listed countries without a required license or license exception.
(2) **General Prohibition Two** — Reexport and export from abroad of foreign-made items incorporating more than a *de minimis* amount of controlled U.S. content without a required license or license exception.
(3) **General Prohibition Three** — Reexport of foreign-produced "direct product" of specified "technology" and "software."
(4) **General Prohibition Four** — Engaging in actions prohibited by a denial order.
(5) **General Prohibition Five** — Export or reexport to prohibited end-uses or end-users.
(6) **General Prohibition Six** — Export or reexport to embargoed destinations.
(7) **General Prohibition Seven** — Support of proliferation activities and certain military-intelligence end uses and end users.
(8) **General Prohibition Eight** — In transit shipments and items to be unladen from vessels or aircraft to certain countries without a license or license exception.
(9) **General Prohibition Nine** — Violation of any order, license term or condition.
(10) **General Prohibition Ten** — Proceeding with transactions with knowledge that a violation has occurred or is about to occur.

Violations of the EAR are identified in 15 C.F.R. § 764.2 and include, among other things:

- ***Engaging in prohibited conduct.*** No person may engage in any transaction or take any other action prohibited by or contrary to, or refrain from engaging in any transaction or take any other action required by the EAR.

[10] *See* 15 CFR § 736.2(b).

- ***Causing, aiding, or abetting a violation.*** No person may cause or aid, abet, counsel, command, induce, procure, permit, or approve the doing of any act prohibited, or the omission of any act required by the EAR.
- ***Solicitation and attempt.*** No person may solicit or attempt a violation of the EAR.
- ***Conspiracy.*** No person may conspire or act in concert with one or more persons in any manner or for any purpose to bring about or to do any act that constitutes a violation of the EAR.
- ***Acting with knowledge of a violation.*** No person may order, buy, remove, conceal, store, use, sell, loan, dispose of, transfer, transport, finance, forward, or otherwise service, in whole or in part, or conduct negotiations to facilitate such activities with respect to, any item that has been, is being, or is about to be exported, reexported, or transferred (in-country), or that is otherwise subject to the EAR, with knowledge that a violation of the EAR has occurred, is about to occur, or is intended to occur in connection with the item.
- ***Misrepresentation and concealment of facts.*** No person may make any false or misleading representation, statement, or certification, or falsify or conceal any material fact, either directly to BIS or an official of any other U.S. agency, or indirectly through any other person:
    - in the course of an investigation or other action subject to the EAR; or
    - in connection with the preparation, submission, issuance, use, or maintenance of any "export control document" or any report filed or required to be filed pursuant to the EAR; or
    - for the purpose of or in connection with effecting an export, reexport, transfer (in-country) or other activity subject to the EAR.
- ***Evasion.*** No person may engage in any transaction or take any other action with intent to evade the provisions of the EAR.

Penalties for violating the EAR can include:

- Fines of up to $374,474 per violation or twice the value of each transaction, whichever is greater;[11]
- Loss of export privileges (involving items subject to the EAR); and/or
- Suspension or termination of EAR export authorizations (for items subject to the EAR).

Penalties for criminal violations may include up to 20 years of imprisonment and up to $1 million in fines per violation, or both.

Penalties may also include designation on the BIS Denied Persons List. Violations of the EAR could subject entities within the Group to these penalties.

The Joint Sponsors, the Overall Coordinators and the Underwriters would not be subject to these penalties unless they themselves violated the EAR. Participation of the Joint Sponsors, the Overall Coordinators and the Underwriters in the proposed listing would not, in and of itself, violate the EAR.

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[11] The current inflation adjusted amount for 2025 is $374,474. This amount may change in the future.

E. U.S. Export Controls Risks and Risks of Violations of U.S. Export Controls

Based on the Company's representations and our understanding of the Group's current business activities, there are minimal U.S. export controls risks for the Group based on its current activities.

1. U.S.-Origin Items from Suppliers

The EAR control the export, re-export, and transfer (in-country) of commodities, software and technology subject to the EAR, including items identified on the CCL. The CCL is a "positive" list; dual-use items[12] not described on the CCL but subject to the EAR are classified as EAR99. The EAR provide for the export control and license requirements applicable to items based on the ECCN, destination, end user, and end use.

Based on the Company Responses, the Company confirms that (i) the Group does not procure or incorporate any U.S.-origin items into its products, and (ii) over the past five years, the Group has procured four pieces of U.S.-origin manufacturing equipment: three are classified as EAR99 and include a reflow soldering thermal stress testing equipment and two press-bearing plate fixtures, and the other one is classified as 3B992, which is a thermal deformation optical measuring instrument.

EAR99 items are generally not controlled to most destinations except to certain embargoed destinations (*e.g.*, Cuba, Iran, North Korea, Syria, and the Crimea, Donetsk, and Luhansk regions of the Ukraine) or where there may be additional license requirements, such as for prohibited end use/end user restrictions (*e.g.*, parties on the Entity List). Since none of the entities within the Group is designated on the Entity List or any other export controls or sanctions list maintained by the U.S. government, the Group is generally permitted to receive in China items subject to the EAR that are EAR99 without a license, provided that the Group does not further transfer such items to any entities designated on the Entity List, any prohibited destinations, or in any other matter contrary to the EAR. The Company has represented that the EAR99 items the Group has procured are manufacturing equipment, and the Group does not incorporate such EAR99 items into its products or provide them to any third parties.

3B992 items are controlled for anti-terrorism (AT) reasons.[13] China is not a country controlled for AT reasons, and thus, 3B992 items are generally eligible for export to China absent other factors.[14] Since none of the entities within the Group is designated on the Entity List or any other export controls or sanctions list maintained by the U.S. government, the Group is generally permitted to

[12] Defense articles and technical data are subject to the U.S. International Traffic in Arms Regulations ("ITAR"). Based on the representations made by the Company, the Company does not engage in any activities that would be subject to the ITAR.

[13] *See* Supplement No. 1 to Part 774 of the EAR – Commerce Control List.

[14] *See* Supplement No. 1 to Part 738 of the EAR – Commerce Country Chart. In combination with the Commerce Control List ("CCL"), the Commerce Country Chart ("CCC") indicates when a license is required for any item on the CCL to any country in the world under General Prohibition One (Exports and Reexports in the Form Received), General Prohibition Two (Parts and Components Reexports), and General Prohibition Three (Foreign Produced Direct Product Reexports). As indicated in the CCC, items controlled for AT reasons do not require a license when being exported or reexported to China or transferred within China.

receive items subject to the EAR that are controlled for AT reasons without a license, provided that the Group does not further transfer such items to any entities designated on the Entity List, any prohibited destinations, or in any other manner contrary to the EAR.

The Company has represented that the U.S.-origin 3B992 item received by the Group is a thermal deformation optical measuring equipment used for testing PCBs, and is not incorporated into its products or provided to any third parties. The Company has also represented that such 3B992 equipment is not used for any of the Group's customers that are on the Entity List as described in more detail below.

In light of the above, we are of the view that the Group is eligible to receive U.S.-origin items described above without a BIS license.

2. *Products of the Group*

Based on the Company Responses, the Company represents that all of the Group's products only contain Chinese-origin content and therefore do not incorporate any U.S.-origin items. Based on this representation, there is no U.S.-origin content for the *de minimis* calculation for the Group's products. Accordingly, the Group's products are not subject to the EAR under the *de minimis* rule, 15 C.F.R. 734.4(d)(1).

Based on the Company Responses, we understand that most equipment, software/technology, and tools used by the Group to make its products originate from China. The only U.S.-origin equipment used by the Group are EAR99 and 3B992 items described above. As such, we are not aware of any facts to suggest the Group's products are subject to the EAR under the National Security (NS) Foreign Direct Product ("**FDP**") Rule, 15 C.F.R. 734.9(b), as we are not aware of any U.S.-origin technology or software used by the Company that is subject to NS controls, nor are we aware of any items produced using any such software or technology that would be subject to NS controls.

