

Execution Version

TO	Shanghai Conant Optical Co., Ltd. (上海康耐特光学科技集团有限公司) Guotai Junan Capital Limited Guotai Junan Securities (Hong Kong) Limited (<i>for itself and on behalf of the Underwriters as defined in the Prospectus</i>)	
CC:	Guotai Junan Capital Limited (the " Sole Sponsor ")	
FROM	Stephen Peepels	TELEPHONE: +852 9097 3997
DATE	30 November 2021	
	<i>Privileged and Confidential</i>	<i>By Electronic Mail</i>
SUBJECT	Memorandum of Advice – International laws and Regulations Relating to Trade Sanctions and Export Controls	

1. INTRODUCTION AND SCOPE

- 1.1 I am instructed to act as the international sanctions counsel to Shanghai Conant Optical Co., Ltd (the "**Company**"). This memorandum assesses the applicability to the Company, and its subsidiaries (the Company and its subsidiaries together, the "**Group**") of United States ("**U.S.**"), European Union ("**EU**"), United Nations ("**UN**") and Australian regulations and rules related to economic sanctions programs and export controls ("**International Sanctions**"). My analysis has been prepared in the context of the proposed initial public offering and listing of the Company's H shares on The Stock Exchange of Hong Kong Limited (the "**Offering**"). However, my advice is applicable whether or not the Company proceeds with the Offering.
- 1.2 This memorandum provides analysis of the Group's international business transactions and operations based on the facts and information provided by the Group as of the date of the memorandum. To prepare this memorandum, I have provided to the Group a Sanctions Due Diligence Questionnaire dated December 17, 2020 (the "**Sanctions DD Questionnaire**"). In response, the Group completed the Sanctions DD Questionnaire, including providing supplemental information as to its business and operations. In addition, I was afforded the opportunity to request any follow-up information as I deemed necessary to prepare this memorandum, and had the opportunity to interact with the Group via telephone and e-mail communications. Further, I was given the opportunity to participate in the preparation of the Group's prospectus prepared in connection with the Offering (the "**Prospectus**"), and have reviewed the disclosures in the Prospectus as of the date of this memorandum. The

information that I have reviewed as set forth in this paragraph 1.2 is referred to in this memorandum as the "**Group Information**".

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

2. EXECUTIVE SUMMARY

2.1 The Group manufactures and sells a wide range of spectacle lenses constructed of resin. The Group's production facilities are located in Shanghai and Jiangsu, in the PRC, and in Sabae in Japan. The Group's products can be broadly classified into standardised products, which are available from a product list, and customised products which feature specifications and parameters which range from size, shape, curvature and specific corrective power, and which are not available from an existing product list. The Group offers its products under brand names designated by customers, or on an unbranded basis. In addition, the Group offers resin spectacle lenses under its own brands, including "CONANT", "康耐特" and "ASAHI". The Group markets and sells its products globally to a large number of customers in more than 80 countries around the world, including in Japan, Russia, South Korea, Israel, United States, Mexico, Canada, Brazil, France, United Kingdom, Germany, Italy, Australia, New Zealand, South Africa and Nigeria, among others. During the years ended December 31, 2018, 2019 and 2020 and the five months ended 31 May 2021 (collectively, the "**Track Record Period**"), the Group sold its products to customers located in the Relevant Countries.

2.2 United States

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

2.2.1.1 the Company is not incorporated in the United States; the Group has one subsidiary that is incorporated in the United States; that subsidiary, Conant Lens Inc. ("**Conant Lens**"), did not participate in any manner in any business activities or sales to customers located in Cuba or Iran;

2.2.1.2 the Company's executive director and controlling shareholder is a PRC citizen and also holds a U.S. "green card" as a permanent resident of the United States; Ms. Shen Zhoubo, the spouse of Mr. Fei is a U.S. resident and serves as the general manager of Conant Lens; none of Mr. Fei, Ms. Shen nor Conant Lens were involved in any business activities or sales to customers located in Cuba or Iran;

2.2.1.3 no U.S. persons employed or otherwise engaged by the Company or its Group entities, including but not limited to Mr. Fei and Ms. Shen, have been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of, any activities of the Group involving the Cuba or Iran;

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

- 2.2.1.5 no products supplied, sold, exported or otherwise transferred by the Group to the Relevant Countries incorporate more than 10% value of U.S.-origin content;
- 2.2.1.6 none of the finished products sold to the Relevant Countries were covered by U.S. owned intellectual property rights.
- 2.2.1.7 none of the Group's counterparties in the Relevant Countries during the Track Record Period was an individual, entity or organization that has been designated as Specially Designated Nationals and Blocked Persons ("**SDNs**");
- 2.2.1.8 no services have been exported (either directly or indirectly) to any persons or entities identified on the U.S. Department of Commerce, Bureau of Industry and Security's Entity List, Denied Parties List, or Unverified List (collectively, "**BIS List**");
- 2.2.1.9 as described to me by the Company, the Group has sold resin spectacle lens products in a manner where such goods were to be delivered, directly or by the Group's customers, to Cuba and Iran; other than those transactions, the Company has not undertaken, either directly or indirectly, a contract or any other activity with a counterparty, nor has otherwise provided goods or services to any person, in Cuba, Iran, North Korea, Sudan, Syria or the Crimea region of Ukraine/Russia (these countries or territories are currently subject to comprehensive U.S. sanctions);
- 2.2.1.10 the Group's services and activities did not involve industries or sectors that are currently subject to specific sanctions by the United States;
- 2.2.1.11 the Group has identified the following transactions relating to regions that are subject to comprehensive U.S. sanctions:
 - (a) one hundred (100) separate payments from Cuban customers or from third party payment processing companies relating to transactions that designated deliveries to Iran between January 2016 and December 2020 totaling US\$7,008,705 (the "**Cuba and Iran Transactions**");
- 2.2.1.12 the goods involved in the Cuba and Iran Transactions were all non-U.S. origin products which, had they been of U.S. origin, would be classified as EAR99 under the U.S. Export Administration Regulations. In other words, they were not listed on the U.S. Commerce Control List under a specific ECCN;

- 2.2.1.13 the Company has reviewed all transaction records since January 2016, but there were no payments in U.S. dollars related to Crimea, Cuba, Iran, Sudan or Syria, or any other comprehensively sanctioned jurisdictions during that time except for the Cuba and Iran Transactions. With respect to the Cuba and Iran Transactions, certain of these payments were denominated in U.S. dollars and were therefor likely processed through the U.S. financial system before they were received or paid by the Company; and
- 2.2.1.14 My assessment is that some or all of the Cuba and Iran Transactions have implicated restrictions under U.S. primary sanctions because of Mr. Fei's ownership of more than 50% of the voting securities of the Company and/or the use of U.S. dollars to settle the Cuba and Iran Transactions. Based on the information provided by the Company, the activities did not involve any intentional wrongdoing but rather reflected a lack of awareness of the applicability of U.S. sanctions to the Group. In March 2021, the Company filed a voluntary self-disclosure ("**VSD**") with OFAC related to these historic transactions and provided its full cooperation with the U.S. government in resolving this matter. In August 2021, OFAC responded to the Group's VSD with a cautionary letter (the "**Cautionary Letter**") indicating that it had completed its review of all of the information provided in the VSD. OFAC further indicated that the issuance of the Cautionary Letter represents its final determination as to all matters related to the VSD. No administrative or other penalties were placed on the Group related to the VSD. Therefore, OFAC considers this matter to be fully and finally resolved.

2.3 United Nations

- 2.3.1 On the basis of my review of the Group Information and due diligence process, and the Company's declarations (for and on behalf of the Group) that:
 - 2.3.1.1 the Group's activities involving any sanctioned countries were limited to the sale of resin spectacle lens products that are not export-controlled; and
 - 2.3.1.2 the Group has confirmed that it does not have business dealings with parties targeted by UN sanctions,

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

2.4 European Union

- 2.4.1 On the basis of my review of the Group Information and my due diligence process, and the Company's declarations (for and on behalf of the Group) that:
 - 2.4.1.1 all activities involving the Relevant Countries were negotiated,

entered into and performed without any involvement (including in any approval or decision-making capacity) by any national of or entity incorporated, domiciled, or otherwise located in either the territories of the EU or the United Kingdom's (the "UK") Overseas Territories;

- 2.4.1.2 the Group's activities are limited to sale of resin spectacle lens products, which are not export-controlled in the EU or UK Overseas Territories;
- 2.4.1.3 neither the Group nor any of its affiliates, agents, directors, officers, or employees are engaged in transactions, business or financial dealings that directly or indirectly involve or benefit a person or entity listed under EU or UK Overseas Territories sanctions;
- 2.4.1.4 no financing or financial assistance received by the Group (either directly or indirectly) from any company, entity or body incorporated or located in the EU or any UK Overseas Territories (including the Cayman Islands and the British Virgin Islands) has been used in any way in relation to activities involving Relevant Countries;
- 2.4.1.5 the Group's activities involving Relevant Countries have not identified any person specifically designated (i.e. listed / targeted) under any existing EU sanctions regime; and
- 2.4.1.6 the Group has not been, directly or indirectly, involved in the export from the EU and/or UK Overseas Territories of any items listed in the EU Common Military List or the EU Dual Use list (Annex I to EU Regulation 428/2009), the UK Military List or any items listed under Schedule 3 of the UK's Export Control Order 2008,

My assessment is that the Group's business activities with the Relevant Countries do not appear to implicate the prohibitions and wider restrictions under existing EU sanctions measures, including those extended to the UK Overseas Territories.

2.5 Australia

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

- 2.5.1.1 the Group is not:
 - (a) a person in Australia;
 - (b) an Australian citizen or Australian-registered body;
 - (c) owned or controlled by Australians or persons in Australia; or

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

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

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

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

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

3. COMPANY BACKGROUND

3.1 Shanghai Conant Optical Co., Ltd. is incorporated in the PRC. The Group's major operating subsidiaries are: (1) in the PRC: Shanghai Conant, Jiangsu Conant, Conant Eyewear, Jiangsu Asahi (2) in Japan: Asahi Optical, (3) in the United States: Conant Lens, (4) in Mexico: Conant Mexico SA, and Laboratorio Opticos SA and (5) in Hong Kong: Asahi Holdings (each as defined in the Prospectus). Except for Asahi Holdings which is an investment holding company (i.e., intermediary holding company of Asahi Optical), all of the Group's operating subsidiaries engage in the manufacture and/ or sale of resin spectacle lens products. In preparing this summary, I have relied on the Prospectus for the Group's shareholding structure, immediately before and after completion of the Global Offering, respectively.

3.2 The Company's Executive Director, Mr. Fei held during the Track Record Period, and will continue to hold after the Global Offering, more than 50% of the Company's voting securities in the form of "Ordinary Shares". Mr. Fei is a PRC citizen and passport holder that resides in the PRC. In addition, Mr. Fei is a permanent resident of the United States, i.e., holds a "green card". Ms. Shen Zhoubo, the spouse of Mr. Fei and the general manager of Conant Lens, is a U.S. citizen and currently lives in the United States. None of Mr. Fei, Ms. Shen nor Conant Lens were involved in any business activities or sales relating to Cuba or Iran.

3.3 The Company has confirmed that none of its, or its subsidiaries' directors or shareholders is a UK, EU or Australian national.

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

Director	Name	Nationality
Executive Directors	Fei Zhengxiang (費錚翔)	Chinese (and a U.S. green card holder)
	Zheng Yuhong (鄭育紅)	Chinese
	Xia Guoping (夏國平)	Chinese
	Chen Junhua (陳俊華)	Canadian
Non-executive Director	Takamatsu Ken (高松健)	Japanese
Independent non-executive Directors	Xiao Fei (肖斐)	Chinese
	Chen Yi (陳一)	Chinese
	Jin Yiting (金益亭)	Chinese

3.5 The Group is a PRC based manufacturer of resin spectacle lens products, the key raw material for which is resin lens monomers. The Group manufactures and sells a wide range of lenses with various refractive indexes and features such as polarisation and blue light blocking, and according to the Prospectus, is one of the PRC's largest manufacturers of these products. The Group has a large number of registered patents for its products in the PRC, the United States, the European Union and Japan, among others. Its customers include international ophthalmic optics companies, authorised distributors, spectacle lens wholesalers, eyewear stores and ophthalmology clinics. In addition, the Group maintain direct distribution channels by offering eyewear with our resin spectacle lens under our own brand directly to end users at retail shopfronts at its production bases in Shanghai and Jiangsu as well as through major e-commerce platforms in the PRC.

3.6 During the Track Record Period, the Group supplied and sold its products both within the PRC as well as to more than 80 countries around the world. It is through its international sales to customers that the Group's international operations have touched upon the Relevant Countries.

3.7 In response to the Sanctions DD Questionnaire, the Group provided me with various documentation listing export related information concerning the Group's sales to the Relevant Countries during the period 2016 - 2020, as well as contracts and other relevant information and updates relating to these sales to Relevant Countries. From the information provided by the Group, I identified that the Relevant Countries were listed as customer destinations of the Group's products. I note further that no other countries or jurisdictions that are subject to international sanctions by the United States, the UN, the EU or Australia were revealed by my diligence review.

3.8 The Cuba and Iran Transactions were conducted in U.S. Dollars, Euros and Japanese Yen, and payment was made either by bank remittance, bank check or through letters of credit.

- 3.9 The Group's products are not of U.S.-origin; the U.S. origin content contained in the Group's products is not export controlled and the amount of such U.S. origin content does not exceed 10% of the value of the products.
- 3.10 The Group has confirmed that none of the products supplied, sold or exported or transferred by the Group are controlled under U.S. export controls or are otherwise restricted for transfer, either directly or indirectly, from the United States (or by U.S. persons) to or for use in any third country. On the basis of this confirmation and my understanding of the nature of the Group's products and services formed by my due diligence process, an analysis of the Group's products against U.S. export control and trade related sanctions restrictions has not been undertaken.
- 3.11 Based on the information provided by the Group, the Group believes that none of the products supplied, sold, exported or transferred by the Group are controlled under EU and/or UK Overseas Territories export controls or are otherwise restricted for transfer either directly or indirectly, from the EU (or by EU persons) or from the UK Overseas Territories (or by UK Overseas Territories nationals) to or for use in any third country. On this basis and my understanding of the nature of the Group's products and services, an analysis of the Group's products against EU and/or UK Overseas Territories export control and trade related sanctions restrictions has not been undertaken.
- 3.12 Based on the information provided by the Group, the Group believes that:
- 3.12.1 None of the goods or services supplied, sold, exported or transferred by the Group are controlled under Australian export controls or are otherwise restricted for supply, sale, export or transfer, either directly or indirectly, from Australia (or by Australian citizens) to or for use in any third country.
- 3.12.2 No goods or services were supplied, sold, exported or transferred by the Group to any country subject to International Sanctions from (or via) Australia.

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

3.13 The table below sets forth the payments received from the Cuba and Iran Transactions⁽¹⁾ and the corresponding percentage of the Group's total revenues during the Track Record Period

Year Ended	Total consolidated gross revenues (U.S. dollars) ⁽²⁾	Consolidated gross payments received from comprehensively sanctioned countries (U.S. dollars) ⁽²⁾	Percentage of the Group's total revenues (%)
Year ended December 31, 2018	127,170,944	361,355.66	0.28
Year ended December 31, 2019	152,743,616	1,790,236.06	1.17
Year ended December 31, 2020 (if available)	162,964,222	359,529.00	0.22

1. *As no Specially Designated Nationals or Blocked Persons (SDNs) were involved in any of the sales or deliveries to Relevant Countries, revenues related to Relevant Countries other than Cuba and Iran are not applicable to my analysis and are not included in this table.*
2. *Total consolidated gross revenues of the Group are converted into U.S. dollars at an exchange rate of USD1.00 to RMB6.708.*

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

4.1 U.S. Economic Sanctions

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

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

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

4.1.2 Primary Sanctions Applicable to U.S. persons

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

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

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

4.1.2.3 Persons Governed by U.S. Sanctions

- (a) In general, U.S. economic sanctions apply to “U.S. persons.” The term “U.S. persons” includes:
- (i) U.S. companies and their U.S. subsidiaries;
 - (ii) any U.S. company’s domestic and foreign branches;
 - (iii) any individual who is a U.S. citizen or permanent resident alien (“green card” holder), regardless of his or her location in the world;
 - (iv) any individual, regardless of his or her nationality, who is physically present in the United States; and
 - (v) U.S. branches of non-U.S. companies.
- (b) In the case of U.S. sanctions applicable to Cuba and Iran, primary sanctions specifically apply to all foreign subsidiaries of U.S. companies and any other entities owned or controlled by U.S. persons (such as 50/50 joint ventures, for example). See Section 218 of the Iran Threat Reduction and Syria Human Rights Act of 2012, H.R. 1905 (PL 112-158), implemented by OFAC as section 560.215 of the Iranian Transactions and Sanctions Regulations (“**ITSR**”), which makes parent companies liable for their foreign subsidiaries’ Iranian sanctions violations, and the Cuban Assets Control Regulations, 31 C.F.R. § 515.329(d) (“**CACR**”), which defines as a person subject to U.S. jurisdiction for Cuba sanctions

purposes non-U.S. entities that are affiliates and subsidiaries of U.S. corporations.