3. *Customers*

As requested by the Company, we have conducted sanctions and EAR screening via Dow Jones, an internationally recognized database for sanctions and EAR screening, against customers of the Group which consist of those that account for at least 0.2% of the Group's sales during the Track Record Period. Based on the results of such screening, except for Huawei Technologies Co., Ltd., ("**Huawei**") and HiSilicon Optoelectronics Co., Ltd. ("**HiSilicon**", affiliated with Huawei), none of the above screened parties are on the Entity List or other lists prescribed under the EAR. The Company also confirms that none of the remaining customers of the Group during the Track Record Period are on the Entity List or other lists prescribed under the EAR.

a. Huawei and HiSilicon

According to the Company, Huawei and HiSilicon (together as "**Huawei Entities**") were the Group's customers during the Track Record Period.

The Huawei Entities were added to the Entity List effective as of May 16, 2019.[15] Pursuant to this designation, companies are prohibited from exporting, reexporting, or transferring items subject to the EAR, including EAR99 items,[16] to Huawei Entities without a license from BIS.

The Entity List, found in Supplement No. 4 to Part 744 of the EAR, is a list of names of foreign persons that are subject to specific license requirements for the export, reexport, and/or transfer (in-country) of items (commodities, software, and technology) subject to the EAR. BIS first published the Entity List in February 1997 as part of its efforts to inform the public of entities that have engaged in activities that could result in an increased risk of the diversion of items subject to the EAR.[17] Items subject to the EAR include not just U.S.-made items or items physically in the U.S., but also certain foreign-made commodities.[18] The license requirements imposed by the Entity List are independent of, and in addition to, license requirements otherwise imposed in the EAR.

On May 15, 2020, the U.S. Commerce Department announced an amendment to the FDP rule that adds a Footnote 1 designation to Huawei Entities,[19] among other Huawei affiliates on the Entity List, which further restricts the ability of Huawei Entities to receive certain foreign-made products.

Under the Footnote 1 FDP rule ("**FN 1 FDP Rule**") that was in effect in 2022, 2023 and most of 2024, the following foreign-made items are subject to the EAR if there is "knowledge" that they are incorporated into, or will be used in the production or development of any part, component, or equipment produced, purchased, or ordered by any entity with a Footnote 1 designation (such as Huawei Entities), or any such entity is a party to any transaction involving the foreign-produced item:

(A) The foreign produced item is the direct product of software or technology subject to the EAR and specified in ECCN 3D001, 3D991, 3E001, 3E002, 3E003, 3E991, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991 of the Commerce Control List (CCL) in supplement no. 1 to part 774 of the EAR; or

(B) The foreign produced item is produced by any plant or major component of a plant[20] that is located outside the United States, when the plant or major component of a plant, whether made in the U.S. or a foreign country, itself is a direct product of "technology" or "software" subject to the EAR that is specified in ECCN 3D001, 3D991, 3E001, 3E002, 3E003, 3E991,

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[15] *See* https://www.federalregister.gov/documents/2019/05/21/2019-10616/addition-of-entities-to-the-entity-list

[16] EAR99 items are subject to the EAR but do not require a U.S. export license, except where being shipped to certain countries or regions subject to comprehensive U.S. economic embargoes, to prohibited end users, or for prohibited end uses. Prohibited end users include individuals and entities on restricted party lists, such as the BIS Entity List.

[17] *See* Entity List, 62 FR 4910 (February 3, 1997).

[18] *See* 15 CFR § 734.4 (*de minimis* rule) and 15 CFR § 734.9 (foreign direct product rules).

[19] *See* https://www.federalregister.gov/documents/2020/08/20/2020-18213/addition-of-huawei-non-us-affiliates-to-the-entity-list-the-removal-of-temporary-general-license-and

[20] A major component of a plant means equipment that is essential to the production of an item, including testing equipment. Items that are the direct product of a covered plant or major component of a plant do not themselves have to be classified in one of the listed ECCNs to be restricted under this rule.

4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991 of the CCL.

In December 2024, the FN 1 FDP Rule was amended to include ECCNs 3D901, 3D992, 3D993, 3D994, 3E901, 3E992, 3E993, and 3E994.

Based on the Company Responses, all components the Group uses for manufacturing products for the Huawei Entities were purchased for the Group's general purpose inventory and not designated for the Huawei Entities. We further understand that the Group did not have knowledge, whether actual knowledge or a high probability of occurrence, that these components would be used for the Huawei Entities when the Group purchased these components. Based on the Company Responses, no component supplier has informed the Group that any of the supplied items being incorporated into the Group's products are subject to the EAR pursuant to the FN 1 FDP Rule. Based on the Company Responses, the Company represents that none of the U.S.-origin equipment it procures (including the 3B992 equipment) is used for the Huawei Entities.[21] When subsequently manufacturing products for Huawei Entities, the Group does not use any U.S.-origin equipment or equipment (production or testing equipment) that is a direct product of U.S.-origin software or technology, and the Group uses materials that it understands are not subject to the EAR based on prior information provided by the supplier. As such, based on the Company's representations and the Company's response to our due diligence questionnaire, the products manufactured by the Group for the Huawei Entities during the Track Record Period were not subject to the EAR.

b. Two Hikvision Subsidiaries

According to the Company, Hangzhou Hikvision Technology Co., Ltd. and Chongqing Hikvision Technology Co., Ltd. ("**Hikvision Subs**") were the Group's customers during the Track Record Period. The Hikvision Subs are respectively owned (with a 60% ownership interest) by Hangzhou Hikvision Digital Technology Co., Ltd. ("**Hikvision**"), which was added to the Entity List effective from October 9, 2019. The Hikvision Subs are not individually designated on the Entity List.

Pursuant to BIS guidance,[22] Entity List designations do not automatically apply to separately incorporated subsidiaries or legally distinct affiliates of a listed entity.[23] As stated by BIS, "[t]herefore, the licensing and other obligations imposed on a listed entity by virtue of its being listed do not *per se* apply to its subsidiaries, parent companies, sister companies, or other legally

[21] The Company represents that the U.S.-origin 3B992 equipment is a thermal deformation optical measuring instrument for inspection of large-sized PCBs. This instrument is currently located in the Company's laboratory and was purchased to meet the needs of a specific customer other than the Huawei Entities. The Company also represents that it does not make large-sized PCBs for the Huawei Entities; therefore, the manufacturing process for the Huawei Entities does not require such testing equipment.

[22] *See* Bureau of Industry and Security, Frequently Asked Question, available here.

[23] On September 30, 2025, BIS published an interim final rule known as the "Affiliates Rule" establishing that any entity that is at least 50 percent owned directly or indirectly, individually or in the aggregate, by one or more entities on the Entity List, or by unlisted entities that are subject to license requirements or other restrictions based upon their ownership, is itself automatically subject to Entity List restrictions. In a final rule, effective November 10, 2025, BIS suspended the application of the Affiliates Rule for one year, ending on November 9, 2026.

distinct affiliates that are not listed on the Entity List."[24] Therefore, even if the products sold by the Group to the Hikvision Subs were subject to the EAR, the Entity List designation of Hikvision do not automatically apply to the Hikvision Subs.

c. Dajiang Baiwang

According to the Company, Shenzhen Dajiang Baiwang Technology Co., Ltd. ("**Dajiang Baiwang**") was the Group's customer during the Track Record Period.

On January 6, 2025, the U.S. Department of Defense ("**DOD**") amended its list of Chinese military companies operating directly or indirectly in the United States or its territories ("**1260H List**"). Dajiang Baiwang was added to the amended 1260H List. A 1260H designation imposes contracting and lobbying service limitations, effective in 2026, on DOD purchases of goods or services produced or developed by (i) Chinese Military Companies identified on the 1260H List ("**1260H List Entity**"), and (ii) any entity subject to control of a 1260H List Entity. However, the 1260H designation of Dajiang Baiwang does not generally prohibit it from conducting business with other private or governmental parties. As such, the Group's sale of its products to Dajiang Baiwang is not in violation of any restrictions imposed by the 1260H designation of Dajiang Baiwang.

4. Suppliers

As requested by the Company, we have conducted sanctions and EAR screening via Dow Jones, an internationally recognized database, against suppliers of the Group which consist of those that account for at least 0.2% of Group's purchases during the Track Record Period. Based on the results of such screening, none of the above screened parties are on the Entity List or other lists prescribed under the EAR. The Company also confirms that none of the remaining suppliers of the Group during the Track Record Period are on the Entity List or other lists prescribed under the EAR.

III. U.S. Sanctions Implications

As indicated above, we have been asked to advise on, among other things, (i) U.S. sanctions risks for the Group; and (ii) whether and to what extent any of the Group's activities are subject to or may have violated U.S. sanctions laws.

A. U.S. Sanctions Framework

1. Overview

The U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") administers regulations imposing economic sanctions on countries and designated individuals and entities.

[24] *Id.*

These regulations implement Executive Orders issued by the President under the International Emergency Economic Powers Act ("**IEEPA**").[25]

The United States maintains a set of complex restrictions on transactions involving embargoed countries and regions. As of the date of this memorandum, Cuba, Iran, North Korea, and the Crimea, Donetsk and Luhansk regions of Ukraine are the subject of comprehensive U.S. embargoes. Other sanctions programs target activities such as terrorism, drug trafficking, human rights, and other matters of importance to U.S. national security and foreign policy. There are also strict, "near-comprehensive" sanctions in place against certain other jurisdictions such as the Russian Federation.[26]

OFAC implements "primary" and "secondary" sanctions with specific restrictions unique to each individual sanctions program. Under each sanctions program, OFAC has issued general licenses authorizing particular types of transactions (such as humanitarian aid or mail and telecommunications) without the need to apply for a specific license. When a general license is not available, OFAC may issue a specific license authorizing the transaction.

2. Primary Sanctions

Under U.S. law, primary sanctions apply to activities of U.S. persons that are subject to OFAC regulations. The term "U.S. person" is defined in most OFAC regulations as any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.[27] Primary sanctions also apply to activities subject to U.S. jurisdiction, including activities involving the U.S. financial system, such as clearing U.S. dollar ("**USD**") payments through U.S. intermediary financial institutions.

3. Secondary Sanctions

Under U.S. law, the term "secondary sanctions" refers to the imposition of sanctions restrictions or other penalties on parties when transactions have no U.S. nexus and therefore take place outside of OFAC's primary sanctions jurisdiction. The U.S. Government uses secondary sanctions as essentially a political tool to persuade persons or entities outside the scope of OFAC sanctions regulations to act in line with U.S. foreign policy goals. Secondary sanctions are not automatic but only apply when a person or entity is specifically targeted by a sanctions designation. Engaging in activity for which secondary sanctions are threatened may expose a non-U.S.

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[25] Other statutes also provide authority for certain sanctions, such as the Syria Accountability and Lebanese Sovereignty Act of 2003 (Pub. L. 108-175), the United Nations Participation Act, 22 U.S.C. § 287c, the Cuban Democracy Act, 22 U.S.C. §§ 6004-6005, the Iran-Iraq Arms Non-Proliferation Act, 50 U.S.C. § 1701(note), and the Antiterrorism and Effective Death Penalty Act of 1996, 8 U.S.C. 1189, 18 U.S.C. 2339B, 23339B (note) and 2332d.

[26] In addition to countries and regions subject to comprehensive U.S. economic embargoes, OFAC may separately impose more tailored sanctions restricting certain types of activities in a particular country. For example, OFAC has blocked the "Government of Venezuela," which is defined to include the Government of Venezuela and persons owned or controlled by the government, as further outlined in Executive Order 13884.

[27] *See, e.g.*, 31 C.F.R. §589.312; 31 C.F.R. §542.319; 31 C.F.R. §560.314.

company to the risk of sanctions, but engaging in such activity would not be a violation of U.S. law unlike a violation of primary sanctions.

The designation of a secondary sanctions target generally involves a consideration of policy and diplomatic issues. For example, involvement in activities pertaining to human rights abuses could trigger the imposition of sanctions under the Global Magnitsky Human Rights Accountability Act.[28] Activities involving certain sanctioned countries such as Iran could trigger secondary sanctions exposure under the sanctions program unique to that country.[29] Additionally, transactions with Specially Designated Nationals and Blocked Persons ("**SDNs**") may expose a party to the risk of a secondary sanctions designation depending on the authority under which the SDN was designated.

4. Specially Designated Nationals and Blocked Persons

The U.S. Government maintains a number of lists of sanctioned individuals and entities. These sanctioned parties are designated because of their involvement in supporting terrorism, narcotics trafficking, development of weapons of mass destruction, or other reasons. Sanctioned persons are identified on OFAC's SDN List. All assets of SDNs are blocked and U.S. persons are generally prohibited from dealing with them. A U.S. person (including a U.S. bank) that comes in possession or control over SDN property must freeze the interest and place it into a blocked account. OFAC has adopted a 50% rule in determining whether an entity is treated as an SDN. This means that an entity that is owned, individually or in the aggregate, 50% or more by an SDN is treated as an SDN and is subject to the same sanctions as an SDN even if the entity itself is not identified on the SDN List.

B. Consequences for Violations of U.S. Sanctions

Civil penalties for violating OFAC regulations may include fines amounting to the greater of $377,700 per violation or twice the value of each transaction.[30] Also, OFAC may withhold, deny, suspend, or revoke license authorizations. Penalties for criminal violations may include fines of up to $1 million per violation and imprisonment for individuals for up to 20 years. If prosecuted criminally by the U.S. Department of Justice ("**DOJ**"), other consequences may include the imposition of a corporate monitor and the prosecution of individuals involved in any illicit activity. The U.S. Government could also place visa restrictions on non-U.S. corporate executives/officers. Pursuant to the Immigration and Nationality Act, the Secretary of State has the authority to restrict visas to non-U.S. persons who "would have potentially serious adverse foreign policy consequences for the United States."

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[28] Title XII, Subtitle F of P.L. 114- 328; 22 U.S.C. §2656 note.

[29] *See, e.g.*, Section 5(a) of the Iran Sanctions Act of 1996, as amended; Section 1244 of the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA); Section 220(c) of the Iran Threat Reduction and Syria Human Rights Act of 2012.

[30] $377,700 is the current inflation adjusted amount for 2025. This amount may change in the future.

C. Risks of Violation of U.S. Sanctions

Based on representations made by the Company and the due diligence we conducted, we are of the view that: (i) there are currently minimal U.S. sanctions risks for the Group; and (ii) there is a low risk that the Group's activities may have violated U.S. sanctions laws.

1. Primary Sanctions

Except for Kinwong Electronic USA, Inc. ("**Kinwong US**"), we understand that all other entities within the Group are non-U.S. persons. Activities by Kinwong US would be subject to U.S. primary sanctions jurisdiction while transactions by the other entities within the Group are generally not subject to U.S. primary sanctions jurisdiction. However, primary sanctions jurisdiction may arise depending on the nature of a specific transaction. For example, transactions between a non-U.S. person and an SDN that involve U.S. persons or U.S. financial institutions (including USD funds transfers through a U.S. intermediary financial institution) are generally prohibited absent an OFAC authorization or exemption.