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

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

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

performed directly by a U.S. person or from the United States;

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

4.1.2.4 Targets of Primary U.S. Sanctions Programs

- (a) There are two types of primary U.S. sanctions programs – country-based programs (which are territorial in nature) and list-based programs (which are not territorial in nature, as they do not apply to the entire country or all of its territory). Violations of either type of primary U.S. sanction program can result in "strict" civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, willful violations may result in criminal liability punishable by imprisonment and elevated fines.
 - (i) *Country-based sanctions programs.* U.S. sanctions programs targeting specific countries fall into two categories: programs that are comprehensive in scope and programs that are limited in scope.
 - (1) Comprehensive sanctions programs prohibit U.S. persons from dealing in any manner with sanctioned countries and their governments, as well as with any persons or entities in those countries or territories. Currently, the United States maintains comprehensive sanctions against: Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine/Russia (comprehensive OFAC sanctions against Sudan were terminated as of October 12, 2017). Generally, comprehensive country sanctions prohibit transactions with or services in, from or benefitting the targeted country or any persons/entity in it. However, the comprehensive country sanctions may also be

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

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

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

- (1) terrorists and terrorist organizations;

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

4.1.2.5 Application to Cote d'Ivoire (Ivory Coast)

- (a) Previously, OFAC maintained sanctions against Ivory Coast. These sanctions only blocked the property and interests in property of SDNs. These regulations are set forth at 31 C.F.R. Part 543. For purposes of Ivory Coast sanctions, persons and entities were designated as SDNs for having engaged in the following activities in violation of Executive Order 13396:
- (i) Activity constituting a threat to the peace and reconciliation process in the Ivory Coast;
 - (ii) Serious violations of international law in Ivory Coast;
 - (iii) The direct or indirect supply, sale or transfer to Ivory Coast of any arms or any related materiel or assistance, advice or military training;
 - (iv) To have publicly incited violence and hatred contributing to conflict in Ivory Coast;
 - (v) To have materially assisted, sponsored, or provided financial, material, or technical support for any activities described above, or to be owned or controlled

by, or acting or purporting to act for or on behalf of, directly or indirectly, any person engaging in activities described above.

- (b) Under Executive Order 13396, with certain exceptions, transactions by U.S. persons, or in or involving the United States, were prohibited if they involved dealing with, or involving property of, a person or entity designated as an SDN under Executive Order 13396 and appearing on the OFAC SDN List with the identifier “[COTED]”. The property and interests in property of an entity that is 50% or more owned, directly or indirectly by a person on the OFAC SDN List is also blocked, regardless of whether the entity itself appears on the OFAC SDN List.
- (c) On September 14, 2016, the sanctions program against Ivory Coast was terminated via Executive Order 13739. There are no remaining sanctions against Ivory Coast. Certain SDNs targeted under other OFAC sanctions programs (such as global terrorism) may reside in Ivory Coast, and U.S. persons are prohibited from dealings with such parties and entities they own or control.

4.1.2.6 Application to Cuba

- (a) Several statutes and the Cuban Assets Control Regulations, 31 C.F.R. Part 515, broadly effect comprehensive country sanctions against Cuba. U.S. persons, including foreign subsidiaries of U.S. corporations, are prohibited from engaging in virtually all direct and indirect commercial, financial and travel-related transactions with Cuba and Cuban nationals, wherever located. The ban on transactions includes a general prohibition against most exports to and imports from Cuba, either directly or indirectly through third countries, of goods, services and technology. The CACR also require the blocking of all property and property interests of the Cuban Government and Cuban nationals within the jurisdiction of the United States. In addition, the CACR prohibit U.S. persons from entering into an investment in or with Cuba.
- (a) Beginning in January 2015, the U.S. Government instituted a series of new rules and regulatory amendments implementing the policy changes announced by President Obama regarding the historic shift in U.S. relations with Cuba. While the statutory embargo remains in place, these sweeping changes provide a number of opportunities for commercial business activities in Cuba in certain sectors. These changes relaxed restrictions on certain types of travel and authorized certain transactions

involving certain types of insurance, telecommunications, banking, humanitarian activities, certain types of infrastructure projects, and the export of tools, agricultural products, and other items to the private sector.

4.1.2.7 Application to Egypt

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

4.1.2.8 Application to Haiti

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

4.1.2.9 Application to Iran

(a) Primary Sanctions

- (i) The Iranian Assets Control Regulations, 31 C.F.R. Part 535, The Iranian Transaction and Sanctions Regulations, 31 C.F.R. Part 560, The Iranian Financial Sanctions Regulations, 31 C.F.R. Part 561, and the Iranian Human Rights Abuses Sanctions Regulations, 31 C.F.R. Part 562 broadly implement comprehensive country sanctions against Iran. U.S. persons, including foreign subsidiaries of U.S. corporations, are prohibited from engaging in any transaction involving the purchase, sale, transportation, financing or brokering of goods or services to or from Iran.
- (ii) In addition, multiple U.S. Executive Orders block the property of specified Iranian persons and entities identified as SDNs, including the Government of Iran, the Central Bank of Iran, the Iranian Republic Guard Corps (“**IRGC**”), the Iranian Republic Shipping Line, and Mahan Airlines, among others U.S. persons are prohibited from dealing in the property of these SDNs.

(b) Secondary Sanctions

- (i) Beginning in 1996, the U.S. has passed legislation establishing “secondary sanctions” applicable to non-U.S. persons and entities who engage in certain

defined economic activity with Iran. This legislation includes the Iran Sanctions Act of 1996, as amended, 50 U.S.C. § 1701; the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (“**CISADA**”), PL 111-195; the Iran Threat Reduction and Syria Human Rights Act of 2012, H.R. 1905 (PL 112-158) (“**ITRA**”); the National Defense Authorization Act For Fiscal Year 2012 PL 112-81; and the Iran Freedom and Counter-Proliferation Act of 2012 (“**IFCA**”) (PL 112-239).

- (ii) Secondary sanctions legislation grants broad discretion to the President and his delegated representatives to deny access to the U.S. economic system to non-U.S. persons who have been determined to engage in certain specified transactions involving the Iranian banking, energy, shipping and shipbuilding sectors.
- (iii) In January 2016, the United States, Iran, and other powers signed the Joint Comprehensive Plan of Action (“**JCPOA**”), which vastly eased secondary sanctions in exchange for Iranian actions in relation to its nuclear program.
- (iv) On May 8, 2018, the Trump Administration announced that the United States would withdraw from JCPOA. As such, the nuclear-related secondary sanctions that had been eased pursuant to the JCPOA were re-imposed on August 7, 2018 after a 90-day wind down period.
- (v) On 5 November 2018, the United States re-imposed the remaining nuclear-related secondary sanctions administered by OFAC against Iran that previously had been lifted pursuant to the United States’ commitment to JCPOA. This action includes the designation of 50 Iranian banks and their foreign and domestic subsidiaries; the identification of more than 400 targets, including over 200 persons and vessels in Iran’s shipping and energy sectors, and an Iranian airline and more than 65 of its aircraft; and the placement on the list of SDN List of nearly 250 persons and associated blocked property that appeared until today on the List of Persons Identified as Blocked Solely Pursuant to Executive Order (E.O.) 13599 (E.O. 13599 List).

4.1.2.10 Additionally, secondary sanctions programs, involving certain specified activities and dealings with SDNs, that had not been eased pursuant to the JCPOA are still in force. Such transactions include proliferation of weapons of mass destruction, support for human rights abuses in Iran and Syria, support for terrorism, dealings with the Islamic Revolutionary Guard Corps, and others. Application to Lebanon

(a) Currently, the U.S. government maintains targeted list-based sanctions against the Lebanon. These sanctions only block the property and interests in property of SDNs. These regulations are set forth at 31 C.F.R. Part 549. For Lebanon sanctions purposes, persons and entities can be designated as SDNs for having engaged in the following activities in violation of Executive Order 13441:

(i) to have taken, or to pose a significant risk of taking, actions, including acts of violence, that have the purpose or effect of undermining Lebanon's democratic processes or institutions, contributing to the breakdown of the rule of law in Lebanon, supporting the reassertion of Syrian control or otherwise contributing to Syrian interference in Lebanon, or infringing upon or undermining Lebanese sovereignty;

(ii) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of, such actions, including acts of violence, or any person described above;

(iii) to be a spouse or dependent child of any person described above.