Based on our search via the Consolidated Screening List available at https://www.trade.gov/data-visualization/csl-search, no entity within the Group is listed on any U.S. government sanctioned or prohibited party lists, including the SDN List, the Foreign Sanctions Evaders List, or the Sectoral Sanctions Identifications List maintained by OFAC, the Denied Persons List, Entity List, or Unverified List maintained by the U.S. Department of Commerce, the Nonproliferation Sanctions list maintained by the U.S. Department of State, or other similar lists issued by the U.S. government. Based on the Company Responses, we understand that the Group does not have any customers or suppliers based in any countries or regions subject to comprehensive sanctions by the U.S.

As requested by the Company, we have conducted sanctions screening via Dow Jones, an internationally recognized database for sanctions screening, against customers and suppliers of the Group which consist of those that respectively accounted for at least 0.2% of the Group's sales and purchases during the Track Record Period. Based on the results of such screening, except for the Huawei Entities and Dajiang Baiwang, none of the above screened parties are (i) listed on the SDN List, Foreign Sanctions Evaders List, or Sectoral Sanctions Identifications List maintained by OFAC, or on the Denied Persons List, Entity List, or Unverified List maintained by the U.S. Department of Commerce, or on the proliferation sanctions list by the U.S. Department of State, or other similar lists by the U.S. government; (ii) owned or controlled by the government of a country sanctioned by the U.S. government; or (iii) subject to sanctions under the laws or regulations of the U.S. due to ownership, control, or agency relationships with individuals or entities described in (i) or (ii). Based solely on the Company's representations, the above conclusion also applies to the remaining customers and suppliers of the Group during the Track Record Period.

The Company has also represented that the Group does not directly or indirectly do business in any countries or regions currently subject to a comprehensive economic embargo administered by OFAC (*i.e.,* Cuba, Iran, North Korea, and the Crimea, Donetsk and Luhansk regions of Ukraine), nor does it do business in Russia, Belarus, or Venezuela.

Therefore, based on the aforementioned information, to our knowledge, we believe it is reasonable to conclude that the Group has not engaged in activity prohibited by U.S. primary sanctions.

2. *Secondary Sanctions*

Various activities could give rise to secondary sanctions risks based on existing U.S. statutes and regulations. Examples of sanctionable activities include engaging in transactions that implicate human rights abuses, activities in countries subject to comprehensive U.S. economic embargoes, and providing material support to SDNs.[31]

Based on representations made by the Company and the due diligence we conducted, it is our understanding that the entities within the Group do not engage in activities that may give rise to secondary sanctions risks, including activities intended to support human rights abuses or activities in countries or regions subject to comprehensive U.S. embargoes or near-comprehensive sanctions. Based on the Company's representations and the due diligence we conducted, we understand the Group does not currently engage in any business activities with persons on any of the U.S. sanctions or export controls lists (aside from the Huawei Entities and Dajiang Baiwang), and does not source any goods, technology, or services from the Xinjiang Uyghur Autonomous Region, or engages in any other business dealings which would give rise to a secondary sanctions risk under existing U.S. statutes and legal authorities.

In addition, the Company has represented that the Group does not engage in business in countries or regions subject to comprehensive U.S. embargoes (*i.e.,* Cuba, Iran, North Korea, and the Crimea, Donetsk and Luhansk regions of Ukraine) or near-comprehensive sanctions such as Russia, and it does not have any business relationships with parties who are known to have business in such countries or regions.

Based on the Company's representations and the due diligence we conducted , it is reasonable to conclude there is minimal risk of the entities within the Group being individually named on the SDN List.

D. <u>Conclusions</u>

Based on the Company's representations and the due diligence we conducted, we believe it is reasonable to conclude that the Group has not engaged in any activity prohibited by U.S. primary sanctions, and the Group does not have any business activities in regions subject to comprehensive U.S. economic sanctions, or with parties in such regions.

Additionally, based on representations made by the Company and the due diligence we conducted, we are of the view that it is reasonable to conclude that the Group is unlikely to be the target of a secondary sanctions designation (*i.e.*, individual designation on OFAC's SDN List). For example, we understand that the Group does not engage in activities that directly or indirectly support human rights abuses and does not have business activities in any regions subject to comprehensive U.S. economic sanctions or with parties in such regions. It is unlikely that the activities conducted by

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[31] *See, e.g.*, Global Magnitsky Human Rights Accountability Act 22 U.S.C. § 2656; Section 7412 of the National Defense Authorization Act for FY 2020 (also titled the "Caesar Syria Civilian Protection Act of 2019").

the Group would result in the imposition of any sanctions against the Relevant Persons as defined in the Guide.

Based on representations made by the Company and the due diligence we conducted, we are not aware of any instances in which the Group has not acted in compliance with OFAC regulations or has engaged in activity that presents a material risk of designation on a U.S. sanctions list.

IV. UN, EU and UK Sanctions Implications

A. UN Sanctions

Pursuant to Article 41 of the Charter of the UN, the UN Security Council is authorized to impose sanctions on certain regions or persons to combat potential threat to global peace. Such sanctions measures include asset freeze, arms embargo, and other trade and financial restrictions, and are implemented by UN member states through domestic legislations. Based on the Company Responses and our independent screening via Dow Jones of the suppliers and customers provided by the Company, none of the Group's suppliers or customers are on the United Nations Security Council Consolidated List. Furthermore, the Company confirmed that it does not conduct business in or with countries/regions sanctioned by the UN. As a result, we understand there are minimal UN sanctions risks for the Group. We note that UN sanctions are not self-executing and require member states to adopt domestic legislation or administrative actions to enforce them.

B. Overview of EU and UK Sanctions

1. General Overview

The EU and UK maintain sanctions regimes that include both country-specific programs (e.g., Russia, Belarus, Iran, Syria) and thematic regimes targeting activities such as cyber-attacks, terrorism and human rights violations). Sanctions measures under these regimes may include asset freezes, restrictions on trade in goods and technology, financial and investment restrictions, trade bans, travel restrictions, amongst others.

EU sanctions are adopted through unanimous vote by the Council of the European Union and implemented through directly applicable regulations, which are enforced by Member States.

UK sanctions are implemented under the Sanctions and Anti-Money Laundering Act 2018 and implemented by various government departments including the Office of Financial Sanctions Implementation ("**OFSI**") and the Office of Trade Sanctions Implementation.

2. Consequences for Violations of EU and UK Sanctions

Violations of EU sanctions are enforced at the Member State level. Penalties may include both criminal and civil sanctions, such as fines and imprisonment. Pursuant to Directive (EU) 2024/1226, adopted in May 2024, Member States are required to establish minimum rules for defining criminal offences and penalties for the violation of EU sanctions, including the imposition of effective, proportionate, and dissuasive penalties, with serious violations subject to a maximum term of imprisonment of at least five years.

In the UK:

- For financial sanctions violations: Civil fines up to the greater of £1 million or 50% of the transaction value (it is anticipated that this will be increased to £2 million or 100% of the transaction value). Criminal penalties include unlimited fines and up to 7 years of imprisonment.
- For trade sanctions violations: Similar civil fines; criminal penalties may reach up to 10 years of imprisonment.
- For export control violations: Civil fines between £1,000–£1 million; criminal penalties include unlimited fines and up to 10 years of imprisonment. Non-monetary penalties such as export license revocations may also apply.

C. **Jurisdictional Scope of EU and UK Sanctions**

EU sanctions (including those implemented under the EU Russia Regulation) are directly applicable in all EU Member States and apply only where there is an EU nexus, *i.e.,*:[32]

(i) within the territory of the EU, including its airspace;
(ii) on board any aircraft or any vessel under the jurisdiction of a Member State;
(iii) to any person inside or outside the territory of the EU who is a national of a Member State;
(iv) to any legal person, entity or body, inside or outside the territory of the EU, which is incorporated or constituted under the law of a Member State; and
(v) to any legal person, entity or body in respect of any business done in whole or in part within the EU.