(b) Under Executive Order 13441, with certain exceptions, transactions by U.S. persons, or in or involving the United States, are prohibited if they involve dealing with, or involving property of, a person or entity designated as an SDN under Executive Order 13441 and appearing on the OFAC SDN List with the identifier "[LEBANON]". The property and interests in property of an entity that is 50% or more owned, directly or indirectly by a person on the OFAC SDN List is also blocked, regardless of whether the entity itself appears on the OFAC SDN List.

4.1.2.11 Application to Myanmar/Burma

(a) The United States historically had imposed comprehensive sanctions against Myanmar/Burma, which primarily prohibited

new investment in the country and exports of financial services (exports of goods to non-SDNs were not widely restricted even in the past). Responding to democratic reforms in Myanmar/Burma, the United States eased these sanctions in 2012, allowing for the export of financial services and certain new investment, while generally continuing to prohibit transactions involving SDNs.

- (b) Under the Burmese Sanctions Regulations (“**BSR**”), 31 C.F.R. 537, after 2012, U.S. persons were generally not prohibited from exporting goods, software or technology to Myanmar/Burma unless an SDN is involved. Property and interest in property belonging to SDNs generally may not be transferred, paid, exported, withdrawn or otherwise dealt with by U.S. persons.
- (c) New investment in Myanmar/Burma and the exportation of financial services to Myanmar/Burma were authorized after the 2012 easing under the general licenses contained in the regulations. However, given human rights considerations, the general licenses imposed certain restrictions on transactions involving the Burmese Ministry of Defense, state or non-state armed groups (which includes the military), or entities owned by these organizations.
- (d) On December 7, 2015, in an effort to facilitate the flow of trade with Myanmar/Burma, OFAC further authorized most transactions ordinarily incident to the export of goods, technology, or non-financial services to or from Myanmar/Burma when an SDN is involved indirectly (not as a recipient/sender of the goods). However, transactions to, from, or on behalf of any SDN were still prohibited.
- (e) On October 7, 2016, OFAC’s sanctions against Myanmar/Burma were lifted in their entirety. There are no remaining sanctions against Myanmar/Burma, although certain restricted parties in the country may continue to be designated by OFAC for their involvement in narcotics trafficking or other illicit activities. On August 17, 2018, OFAC added four Burmese Military and Border Guard Police (“BGP”) commanders and two Burmese military units to the SDN List. Effective June 16, 2017, the BSR have been removed from the OFAC’s regulations in Part V of the Code of Federal Regulations.
- (f) On February 11, 2021, President Biden issued an Executive

Order on “Blocking Property with Respect to the Situation in Burma” (the “**Burma Executive Order**”) which establishes a new sanctions program focused on Myanmar. Under this authority, OFAC may designate as SDNs those individuals and entities directly or indirectly causing, maintaining, or exacerbating the situation in Myanmar, and/or leading Myanmar’s military or current government, or operating in its defense sector.

- (g) Pursuant to the Burma Executive Order, OFAC designated six officers of Myanmar’s military who played a direct role in the coup: (1) Commander-in-Chief Min Aung Hlaing; (2) Deputy Commander-in-Chief Soe Win; (3) First Vice President and retired Lieutenant General Myint Swe; (4) Lieutenant General Sein Win; (5) Lieutenant General Soe Htut; and (6) Lieutenant General Ye Aung. Notably, both Min Aung Hlaing and Soe Win had already been designated on December 10, 2019 pursuant to Executive Order 13818 (the Global Magnitsky sanctions program) for their roles in the atrocities committed against the Rohingya.
- (h) OFAC also designated four military officials who were appointed to positions in Myanmar’s State Administration Council (“**Myanmar SAC**”) government following the coup: (1) General Mya Tun Oo, appointed Minister of Defense; (2) Admiral Tin Aung San, appointed Minister for Transport and Communications; (3) Lieutenant General Ye Win Oo, appointed Joint Secretary of the SAC; and (4) Lieutenant General Aung Lin Dwe, appointed Secretary of the Myanmar SAC.
- (i) Finally, OFAC designated three entities operating in Myanmar’s gem industry that are owned or controlled by Myanmar’s military: (1) Myanmar Ruby Enterprise; (2) Myanmar Imperial Jade Co. LTD; and (3) Cancri (Gems and Jewellery) Co., LTD.
- (j) U.S. persons (as well as non-U.S. persons when engaging in a transaction with a U.S. touchpoint) are, except as authorized by OFAC, generally prohibited from engaging in transactions involving the recently-sanctioned ten individuals and three entities, and their property and interests in property (which must also be blocked to the extent they come into U.S. jurisdiction).
- (k) In addition, in February 2021, the U.S. Commerce

Department's Bureau of Industry and Security ("**BIS**") announced that it would apply a "presumption of denial," effective immediately, for items requiring a license for export and reexport to Myanmar's Ministry of Defense, the Ministry of Home Affairs, armed forces, and security services. In addition, BIS announced a suspension of certain previously-issued licenses to these Myanmar government departments and agencies, and a revocation of certain license exemptions that had been available to Myanmar as a result of its Country Group status under the Export Administration Regulations.

- (l) In March 2021, four entities were added to the BIS Entity List: The Ministry of Defense, The Ministry of Home Affairs, and Myanmar Economic Corporation, and Myanmar Economic Holdings Limited. The latter two companies are commercial entities owned or operated by the Ministry of Defense. The companies will be subject to license requirements for exports, re-export or transfer of all items subject to United States Export Administration Regulations, 15 C.F.R. Parts 730-774 (the "**EAR**"). The license review policy will be a presumption of denial, and license exceptions will not be available. BIS has also downgraded Myanmar's Country Group status from B to D:1. As a result, it will be subject to a more restrictive review of license applications for exports or re-exports of items subject to the EAR to any end-user in Myanmar. Lastly, Myanmar will be subject to "military end use" and "military end user" restrictions in § 744.21 of the EAR. Exports and re-exports of certain items listed in supplement no. 2 to part 744 of the EAR and the Commerce Control List will be prohibited. Users may also be identified on the "military end-user list".

4.1.2.12 Application to Russia

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

Executive Orders impose comprehensive restrictions on dealings with SDNs (including entities owned, at 50% or higher level, by SDNs directly or indirectly, individually or in the aggregate), comprehensive trade embargo on the Crimea region (see above 4.1.2.5), and more limited restrictions (so-called “sectoral sanctions”) on certain types of dealings with designated parties in Russia’s energy, financial and defense sectors (including entities owned by them, at 50% or higher level, directly or indirectly, individually or in the aggregate).

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

transactions are not otherwise prohibited by any other sanctions programs implemented by OFAC.

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

entities.

- (e) “Debt” in the SSIL context includes bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers’ acceptances, discount notes or bills, or commercial paper. “Equity” includes stocks, share issuances, depositary receipts, or any other evidence of title or ownership. OFAC has advised that these lists are illustrative, not exhaustive. OFAC has confirmed that the term “extension of credit” would include providing an SSI customer with payment terms that exceed 30 or 90 days, depending on the Directive under which the SSI is designated.
- (f) In addition, there are export restrictions on certain U.S.-origin products as well as restrictions on U.S. person’s ability to provide any products or services to certain parties in Russia targeted by sectoral sanctions if such items would be used for one of the three types of targeted oil/gas production or exploration projects (irrespective of the origin of such goods or services). None of these current restrictions, however, target optical lens products, so activities involving even U.S.-origin lens products are not prohibited under current sanctions when no SDNs or designated parties under sectoral sanctions are involved.
- (g) On August 2, 2017, President Trump signed into law the “Countering America’s Adversaries Through Sanctions Act” (“CAATSA”), which amended some of the existing U.S. primary sanctions against Russia and added secondary sanctions targeting certain activities involving Russia. For example, CAATSA required OFAC to amend Directive 1 by reducing the maturity term from 30 to 14 days, and Directive 2 by reducing the maturity term from 90 to 60 days, tightening restrictions on the extension of credit to SSI entities targeted by these directives. On September 29, 2017, OFAC issued amended Directives 1 and 2, indicating that the reduction of maturity term to 14 and 60 days, respectively, would be effective as of November 28, 2017. CAATSA also required OFAC to amend Directive 4, which targets certain energy projects, expanding its territorial reach beyond Russia to any location in the world where one of the targeted exploration/production projects is located so long as a Russian SSI party has at least a 33% interest in such project (this took effect on January 29, 2018). CAATSA also authorizes the U.S. Government to designate state-owned entities in the Russian railway sector and impose sectoral sanctions upon such designations.