UK sanctions (including those implemented under the UK Sanctions Regulations) apply to "all persons within the territory and territorial sea of the UK and to all UK persons, wherever they are in the world."[33] UK persons include British nationals, as well as all bodies incorporated or constituted under the law of any part of the UK. Accordingly, the prohibitions and requirements imposed by UK sanctions including the UK Russia Regulations apply to all companies established in any part of the UK, and they also apply to branches of UK companies operating overseas. Furthermore, with respect to UK financial sanctions (including asset freeze measures), guidance provided by OFSI states that: "*A UK nexus might be created by such things as a UK company working overseas, transactions using clearing services in the UK, actions by a local subsidiary of a UK company (depending on the governance), action taking place overseas but directed from within the UK, or financial products or insurance bought on UK markets but held or used overseas. These examples are not exhaustive or definitive - whether or not there is a UK nexus will depend on the facts in the case*".[34]

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[32] This is stipulated in the relevant EU sanctions regulation for each EU sanctions regime; for example, see Article 17 of Regulation 269/2014 and Article 13 of Regulation 833/2014.

[33] For example, see *OFSI UK financial sanctions: general guidance.*

[34] *OFSI enforcement and monetary penalties for breaches of financial sanctions guidance.*

For the avoidance of doubt, EU and UK sanctions regulations including the EU Russia Regulations and UK Russia Regulations do not assert extraterritorial jurisdiction over non-EU and non-UK persons where no EU and UK nexus exists. However, the EU Russia Regulations and the EU's Belarus sanctions regime under Council Regulation (EU) No. 765/2006 have recently been amended to oblige EU companies to use "best efforts" to ensure non-EU subsidiaries do not undermine EU sanctions against Russia and Belarus.[35] An activity "undermines" EU sanctions if it has an effect that sanctions aim to prevent. The definition of "best efforts" includes all actions suitable and necessary to prevent undermining EU sanctions, such as implementing policies, controls, and procedures to mitigate and manage risks effectively.

D. Overview of Jurisdictional and Risk Exposure under EU and UK Sanctions

Based on the Company Responses, we understand that the Group has confirmed the following:

- Except for Kinwong Electronic Europe Gmbh, a subsidiary of the Company incorporated in Germany which currently hires two aftersales support staff, the Group has no other operations, employees, or subsidiaries in the EU or UK;

- The Company does not conduct any exports from the EU nor purchase items subject to the "No Russia / No Belarus" re-export clause requirements under Article 12g of Council Regulation (EU) No 833/2014 or Article 8g of Council Regulation (EU) No. 765/2006; Except for the bank account held by the German subsidiary with Bank of China's Frankfurt branch, the Group does not hold any other bank accounts with EU and UK financial institutions;

- The Group has not had any business relationships or transactions with customers, suppliers, investors, or other third parties listed, 50% or more owned or controlled by parties listed, under EU or UK sanctions;

- The Group is not owned by an EU parent company; and

- The Group has not engaged in any business operations or dealings involving countries or regions targeted by broad EU and UK sectoral sanctions, including Russia, Belarus, Crimea, Donetsk, Luhansk, Kherson, Zaporizhzhia, Iran, North Korea, Venezuela, or (until recently) Syria.

Based on representations made by the Company and the due diligence we conducted, and based on the Group's current activities, we are of the view that there are minimal EU and UK sanctions risk to the Group.

V. U.S. Outbound Investment Rule

A. Overview of Outbound Investment Rule

[35] Article 15a of Regulation 269/2014, Article 8a of Regulation 833/2014 and Article 8i of Regulation 765/2006..

On October 28, 2024, the U.S. Department of the Treasury issued the Final Rule on Outbound Investment ("**Outbound Investment Rule**"), which implements Executive Order 14105, *Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern.* The Outbound Investment Rule became effective on January 2, 2025.[36]

The Outbound Investment Rule aims to mitigate national security risks associated with investments in sensitive technologies such as semiconductors, artificial intelligence (AI), quantum computing, and supercomputing in identified "countries of concern".

Currently, "countries of concern" under the Outbound Investment Rule are limited to the PRC, the Special Administrative Region of Hong Kong (Hong Kong), and the Special Administrative Region of Macau (Macau).

As of January 2, 2025, "U.S. persons" are subject to certain compliance obligations when engaging in certain transactions with "covered foreign persons" from countries of concern (PRC, Hong Kong, and Macau), which may include a prohibition on the transaction or a notification requirement to the U.S. government within 30 days of completing the transaction.

- The term "***U.S. person***"[37] means any United States citizen, lawful permanent resident, entity organized under the laws of the United States or any jurisdiction within the United States (including any foreign branch of any such entity), or any person in the United States.

- A "***person of a country of concern***"[38] is defined to include individuals and entities with a principal place of business in, who are headquartered in, or organized under the laws of PRC, Hong Kong, and/or Macau, as well as entities majority-owned by individuals from the above jurisdictions.

- "***Covered foreign persons***"[39] are defined to include (1) a "person of a country of concern" that engages in a "covered activity", and (2) a person that holds ownership or governance over a person identified in (1), if that person derives more than 50% of revenue, net income, capital expenditures, or operating expenses from that entity.

- The term "***covered activities***"[40] means, in the context of a particular transaction, any activities covered by the prohibited transactions and notifiable transactions summarized in the Appendix to this memorandum.

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[36] On December 18, 2025, U.S. President Trump signed into law the Fiscal Year (FY) 2026 National Defense Authorization Act ("**NDAA**"), which includes the Comprehensive Outbound Investment National Security Act of 2025 ("**COINS Act**"). The COINS Act largely codifies the core of the current Outbound Investment Rule while making certain modifications. The COINS Act requires the U.S. Treasury Department to, within 450 days from passage, promulgate new or amended regulations to implement the law. Based on our review of the COINS Act, our view remains that although the Company is a "person of a country of concern", none of the Group's business activities fall under the definition of "covered activities."

[37] *See* 31 C.F.R. § 850.229.

[38] *See* 31 C.F.R. §850.221.

[39] *See* 31 C.F.R. § 850.209.

[40] *See* 31 C.F.R. § 850.208.

B. **Impact on the Company's IPO**

Based on representations made by the Company and the due diligence we conducted, we are of the view that although the Company is a "person of a country of concern", none of the Group's business activities fall under the definition of "covered activities." Therefore, none of the Group companies is a "covered foreign person" under the Outbound Investment Rule. Accordingly, an investment by a "U.S. person"[41] in the H shares of the Company is not a "covered transaction", and neither prohibited nor subject to the notification requirements under the Outbound Investment Rule.

1. The Company is a "Person of A Country of Concern"

As noted above, a "*covered foreign person*" is defined to include a "*person of a country of concern*" that engages in a "*covered activity*".

A "*person of a country of concern*" is defined to include individuals and entities with a principal place of business in, who are headquartered in, or organized under the laws of PRC, Hong Kong, and/or Macau, as well as entities majority-owned by individuals from the above jurisdictions. Since the Company has a principal place of business in, is headquartered in, and organized under the laws of PRC, it is a "*person of a country of concern*" under the Outbound Investment Rule. The key is to assess whether the Company engages in a "*covered activity*" which, in the context of a particular transaction, includes any of the activities referred to in the definition of notifiable transaction in 31 C.F.R. § 850.217 or prohibited transaction in § 850.224.

2. The Company's Business Activities Are NOT "Covered Activities"

We understand that the Company is primarily engaged in the research and development, production and sales of PCBs, including both conventional PCBs and a variety of other PCBs for electronics applications.

Under the Outbound Investment Rule, as implemented in 31 C.F.R. Part 850, investment by U.S. persons in a covered foreign person can result in either a notifiable transaction or a prohibited transaction. A covered foreign person is a person of a country of concern that engages in a "covered activity," as defined in 31 CFR § 850.208 or a person that derives or incurs more than 50% of revenue, net income, capital expenditures, or operating expenses from such an entity.

Covered activities in the semiconductors and microelectronics sector that are described under prohibited transactions include (1) developing or producing electronic design automation software, (2) developing or producing (a) certain front-end semiconductor fabrication equipment, (b) equipment for volume advanced packaging, or (c) a commodity, material, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment; (3)

[41] The Outbound Investment Rule does not apply to investment by a non-"U.S. person". A U.S. person is defined to include any United States citizen or lawful permanent resident, as well as any entity organized under the laws of the United States or any jurisdiction within the United States, including any foreign branch of any such entity, and any person in the United States.

designing an IC meeting the parameters of ECCN 3A090.a or ICs designed for operation at or below 4.5 Kelvin, (4) fabricating certain advanced ICs (e.g., with a production technology node of 16/14 nanometers or less), or (5) packaging ICs using advanced packaging techniques. Covered activities in the semiconductor sector that are described under notifiable transactions include designing, fabricating, or packaging any IC that does not meet the technical specifications for prohibited transactions.

Based on the Company's responses to questions and its representations and our review of publicly available information, none of the Group engages in any of the above-described activities in the semiconductors and microelectronics sectors. This is consistent with our understanding of the Group's business, which is research, development, and production of PCBs. Although the Company describes its products as including "IC packaging substrates"[42] or "substrate-like PCBs and package substrates,"[43] such PCBs or substrates are distinct from packaging of ICs. PCB and flex-board manufacturers are not involved in semiconductor or IC packaging because the two activities require entirely different technologies, facilities, capital investment, expertise, and risk profiles, and they operate at different layers of the electronics manufacturing value chain. The PCBs and packaging substrates are used to handle interconnection between already-packaged ICs and other components; in contrast, packaging of ICs require taking bare silicon dies from a foundry, attaching them to a package, creating electrical connections, and protecting them mechanically and thermally. Thus, PCB and flex manufacturers operate at the system interconnection level, producing boards that interconnect already-packaged semiconductor components; whereas, IC packaging requires semiconductor-grade processes (die attach, wire bonding, flip-chip, wafer-level packaging) performed in cleanroom environments with sub-micron precision. Accordingly, we are of the view that a company engaged solely in PCB and flexible circuit manufacturing is outside the scope of semiconductor manufacturing and advanced packaging activities targeted by OIR, provided it does not perform die-level processing, wafer-level packaging, or IC substrate fabrication specifically designed for advanced-node semiconductors.

Based on the Company's responses to our questions, its representations, and our review of publicly available information, none of the Group engages in any "*covered activities*" with respect to AI systems, supercomputers, quantum computers and systems as specified in the Appendix, nor is any member of the Group currently on any of the identified restricted party lists.

In addition, based solely on the Company's responses to questions and its representations, we understand that to the extent the Group directly or indirectly holds a board seat on, a voting or equity interest in, or contractual power to direct or cause the direction of the management or policies of any entities outside the Group, the Group does not derive more than 50% of its revenue or net income or incur more than 50% of its capital expenditure or operating expenses on aggregate from such entities.

Based on the Company Responses and our review of publicly available information, the Company does not have any joint venture covered by 31 C.F.R. § 850.209(a)(3).

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[42] *See* https://www.kinwong.com/en/products-and-services/slp-board/

[43] See page 15 of the Company's 2024 annual report available at https://static.cninfo.com.cn/finalpage/2025-04-29/1223377812.PDF

In light of the above, we are of the view that none of the Group companies is a "covered foreign person" under the Outbound Investment Rule.

3. *U.S. Person's Investment in the Company is NOT a "Covered Transaction"*

A "***covered transaction***"[44] means a U.S. person's direct or indirect:

1) Acquisition of an equity interest or contingent equity interest in a person that the U.S. person knows at the time of the acquisition is a covered foreign person;

2) Provision of a loan or a similar debt financing arrangement to a person that the U.S. person knows at the time of the provision is a covered foreign person, where such debt financing affords or will afford the U.S. person an interest in profits of the covered foreign person, the right to appoint members of the board of directors (or equivalent) of the covered foreign person, or other comparable financial or governance rights characteristic of an equity investment but not typical of a loan;

3) Conversion of a contingent equity interest into an equity interest in a person that the U.S. person knows at the time of the conversion is a covered foreign person, where the contingent equity interest was acquired by the U.S. person on or after January 2, 2025;

4) Acquisition, leasing, or other development of operations, land, property, or other assets in a country of concern that the U.S. person knows at the time of such acquisition, leasing, or other development will result in, or that the U.S. person plans to result in:

   (i) The establishment of a covered foreign person; or
   (ii) The engagement of a person of a country of concern in a covered activity;

5) Entrance into a joint venture, wherever located, that is formed with a person of a country of concern, and that the subject U.S. person knows at the time of entrance into the joint venture that the joint venture will engage, or plans to engage, in a covered activity; or

6) Acquisition of a limited partner or equivalent interest in a venture capital fund, private equity fund, fund of funds, or other pooled investment fund (in each case where the fund is not a U.S. person) that a U.S. person knows at the time of the acquisition likely will invest in a person of a country of concern that is in the semiconductors and microelectronics, quantum information technologies, or artificial intelligence sectors, and such fund undertakes a transaction that would be a covered transaction if undertaken by a U.S. person.

Notwithstanding the above, a transaction is not a "covered transaction" if it is an excepted transaction as set forth in 31 C.F.R. § 850.501.

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[44] *See* 31 C.F.R. § 850.210.

Pursuant to 31 C.F.R. §850.501, an excepted transaction includes an investment by a U.S. person in any publicly traded "security," defined in section 3(a)(10) of the Securities Exchange Act of 1934, as amended, at 15 U.S.C. 78c(a)(10), and denominated in any currency, as a security that trades on a securities exchange or through the method of trading commonly referred to as "over-the-counter," in any jurisdiction.

First, the Group is not a "covered foreign person" and thus, investments in the Company would not result in a covered transaction. Even if the Group were considered a covered foreign person, a U.S. person could still purchase Shares publicly traded on the HKEX following the IPO. Any follow-on offerings of the Company's H shares would also fall under an excepted transaction as long as the shares purchased through a follow-on offering are publicly traded.

We note that a U.S. person's acquisition (after January 2, 2025) of equity that is not yet publicly traded for purposes of facilitating an IPO, including as part of an underwriting arrangement, would not fall under the above exception.[45] To the extent any U.S. person purchases any H shares of the Company that are not yet publicly traded on the HKEX, such purchase would not qualify as an excepted transaction to the "covered transaction". However, since no member of the Group would be deemed a "covered foreign person" as analyzed above, such a transaction by a U.S. person would not constitute a "covered transaction" because no member of the Group is a "covered foreign person" at the time of the investment.

In light of the above, we are of the view that an investment by a U.S. person in the H shares of the Company is not a "covered transaction", thus neither prohibited nor subject to the notification requirements under the Outbound Investment Rule.

VI. U.S. Tariff Implications

Based on the Company Responses, we understand that the Group's revenue from its U.S. sales accounts for 2.66%, 3.12%, 3.37%, and 2.44% of its total sales during each of 2023, 2024 and 2025 and the four months ended April 30, 2026, respectively, and the Group does not plan to expand its U.S. exports. The Company represents that it does not pay any U.S. tariffs for its products imported into the U.S. We have also reviewed representative purchase orders provided by the Company for some of its major U.S. customers, under which the applicable Incoterms include FCA, CIP and FOB. Under all these Incoterms, the buyer is responsible for import customs clearance, which means that the buyer normally is responsible for the payment of all import tariffs, customs duties, import VAT and similar charges.

1. IEEPA and Section 122 Tariffs

Starting in February 2025, the U.S. government imposed a series of tariff increases on imports from China, including two sets of tariffs under IEEPA. IEEPA tariff rates fluctuated between

[45] We note that the COINS Act includes an exception from the newly defined "covered national security transaction," certain "secondary" transactions including "underwriting services including, but not limited to, the temporary acquisition of an equity interest for the sole purpose of facilitating underwriting services." However, this exception only becomes effective upon publication of implementing regulations by the U.S. Treasury Department.