- (h) In addition to changes to sectoral sanctions, there are also secondary sanctions that were imposed by CAATSA, so any persons (U.S. or non-U.S.) who engage in these activities could face exposure to restrictive U.S. measures, even if the underlying activity has no U.S. nexus. These new Russia-related secondary sanctions include (but are not limited to):
- (i) Making of an investment that directly and significantly contributes to the enhancement of the ability of the Russian Federation to construct energy export pipelines; or selling, leasing or providing to the Russian Federation, for the construction of Russian energy export pipelines, goods, services, technology, information, or support that could directly and significantly facilitate the maintenance or expansion of the construction, modernization, or repair of energy export pipelines by the Russian Federation, and which meet either of the following criteria:
 - (1) Any of which have a fair market value of US\$1,000,000 or more; or
 - (2) That, during a 12-month period, have an aggregate fair market value of US\$5,000,000 or more.
 - (ii) Making an investment, with actual knowledge, of US\$10,000,000 or more (or any combination of investments of not less than US\$1,000,000 each, which in the aggregate equals or exceeds US\$10,000,000 in any 12-month period), or facilitates such an investment, if the investment directly and significantly contributes to the ability of the Russian Federation to privatize state-owned assets in a manner that unjustly benefits:
 - (1) Officials of the Government of the Russian Federation; or
 - (2) Close associates or family members of those officials.
 - (iii) Knowingly engaging in a “significant” transaction with a person that is part of, or operates for or on behalf of, the Russian defense or intelligence sectors. The U.S. Government issued a list of “persons that are part of, or operate for or on behalf of, the defense and

intelligence sectors of the Government of the Russian Federation” so foreign parties have additional clarity as to who in Russia is targeted by this measure and can avoid engaging in “significant” transactions with such parties unless such foreign parties want to face exposure under secondary U.S. sanctions.

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

4.1.2.13 Application to Turkey

- (a) The United States has not historically maintained sanctions against Turkey, in part due to Turkey's status as a NATO member country and strategic partner of both the United States and the EU.
- (b) On December 14, in response to Turkey's procurement of the S-400 surface-to-air missile system from Russia in 2019, the Trump administration took initial targeted action against Turkey pursuant to Section 231 of CAATSA by adding four Turkish officers of the SSB to OFAC's SDN List and imposing the following sanctions on the SSB itself:
 - (i) a prohibition on granting U.S. licenses or other authorizations for exports or re-exports to SSB of goods or technology;
 - (ii) a prohibition on loans or credits by U.S. financial institutions to SSB totaling more than \$10 million in any 12-month period;
 - (iii) a ban on U.S. Export-Import Bank assistance for exports of any kind to SSB; and
 - (iv) a requirement for the U.S. to oppose loans benefitting SSB by international financial institutions, such as the International Monetary Fund.
- (c) These sanctions measures do not fully block SSB assets in the U.S. or generally prohibit U.S. persons from dealing with the agency, as SSB has not been added to the SDN List. Rather, SSB is now subject to "Non-SDN Menu-Based Sanctions List" (NS-MBS), a new OFAC list designed to provide a source of reference for companies to identify entities or individuals subject to such non-blocking menu-based sanctions and associated risk concerns.
- (d) On December 14, 2020 the U.S. Department of State's Directorate of Defense Trade Controls (the "**DDTC**") issued the following guidance on the new U.S. export control restrictions imposed on SSB:
 - (i) Effective "immediately," DDTC will not approve any specific license or authorization to export or re-export any defense articles, including technical data, or defense services where SSB is a party to the

transaction;

- (ii) The prohibition does not apply to temporary import authorizations or to current, valid, non-exhausted export and re-export authorizations;
 - (iii) However, the prohibition does apply to new export and re-export authorizations, including amendments to previously approved licenses or agreements and licenses in furtherance of previously approved agreements;
 - (iv) This sanction does not apply to subsidiaries of SSB; however, licenses submitted to DDTC which name subsidiaries of SSB are still subject to a standard case-by-case review, including a foreign policy and national security review;
 - (v) DDTC is not imposing a prohibition on U.S. government procurement from SSB in connection with this action.
- (e) Separately, the BIS issued guidance giving notice that the agency has “implemented a policy of denial for export license applications” for exports of dual-use U.S.-origin items to SSB.

4.1.2.14 Application to Ukraine

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

4.1.2.15 Application to Venezuela

- (a) On March 8, 2015, the United States imposed targeted sanctions against Venezuela under Executive Order 13692 in response to anti-democratic events. The sanctions do not constitute a broad or territorial embargo against trade with Venezuela, but instead froze the assets of the seven targeted officials, heads of the country's security agencies or law enforcement officials.
- (b) Under Executive Order 13692, with certain exceptions, transactions by U.S. Persons, or in or involving the United States, are prohibited if they involve dealing with, or involving property of, a person or entity designated as an SDN under Executive Order 13692 and appearing on the OFAC SDN List with the identifier "[VENEZUELA]". The property and interests in property of an entity that is 50% or more owned, directly or indirectly by a person on the OFAC SDN List is also blocked, regardless of whether the entity itself appears on the OFAC SDN List.
- (c) OFAC has also imposed sanctions on various other designated Venezuelan businesses and individuals. With certain exceptions, U.S. persons are prohibited from dealing with persons listed on OFAC's SDN List, and all property in which any blocked person has an interest is blocked if it is in the United States or in the possession or control of a U.S. person, wherever located.
- (d) On August 25, 2017, the U.S. imposed more limited restrictions targeting the debt and equity of the Government of Venezuela and certain subsidiaries. The restrictions apply to the Government of Venezuela's and Petroleos de Venezuela, S.A.'s ("PdVSA") ability to access capital from the United States including profits and dividends from its U.S. assets, such as CITGO Holdings, Inc., the PdVSA-owned American subsidiary.
- (e) On March 19, 2018, the U.S. prohibited transactions related to, provision of financing for, and other dealings, by U.S. persons or persons within the United States of any digital currency, digital coin, or digital token, issued by for, or on behalf of the Government of Venezuela on or after January 9, 2018 under Executive Order 13827.
- (f) On May 21, 2018, under Executive Order 13835, the U.S. prohibited U.S. persons or persons within the United States from all transactions related to, provision of financing for, and other dealings in the purchase of any debt owed to the

Government of Venezuela, including accounts receivable; any debt owed to the Government of Venezuela that is pledged as collateral after May 21, 2018, including accounts receivable; and the sale, transfer, assignment, or pledging as collateral by the Government of Venezuela of any equity interest in any entity in which the Government of Venezuela has a 50 percent or greater ownership interest.

- (g) On November 1, 2018, under Executive Order 13850, the United States blocked all property and interests in property of persons determined to operate in the gold sector of the Venezuelan economy or in any other sector of the Venezuelan economy as determined by the Secretary of the Treasury, to be responsible for or complicit in, or to have directly or indirectly engaged in, any transaction or series of transactions involving deceptive practices or corruption and the Government of Venezuela or projects or programs administered by the Government of Venezuela, or to be an immediate adult family member of such person; to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any activity described in this paragraph; or any person owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this executive order.
- (h) On January 28, 2019, under Executive Order 13850, the U.S. designated PdVSA as an SDN.

4.1.2.16 Application to Zimbabwe

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

owned, directly or indirectly by a person on the OFAC SDN List is also blocked, regardless of whether the entity itself appears on the OFAC SDN List.