February 2025 and November 1, 2025, when the U.S. and China announced their agreement to relax certain tariff and other trade controls, and the United States lowered the tariffs on Chinese imports imposed to curb fentanyl flows by removing 10 percentage points of the cumulative rate of 20%.

On February 20, 2026, the U.S. Supreme Court ruled that the President lacked authority to impose tariffs under IEEPA.[46] The reciprocal and fentanyl tariffs imposed on goods imported from China are thus *void ab initio*, and the Group's goods imported into the U.S. are no longer subject to IEEPA tariffs. The Trump Administration has already moved to replace the IEEPA tariffs with a 10% tariff under Section 122 of the Trade Act, effective February 24, 2026.[47] Section 122 authorizes the President to impose tariffs up to 15% to address "balance of payments" concerns for a maximum of 150 days. Certain of the Group's products imported in the U.S. are subject to a 10% duty under Section 122. However, the Company represents that such Section 122 tariffs are borne by its U.S. customers.

2. *Section 301 Tariff*

In August 2017, USTR initiated a Section 301 investigation into China's acts, policies, and practices related to technology transfer, intellectual property, and innovation. In March 2018, USTR concluded that China has engaged in practices that were found to burden U.S. commerce and justified remedial action. Following such findings, the U.S. imposed tariffs on various goods of Chinese origin under four lists, most of which are subject to a 25% Section 301 tariff. USTR established a product exclusion process allowing companies to seek temporary relief from tariffs. In January 2020, the U.S. and China signed the "Phase One" Economic and Trade Agreement. Despite such agreement, most of these Section 301 tariffs remained in place.

Based on the Company Responses about the HTSUS classification[48] of the Group's products imported into the U.S., such products are subject to an additional *ad valorem* tariff of 25% under Section 301 of the Trade Act of 1974. However, the Company represents that its U.S. customers are responsible for the payment of such Section 301 tariffs.

Trade policy and tariff levels between China and the U.S. remain in a state of flux. On December 23, 2024, the U.S. Trade Representative ("**USTR**") self-initiated a Section 301 investigation of China's acts, policies, and practices related to targeting of the semiconductor industry for dominance. The Section 301 investigation focused on "PRC manufacturing of foundational semiconductors (also known as legacy or mature node semiconductors), including to the extent that they are incorporated as components into downstream products for critical industries like defense, automotive, medical devices, aerospace, telecommunications, and power generation and the electrical grid." On December 29, 2025, USTR published a *Federal Register* notice[49]

[46] *See Learning Resources v. Trump*, No. 24-1287, 607 U.S. ___ (2026).

[47] *See* Presidential Proclamation 11012, *Imposing a Temporary Import Surcharge to Address Fundamental International Payments Problem*, 91 Fed. Reg. 9339 (Feb. 20, 2026).

[48] 8534000020, 8534000040, 8534000050, 8534000070, 8534000080, 8534000085, 8534000095.

[49] *See* 89 Fed. Reg. 106,725 (Dec. 30, 2025), *available at* https://public-inspection.federalregister.gov/2025-23912.pdf.

announcing its affirmative determination, effective December 23, 2025, "that China's acts, policies and practices are actionable under Section 301 ... and that the appropriate responsive action includes taking tariff action now on semiconductors from China."

The investigation determined that "China's targeting of the semiconductor industry for dominance is unreasonable and burdens or restricts U.S. commerce," including as a result of China employing "increasingly aggressive and sweeping non-market policies and practices in pursuing dominance of the sector." USTR's Notice of Action cites several aspects of China's industrial policy over the past 25 years that have contributed to China's capturing of a majority position in the international and domestic market. It concluded that such targeting "is unreasonable" and impairs U.S. commerce, including by impacting the ability of U.S. firms in the semiconductor value chain to fairly compete against non-market policies and practices.[50]

Based on these findings, USTR determined under Section 301(c) that responsive action is appropriate, including additional tariffs on semiconductors from China. The action will have delayed effect, with a 0% additional tariff rate at the outset followed by an increase in 18 months on June 23, 2027, "to a rate to be announced not fewer than 30 days prior to that date." These tariffs will be in addition to the existing 50% tariffs on semiconductors under USTR's separate Section 301 action in response to China's technology transfer. The additional tariffs effective June 23, 2027 will apply to the products and HTSUS subheadings listed in the Notice of Action.[51] Based on our review of the UTSUS subheadings of the Group's products imported into the U.S., none of such UTSUS subheadings are covered by the latest USTR Notice of Action.

3. *Section 232 Tariff*

The Company has confirmed that the Group's products are not currently subject to duties under Section 232 of the Trade Expansion Act ("**Section 232**").

On January 15, 2026, the White House issued a Proclamation relating to the Commerce Department investigation into imports of semiconductors and semiconductor derivatives (which could include downstream consumer electronics) under Section 232. The Proclamation imposes a 25% tariff on certain advanced computing chips and derivative products (the "**Covered Products**"), as listed in the Annex to the Proclamation. Covered Products include semiconductor articles imported under HTS subheadings 8471.50, 8471.80, and 8473.30 that are logic integrated circuits meeting specified technical parameters. The 25% tariff applies to Covered Products entered for consumption after January 15, 2026, but has significant exclusions for most U.S. domestic use cases. The Company's products are not presently included within the scope of this Section 232 action.

4. *Conclusion*

Given that (i) the percentage of the Group's revenue from its U.S. sales only accounts for an insignificant portion of its total sales and the Group does not plan to increase its exports to the U.S., (ii) the IEEPA tariffs have been invalidated, (iii) the Group's products imported into the U.S.

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[50] *See generally id.* at *5-6.

[51] *Id.* at *8-9.

are not subject to heightened national security duties under Section 232 or Section 301 semiconductor duties, and (iv) the Company's U.S. customers bear the cost of the relevant U.S. tariffs, our assessment is that it is unlikely that current U.S. tariffs should have a material impact on the Group's business operations.

VII. Risk Mitigation Measures

We identify below measures that may mitigate the Company's U.S. export controls and international sanctions risks.

- Compliance Manual – the Group may adopt a U.S. Export Control and International Sanctions Compliance Manual ("**Manual**"), which records and disseminates the Group's compliance policies and practices. The Manual should outline the respective trade compliance roles and responsibilities for company personnel and mechanisms to respond to any sanction risks arising.

- Senior Management Commitment – pursuant to BIS' Export Compliance Guidelines, senior management commitment is the most important factor in the success of a U.S. export compliance program. Accordingly, having a senior management officer, such as a Chief Compliance Officer, responsible for overseeing U.S. export control compliance should help affirm the Group's commitment to export compliance and dedication of appropriate resources towards the compliance function. Similarly, having sufficient resources devoted to compliance, such as an internal export control team consisting of personnel from the legal (which has the leading role), procurement, and sales departments to execute day-to-day compliance functions relating to imports, exports, reporting and registrations, if applicable, should also help mitigate risks.

- Training – BIS also states that a good training program is critical to an effective U.S. export compliance program. Characteristics of a good program include training that provides job-specific knowledge based on need, communicates the export responsibilities for each employee, and holds employees accountable through assessments. Accordingly, the Group should provide regular training (e.g., on an annual basis) to all relevant employees (including senior management) as well as targeted training to personnel in key positions (e.g., logistics, shipping, accounting, and sales positions) regarding compliance with U.S. sanctions and export controls, which is another measure that may help mitigate risks.

- Screening – the Group can mitigate risk by screening the names of potential customers and suppliers against the Consolidated Screening List. The Group may also engage a third-party software provider that offers a variety of different tools and allows for more efficient screening. Any flags identified during the screening process are to be escalated to the legal team to review.

- Supply Chain Due Diligence – the Group can mitigate risk by continuing to work with its legal department or outside counsel, as appropriate, to undertake an analysis to determine the classification of certain physical items, technology, and software in its possession, including those obtained from suppliers and other third parties.

- Certifications – if the Group has not already done so, the Group can mitigate risk by obtaining signed certifications from its third-party partners to ensure that such parties will not transfer items subject to the EAR to any party on the Entity List.

- Contractual Agreements – if the Group has not already done so, the Group can mitigate risk by ensuring that all contractual agreements related to the provision of hardware, software, or technology include export control and sanctions compliance clauses.

VIII. Assumptions, Qualifications and Disclosure

We have assumed (a) the accuracy and completeness of all certificates, agreements, documents, records and other materials submitted to us; (b) the authenticity of original certificates, agreements, documents, records and other materials submitted to us; (c) the conformity with the originals of any copies submitted to us; (d) the genuineness of all signatures; and (e) the legal capacity of all natural persons. In addition, in rendering our views, we have (a) without independent verification, relied, with respect to the Company's representations, factual matters, statements and conclusions, on certificates, notifications and statements, whether written or oral, of individuals identified to us as officers and representatives of the Company and on the confirmations made by the Company in the underlying documents and (b) reviewed originals, or copies of such agreements, documents and records as we have considered relevant and necessary as a basis for our views, and (c) conducted sanctions screening as described herein.

This memorandum is not a legal opinion and includes a combination of findings of facts (as limited by the due diligence investigations performed) and a review of applicable laws and regulations directly relevant to the questions addressed herein. This memorandum is based solely on the facts and representations provided by the Company, except as expressly described herein. We note that, as special legal advisor as to U.S. export controls and international sanctions to the Company, we do not represent it generally, and there may be facts relating to the Company of which we have no knowledge. Our analysis is subject to change pending any new or different facts.

Whenever we qualify a statement in this memorandum with the words "to our knowledge," "we are not aware" or similar wording, it indicates that in the course of our representation of the Company as special legal advisor as to U.S. export controls and international sanctions in connection with its IPO, no information that would give us current actual knowledge of the inaccuracy of such statement has come to the attention of the lawyers in this firm who have rendered legal services in connection with the IPO. Please be advised that only Matthew Rabinowitz, Steven Farmer, Jack Ko, Jenny Sheng, Chunbin Xu, and Iris Karaman have been so involved. We have not made any independent investigation to determine the accuracy of any such statement, except as expressly described herein, and any limited inquiry undertaken by us during the preparation of this memorandum should not be regarded as such an investigation. No inference as to our knowledge of any matters bearing on the accuracy of such statement should be drawn from our representation of the Company in other matters in which such lawyers are not involved.

We express no views as to the law of any jurisdiction other than the federal law of the United States of America and UK and EU sanctions laws, and have addressed only such laws that a lawyer exercising customary professional diligence would reasonably be expected to recognize as being relevant to the international trade matters addressed herein. This memorandum speaks only as of the date hereof. We have no responsibility or obligation to update this memorandum or to take into account changes in law or facts or any other development of which we may later become aware. To the extent that any of the materials referred to herein are not governed by the federal law of the United States of America or the law of any State within the United States of America or UK and EU sanctions laws, our view thereon is based solely on the plain meaning of their language without regard to any interpretation or construction that might be indicated by the laws governing those materials.

The conclusions stated in this memorandum are not binding on any regulatory or judicial authority, which have substantial discretion in determining whether to investigate particular transactions or relationships or to pursue export controls or other enforcement. Accordingly, there can be no assurance that any such authority will not take actions that are contrary to the conclusions set forth in this memorandum. Such conclusions are based solely on our interpretation of the applicable law referred to herein and we assume no liability based on any conclusion or holding of any such authority that is inconsistent with our interpretation and conclusion.

This memorandum is delivered by us as special legal advisor as to U.S. export controls and international sanctions for the Company only to you solely for your benefit in connection with the IPO and may not be used, circulated, furnished, quoted or otherwise referred to or relied upon for any other purpose or by any other person or entity (including by any person or entity that acquires any of the Shares from any of you) for any purpose without our prior written consent, except that:

- This memorandum may be disclosed by an addressee on a non-reliance basis:
  - to the legal counsels of the Underwriters in connection with the IPO;
  - to the Company's affiliates and its and their officers, employees, auditors, insurers, reinsurers and professional advisers in connection with the IPO;
  - where required or requested by any court of competent jurisdiction or any governmental, tax, supervisory or regulatory authority (including the HKEX and the Securities and Futures Commission of Hong Kong);
  - in connection with any actual or potential dispute or claim or investigation to which it is a party or which it is involved in relating to the transactions contemplated by the documents reviewed; and
  - to the extent required by law or regulation.

PILLSBURY WINTHROP SHAW PITTMAN LLP

Pillsbury Winthrop Shaw Pittman LLP

Appendix - Summary of Prohibited Transactions and Notifiable Transactions under the Outbound Investment Rule

Sector	Prohibited Transactions	Notifiable Transactions
Semiconductors and microelectronics	(1) Develops or produces any electronic design automation software for the design of integrated circuit(s) (**IC**(s)) or advanced packaging; (2) Develops or produces any: a. Front-end semiconductor fabrication equipment designed for performing the volume fabrication of ICs; b. Equipment for performing volume advanced packaging; or c. Commodity, material, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment. (3) Designs any IC that meets or exceeds the performance parameters in Export Control Classification Number 3A090.a, or ICs designed for operation at or below 4.5 Kelvin; (4) Fabricates any of the following: a. Logic ICs using a non-planar transistor architecture or with a production technology node of 16/14 nanometers or less; b. NOT-AND (NAND) memory ICs with 128 layers or more; c. Dynamic random-access memory (DRAM) ICs using a technology node of 18 nanometer half-pitch or less; d. Integrated circuits manufactured from a gallium-based compound semiconductor; e. Integrated circuits using graphene transistors or carbon nanotubes; or	Designing, fabricating, or packaging any IC not covered by the prohibited transactions.

Sector	Prohibited Transactions	Notifiable Transactions
	f. Integrated circuits designed for operation at or below 4.5 Kelvin; or (5) Packages any IC using advanced packaging techniques.	
Supercomputers	Develops, installs, sells, or produces any supercomputer enabled by advanced ICs that can provide a theoretical compute capacity of 100 or more double-precision (64-bit) petaflops or 200 or more single-precision (32-bit) petaflops of processing power within a 41,600 cubic foot or smaller envelope.	None
Quantum information technologies	Develops a quantum computer or produces any of the critical components required to produce a quantum computer such as a dilution refrigerator or two-stage pulse tube cryocooler; Develops or produces any quantum sensing platform designed for, or which the relevant covered foreign person intends to be used for, any military, government intelligence, or mass-surveillance end use; or Develops or produces quantum network or quantum communication system for networking to scale up capabilities; secure communications; military, government intelligence, or mass-surveillance end use.	None
Artificial Intelligence (AI)	Develops any AI system that is designed to be *exclusively used for*, or which the relevant covered foreign person intends to be used for, any: (1) Military end use; or (2) Government intelligence or mass-surveillance end use; Develops any AI system that is trained using a quantity of computing power greater than:	Develops any AI system not otherwise covered by the prohibited transaction definition, where such AI system is: (1) Designed to be used for any military end use or government intelligence or mass-surveillance end use; (2) Intended to be used for any of the following:

Sector	Prohibited Transactions	Notifiable Transactions
	(1) 10^{25} computational operations (*e.g.*, integer or floating-point operations); or (2) 10^{24} computational operations (*e.g.*, integer or floating-point operations) using primarily biological sequence data.	a. cybersecurity applications; b. digital forensics tools; c. penetration testing tools; or d. the control of robotic systems; or (3) Trained using a quantity of computing power greater than 10^{23} computational operations (*e.g.*, integer or floating-point operations).