4.1.2.17 Application to the Group

- (a) The Group consists of companies incorporated in the PRC, Hong Kong, Japan and Mexico, in addition to the United States, where the Group's subsidiary Conant Lens is incorporated. As the Group is controlled by Mr. Fei by virtue of his ownership of greater than 50% ownership of the Company's voting securities, and Mr. Fei is a permanent U.S. resident and holder of a U.S. green card, the Group is subject to primary U.S. sanctions.
- (b) The Group delivered or sold resin spectacle lens products to customers in the Relevant Countries, including Cuba and Iran, either directly or, for certain sales in Iran, through its customers located in Turkey. As the sales or deliveries to the Relevant Countries did not involve SDNs or other sanctioned persons, the sales or deliveries in non-comprehensively sanctioned countries do not present any issues under U.S. sanctions laws and regulations.
- (c) The Cuba and Iran Transactions, which involved transactions that resulted in product deliveries to Cuba and Iran between January 2016 and December 2020, totaled US\$4,619,472.36; the Cuba and Iran Transactions were conducted in U.S. Dollars, Euros and Japanese Yen, and implicate OFAC sanctions against each of Cuba and Iran.
- (d) Based upon the Company's due diligence, the goods involved in the Cuba and Iran Transactions were all non-U.S. origin products which, had they been of U.S. origin, would be classified as EAR99 under the U.S. Export Administration Regulations. In other words, they were not listed on the U.S. Commerce Control List under a specific ECCN;
- (e) The Company has reviewed all transaction records since January 2016, and has provided me with its confirmation that there were no transactions related to Crimea, Cuba, Iran, Sudan or Syria, or any other comprehensively sanctioned jurisdictions during that time, except for the Cuba and Iran Transactions;
- (f) the Group did not instruct its customers to use any particular payment route but products that were purchased by customers and involved deliveries to Cuba and Iran were quoted in U.S. dollars, as the Company ordinarily does for items that are sold internationally. All of the customers located in Iran made their

payments through third parties without any interaction between the Company and such third parties. Cuban customers made payments directly in Euro to Jiangsu Conant.

- (g) In light of these historical Cuba and Iran Transactions, the Company filed a VSD with OFAC in March 2021 to disclose these transactions as possible violations of the relevant sanctions programs. At the time of receiving such VSD, the U.S. Treasury's options would include issuing a "warning" (cautionary) letter to the Company and not imposing any penalty, or imposing administrative penalties. Administrative penalties are based on the amount of the transactions that are determined to not comply with U.S. sanctions laws, subject to any mitigating factors. If OFAC were to decide that a monetary penalty may be warranted, the Company had indicated a willingness to negotiate an informal settlement with OFAC in lieu of a formal finding of a violation and a formal penalty assessment. OFAC routinely accepts such negotiated settlements and uses a standard calculation method from its Enforcement Guidelines (Appendix A to 31 C.F.R. Part 501). The mitigating factors and potential outcomes of a negotiated settlement are as follows:

- (i) *No indication of criminal exposure:* Although the statute underpinning ITSR provides for criminal penalties, there is no indication that the Company or the Group was engaged in willful violations of these OFAC regulations such that either individuals or the Company would be subject to criminal liability (there is no indication of any attempts to conceal or hide this conduct to mislead any agencies or parties, and no indication that a decision was made to proceed with knowledge that the underlying conduct was in violation of U.S. law). OFAC infrequently refers cases to the U.S. Dept. of Justice for criminal prosecution, and none of the facts available to date would point to any risk of exposure to criminal liability for the Group.
- (ii) *Civil Enforcement Options and Calculation of a "Base Penalty" Figures:* As outlined above, one scenario involves exercise of discretionary authority that results in OFAC either issuing a letter indicating it will not take any action or issuing a cautionary letter the Company without pursuing any monetary fine. At the time of filing the VSD, we could not be certain of the actions that OFAC would take in its review of the VSD.
- (iii) However, if OFAC had decided to pursue a civil enforcement matter, the most likely outcome would involve a negotiated settlement, whereby the Group would agree to pay a certain amount without admitting violations of U.S. law and OFAC would close out its enforcement action pursuant to such payment. Civil

penalty settlements are made publicly available and are posted on the OFAC website (they would be listed under the Company's name).

- (iv) In assessing a possible amount for a negotiated settlement, OFAC would rely on the "Base Penalty Matrix" in its Enforcement Guidelines. For a case involving violations of the ITSR where a VSD is filed and the matter is not "egregious" (as the Company would argue is the case in this instance), the base penalty amount is half the transaction value per each violation (capped at US\$142,291 per violation for payments processed after November 2, 2015).
- (v) In light of the way that OFAC would calculate the "base penalty" amount, a VSD will result in an immediate 50% reduction of possible liability, even before further reduction is applied based on additional mitigating factors. The Company's VSD should qualify for this treatment considering that no facts identified to date would indicate any "egregious" violations within the meaning of OFAC Enforcement Guidelines. For example, the payments received by the Company from the Cuba and Iran Transactions represented approximately 0.28%, 1.17% and 0.22% of the Company's annual revenues for 2018, 2019 and 2020, and there was no systematic attempt to evade U.S. sanctions regulations. Furthermore, the Company did not seek to mislead U.S. enforcement agencies and is instead cooperating with OFAC. For those reasons, the Company's disclosure does not involve "egregious" violations; instead, considering that it was voluntarily disclosed, the Company's VSD would likely be afforded the most favorable treatment in OFAC's Base Penalty Matrix resulting in an immediate 50% mitigation, with further reductions possible.
- (vi) During 2016 to 2020, the Company's product sales to Iran were in the aggregate amount of US\$4,619,472.36 in U.S. Dollars. Therefore, the potential penalties for violations of the ITSR and CACR in this case include a monetary fine of up to US\$2,309,736.18 which represents the base penalty amount according to the OFAC Enforcement Guidelines (i.e. half of the total value of the Cuba and Iran Transactions).
- (vii) We note that the actual penalty amount likely would be further reduced by OFAC during the negotiated settlement process by taking into account certain

mitigating factors.

- (viii) *Mitigation and Likely Exposure*: From the base penalty amount listed above, OFAC likely would reduce that further for various mitigating factors (we are not aware of any aggravating circumstances that could offset such mitigation). Such mitigating factors would include first-time offense (which typically carries up to 25% of mitigation), voluntary disclosure, cooperation with OFAC, the implementation of a sanctions compliance policy, and corrective actions taken to date.
- (ix) The nature of activities at issue does not represent a high enforcement priority for OFAC. There is no indication to conclude that OFAC would be taking a “hard line” with respect to the Company disclosure.
- (x) As a result, OFAC is likely to mitigate the base penalty amount further when reaching a negotiated settlement with the Company. I have set forth below the potential penalty outcomes, depending on level of mitigation reached during negotiated settlement:

Base Penalty Amount	30% Mitigation	60% Mitigation	90% Mitigation
US\$2,309,736.18	US\$1,616,815.33	US\$923,894.47	US\$230,973.61

- (h) In our experience and based on the circumstances of this case, if OFAC were to pursue a negotiated settlement, a more likely outcome is the amount that takes into account significant mitigation, resulting in a payment in the US\$230,973.61 to US\$2,309,736.18 range (likely somewhere in the middle of that range).
- (i) By December 2020, all business involving delivery of the Group's products to Iran, or otherwise connected to Iran, was completed by the Group and ceased. In addition, the Group had also ceased all activities relating to Cuba by February 2020.
- (j) The Company has confirmed that, during the Track Record Period, none of the contracting parties are specially identified as SDNs by OFAC. The Group's business activities involving sale of non-U.S. origin products to Cuba would not have triggered primary sanctions regulations. Any limitations imposed by U.S. primary sanctions regulations would not have restricted the Group's dealings given the absence of a U.S. nexus.

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

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

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

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

4.1.4 Conclusion of the OFAC VSD process

4.1.3.3 As International Counsel as to International Sanctions, I attended various telephone calls with OFAC following the submission of the VSD. These conversations were to gather additional information and clarify any questions that the review of the VSD presented. In August 2021, OFAC responded to the Group's VSD through the issuance of the 'Cautionary Letter to the Company. In the Cautionary Letter, OFAC indicated that it had completed its review of all of the information provided in the VSD. OFAC further indicated that the issuance of the Cautionary Letter represents its final determination as to all matters related to the VSD. No administrative or other penalties were placed on the Group related to the VSD. Therefore, OFAC, and I, consider this matter to be fully and finally resolved.

4.1.5 The Offering

4.1.4.1 The Company will be required to make standard representations, warranties and covenants to the Sole Sponsor (as defined in the Prospectus) in the Hong Kong Underwriting Agreement (as defined in the Prospectus) that the proceeds of the Offering will not be used in

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

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

- (a) Increasing the production capacity;
- (b) Strengthening of the research and development capacity;
- (c) Enhancing sales and marketing efforts;
- (d) Working capital and general corporate purposes;
- (e) Enhance the production efficiency and technology in craftsmanship; and
- (f) Repayment of the bank borrowings;

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

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

4.2 U.S. Export/Re-Export Controls

4.2.1 Unlike U.S. economic sanctions that follow the persons or parties involved, U.S. export controls follow the product involved. Any item that is sent from the United States to a foreign destination is an export. "Items" include commodities, software or technology, including but not limited to circuit boards, automotive parts, blue prints, design plans, retail software packages and technical information. How an item is transported outside of the United States does not matter in determining export license requirements. For example, an item can be sent by regular mail, hand-carried on an airplane, sent via facsimile, software can be uploaded to or downloaded from an Internet site, or technology can be transmitted via e-mail or

during a telephone conversation. Regardless of the method used for the transfer, the transaction is considered an export (or a re-export if such U.S.-origin item is transferred from one foreign country to another).

- 4.2.2 The U.S. Department of Commerce, Bureau of Industry and Security controls exports and re-exports of commercial and dual-use products, software and technology. These controls are implemented by EAR, as administered by BIS.
- 4.2.3 The EAR apply to exports of commodities, software and technology from the United States to foreign countries and to re-exports from one foreign country to another. In addition, they apply to shipments from one foreign country to another of foreign-made products that incorporate more than a *de minimis* amount of controlled U.S. origin parts, components or materials, or are the foreign direct product of certain controlled U.S. technology. The *de minimis* threshold varies, from 25% for most countries to less than 10% for Iran (other comprehensively sanctioned countries have the 10% threshold), and what items are considered controlled (and thus are included in the *de minimis* calculation) also varies. The United States has also instituted export-related restrictions for certain commercial and dual-use items subject to the EAR when destined to Russia for certain end-uses or end-users, as well as restrictive licensing policies under the U.S. International Traffic in Arms Regulations (“**ITAR**”) for export-related transactions involving defense articles and defense services intended for end-use in Russia. The ITAR export controls are administered by the U.S. Department of State Directorate of Defense Trade Controls.
- 4.2.4 The customer information provided by the Group does not reflect any parties on the BIS List.
- 4.2.5 I have been informed by the Group that it does not:
 - 4.2.5.1 export products, software or technology from the United States;
 - 4.2.5.2 deal with parties on the BIS List; and
 - 4.2.5.3 incorporate 10% or more of U.S.-origin products, software or technology into its exports.

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

5. UN SANCTIONS

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

5.2 Application to Cote d'Ivoire (Ivory Coast)

5.2.1 In 2004, pursuant to UN Security Council Resolution 1572 (2004), the UN Security Council imposed an arms embargo on the Ivory Coast, plus travel bans and asset freeze restrictions on persons determined by the UN to constitute a threat to the peace and national reconciliation process in the Ivory Coast by blocking implementation of the Linas-Marcoussis and Accra III Agreements, being responsible for serious violations of human rights and international humanitarian law and/or publicly inciting hatred and violence.

5.2.2 On 28 April 2016, pursuant to UN Security Council Resolution 2283 (2016), the UN Security Council decided to terminate the arms embargo, travel bans and asset freeze restrictions.

5.3 Application to Cuba

5.3.1 During the Track Record Period, the UN has not maintained sanctions against Cuba.

5.4 Application to Egypt

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

5.5 Application to Haiti

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

5.6 Application to Iran

5.6.1 The UN first adopted sanctions against Iran on July 31, 2006, pursuant to UN Security Council Resolution 1696. These measures targeted Iran's nuclear and enrichment related activities and imposed an asset freeze on a list of persons involved in proliferation-sensitive activities. The measures were extended on December 23, 2006, pursuant to UN Security Council Resolution 1737.

5.6.2 In 2007, UN sanctions measures were extended to introduce wide ranging asset freezes targeting specifically named Iranian persons and entities, and a ban on Iran's arms exports. These measures were introduced via UN Security Council Resolution 1747, which was adopted on March 24, 2007.

5.6.3 In 2008, UN sanctions measures were extended by UN Security Council Resolution 1803 which established a travel ban on some individuals, added further individuals and entities to the list of persons subject to assets freezes, and extended the scope of the embargo on proliferation-sensitive items by adding dual use items.

- 5.6.4 On June 9, 2010, UN sanctions measures were significantly extended pursuant to UN Security Council Resolution 1929. These measures specifically targeted Iran's oil and gas sector and Iranian financial institutions.
- 5.6.5 On July 20, 2015, the UN adopted Security Council Resolution 2231 endorsing the international community's agreement with Iran concluded on July 14, 2015 in respect of the Iranian nuclear issue (the "JCPOA") and providing for the eventual removal of all Security Council resolutions against Iran. On January 16, 2016, the UN terminated the provisions of previous Security Council resolutions including Security Council Resolutions 1696, 1737, 1747, 1803 and 1929.
- 5.6.6 Security Council Resolution 2231 establishes specific restrictions on Iran which include:
 - 5.6.6.1 a requirement for Security Council approval for nuclear-related activities and transfers to or with Iran;
 - 5.6.6.2 a requirement for Security Council approval of ballistic missile related activities with and transfers to Iran;
 - 5.6.6.3 a requirement for Security Council approval of arms-related transfers to and from Iran;
 - 5.6.6.4 asset freezes on individuals and entities designated on the 2231 list; and
 - 5.6.6.5 travel bans on individuals designated on the 2231 list.

5.7 Application to Lebanon

- 5.7.1 On October 31, 2005, the UNSC adopted Resolution 1636 (2005) imposing travel and financial sanctions in relation to Lebanon, in response to the terrorist bombing in Beirut on February 14, 2005 that killed former Lebanese Prime Minister Rafiq Hariri and 22 others. Additional sanctions measures were introduced with the adoption of Resolution 1701 (2006) following the conflict between Israel and Hezbollah in July 2006. These measures prohibit:
 - 5.7.1.1 the unauthorized supply, sale or transfer to Lebanon of arms or related material;
 - 5.7.1.2 the unauthorized provision to Lebanon of any technical training or assistance related to the provision, manufacture, maintenance or use of goods referred to above; and
 - 5.7.1.3 the use or dealing with the assets of, and the making available of assets to, persons and entities listed by the UNSC or by the Committee established by the UNSC sanctions pursuant to

Resolution 1636.

5.7.2 To date, the relevant UN Security Council Sanctions Committee has not designated any targets under the relevant Lebanon related UNSCRs.

5.8 Application to Myanmar/Burma

5.8.1 During the Track Record Period, the UN has not maintained sanctions on Myanmar/Burma. This means that the Group would not have been able to breach any UN sanctions in its activities with Myanmar/Burma. In March 2021, United Nations independent human rights expert on Myanmar has called on the Security Council for “decisive and unified action” against the military junta, including targeted sanctions and an arms embargo. As of the date of this Memorandum, no additional Myanmar sanctions have been adopted during 2021.

5.9 Application to Russia

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

5.10 Application to Turkey

5.10.1 During the Track Record Period, the UN has not imposed any sanctions with respect to Turkey

5.11 Application to Ukraine

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

5.12 Application to Venezuela

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

5.13 Application to Zimbabwe

5.13.1 During the Track Record Period, the UN has not imposed any sanctions on Zimbabwe.

5.14 Application to the Group

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

5.14.1.1 that neither the Company nor any of its affiliates, agents, directors, officers, or employees is engaged in transactions that directly or

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

- 5.14.1.2 All of the Group's business in relation to the Relevant Countries was in relation to resin spectacle lens products which does not involve export-controlled products,

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

6. EU SANCTIONS

6.1 Overview of EU Sanctions Measures

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

6.1.1 Sanctions applicable in the EU stem from:

6.1.1.1 sanctions adopted by the UN; or

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

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

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

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

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

6.1.6 EU sanctions measures have also been extended by the UK on a regime-by-regime basis to apply in the UK Overseas Territories, including the Cayman Islands. Although the UK is an EU Member State, the UK Overseas Territories

(apart from Gibraltar) are not.

6.2 Application of Sanctions Measures

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

6.2.2 EU sanctions measures will therefore apply to:

6.2.2.1 The Company as a company incorporated in the Cayman Islands and any of the Group's subsidiaries or affiliates incorporated in the EU or a UK Overseas Territory (including the Cayman Islands and BVI);

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

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

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

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

6.2.2.6 any entity or national incorporated in the EU or a UK Overseas Territory who subscribes for shares in the Company as part of the Offering.

6.2.3 EU sanctions will not apply to:

6.2.3.1 Non-EU, non-UK Overseas Territory nationals in their personal capacity, including the Company's Directors (to the extent that they are not carrying out business of the Group in the territory of the EU or in a UK Overseas Territory); and

6.2.3.2 any Group subsidiary that is not incorporated under the laws of an EU Member State or a UK Overseas Territory, which acts in a wholly independent manner from its parent company and which does not

carry out any activities in the EU.

6.3 Restrictions under EU Sanctions Measures

6.3.1 The restrictions applied under an EU sanctions regime (including where extended to apply in the UK Overseas Territories) depend on the jurisdiction targeted by the regime. However, there are broadly four main offences:

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

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

6.3.1.3 exporting, selling, transferring or making certain controlled or restricted products¹ available (either directly or indirectly) to, or for use in, a jurisdiction subject to sanctions measures (a "**Prohibited Activity**"); and

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

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

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

6.4 EU sanctions: Dealing with sanctioned country

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

6.4.1.1 make any product of the Group directly or indirectly available to, or for

¹ *An analysis of the parameters of what amounts to a controlled product is outside the scope of this advice memorandum. I can provide further advice on this point as required.*

the benefit of, a Designated Person; or

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

6.5 Overview of EU Sanctions Measures

6.5.1 Application to Cote d'Ivoire (Ivory Coast)

6.5.1.1 EU sanctions measures targeting Ivory Coast were imposed pursuant to Common Position 2004/852/CFSP of 13 December 2004, Council Regulation (EC) No 560/2005 of 12 April 2005 and Council Regulation (EC) No 174/2005 of 31 January 2005. The EU sanctions measures on Ivory Coast were removed as of 11 June 2016 by Council Decision 2016/917 of 9 June 2016 and Council Regulation 2016/907 of 9 June 2016.

6.5.1.2 The EU measures included an asset freeze against persons designated by the UN Security Council Sanctions Committee (11 individuals), a ban on technical and financial assistance in relation to military activities and equipment which may be used for internal repression.

6.5.1.3 EU sanctions measures targeting the Ivory Coast were extended to apply in the UK Overseas Territories including the Cayman Islands pursuant to the UK's Côte d'Ivoire (Sanctions) (Overseas Territories) Order 2012, which was subsequently revoked on 10 August 2016 by the Liberia and Côte d'Ivoire (Sanctions) (Overseas Territories) (Revocations) Order 2016.

6.5.2 Application to Cuba

6.5.2.1 During the Track Record Period, the EU has not maintained sanctions against Cuba.

6.5.3 Application to Egypt

6.5.3.1 On March 21, 2011, the EU introduced targeted sanctions, in the form of freezing of assets, against individual members of the former government and those close to them who are subject to legal measures by the Egyptian authorities. The sanctions were subsequently extended and now apply until March 22, 2019.

6.5.3.2 The sanctions are set out in Council Decision 2011/172/CFSP of March 21, 2011. The decision has been supplemented by Council Decision 2012/723/CFSP, which contains certain further exemptions

from the provisions on freezing, etc. and Council Decision (CFSP) 2015/486. Council decisions are implemented in EU law through Council Regulation (EU) 270/2011, as last amended by Regulation 2018/466 of March 21, 2018.

6.5.3.3 Under current EU sanctions:

- (a) all funds belonging to persons alleged to be responsible for embezzlement of Egyptian public assets, and natural or legal persons, entities or bodies that are associated with them and that are placed on the EU's sanctions list are to be frozen; and
- (b) no funds or financial resources are to be made available to these persons.

6.5.3.4 EU sanctions measures targeting Egypt have been extended to apply in the UK Overseas Territories, including the Cayman Islands, pursuant to the Egypt (Restrictive Measures) (Overseas Territories) Order 2011.

6.5.4 Application to Haiti

6.5.4.1 The EU sanctions on Haiti are set out in Council Decision 94/315/CFSP of 30 May 1994, where the EU introduced a prohibition to satisfy claims by the authorities of Haiti with regard to contracts and transactions whose performance is affected by the measures taken in accordance with UN Security Council Resolutions 917(1994), 841 (1993), 873 (1993) and 875 (1993).

6.5.5 Application to Iran

6.5.5.1 The EU economic sanctions on Iran are set out in two sets of regulations: (i) Council Decision 2010/413/CFSP of July 26, 2010, as last amended by Council Decision (CFSP) 2018/833 of June 4, 2018 and Council Regulation 267/2012 as last updated by Council Implementing Regulation 2018/827 of June 4, 2018 ("**EU Iran Sanctions Regulation**"), which aims to disrupt Iran's nuclear weapons program; and (ii) Council Decision 2011/235/CFSP of April 12, 2011, as last amended by Council Decision (CFSP) 2018/568 of April 12, 2018 and Council Regulation 359/2011 as last amended by Council Implementing Regulation 2018/565 of April 12, 2018 ("**EU Iran Human Rights Violations Sanctions Regulation**"), which relates to Iran's violations of human rights.

6.5.5.2 The EU sanctions on Iran included certain prohibitions on the transfer of funds to and from Iran using Iranian banks and financial institutions, pursuant to Council Decision 2010/413/CFSP of July 26,

2010, which was given effect by Council Regulation 267/2012. In particular, as of October 15, 2012, financial institutions under the jurisdiction of Member States were prohibited from entering into, or continuing to participate in any transaction with Iranian banks, branches and subsidiaries of banks domiciled in Iran or entities controlled by persons or entities domiciled in Iran.

6.5.5.3 In particular, the following restrictions applied on transfers of funds to and from Iran **using non-Iranian banks** and financial institutions during part of the Track Record Period:

- (a) Transfers between EUR 10,000 to EUR 400,000 were subject to **notification**.
- (b) Transfers above EUR 400,000 were subject to **authorization**

6.5.5.4 These restrictions were lifted on October 18, 2015 through Council Decision (CFSP) 2015/1863 and Council Regulation 2015/1861, which terminated all nuclear-related economic and financial restrictive measures, following the conclusion of the Joint Comprehensive Plan ("JPOA") of Action of July 14, 2015.

6.5.5.5 Council Decision (CFSP) 2015/1836 took effect as of January 16, 2016, by virtue of Council Decision 2016/37, bringing into force regulations providing for sanctions relief that were previously issued pursuant to the EU's commitments under JCPOA. By virtue of these legislative acts, the EU lifted most of its restrictions under the EU Iran Sanctions Regulation.

6.5.5.6 While the overall ban on exports to Iran has been broadly lifted, three categories of items remain restricted:

- (a) listed goods, technology and software on the Nuclear Suppliers Group list;
- (b) any goods and technology that could contribute to activities related to reprocessing, enrichment, production of heavy water, or other activities inconsistent with the JCPOA; and
- (c) listed goods and technology on the Missile Technology Control Regime list.

6.5.5.7 A certain number of key Iranian persons and entities, including banks and Government entities remain subject to asset freezing measures.

6.5.5.8 EU sanctions on Iran prohibit the participation, knowingly and intentionally, in any activity aiming at circumventing the prohibitions

included in the EU measures. Such prohibited circumvention operations would occur through, e.g. an indirect sale of prohibited listed items to Iran via a third country or through indirectly making available funds and economic resources to designated persons and entities through an intermediate.

6.5.5.9 The EU Iran Sanctions Regulation has been extended to apply in the UK Overseas Territories, including the Cayman Islands, most recently pursuant to the Iran (Sanctions) (Overseas Territories) Order 2016, as last amended by the Iran (Sanctions) (Overseas Territories) (Amendment) (No. 2) Order 2016.

6.5.5.10 The restrictive measures provided for in the EU Iran Human Rights Violations Sanctions Regulation has been extended to apply in the UK Overseas Territories, including the Cayman Islands, pursuant to the Iran (Restrictive Measures) (Overseas Territories) Order 2011 and the Iran (Restrictive Measures) (Overseas Territories) Order 2013

6.5.6 Application to Lebanon

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

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

6.5.7 Application to Myanmar/Burma

6.5.7.1 On April 26, 2010, the Council of the European Union adopted Council Decision 2010/232/CFSP renewing existing restrictive measures against Myanmar/Burma. This Council Decision was implemented by Council Regulation 194/2008 of February 25, 2008.

6.5.7.2 On April 26, 2012, the Council of the European Union adopted Council Decision 2012/225/CFSP largely suspending the restrictive measures against Myanmar/Burma. This Council Decision was implemented by Council Regulation 409/2012 of May 14, 2012.

6.5.7.3 On April 22, 2013, the Council of the European Union adopted

Council Decision 2013/184/CFSP providing for the lifting of restrictive measures against Myanmar/Burma with the exception of the arms embargo and the embargo on equipment which might be used for internal repression.

6.5.7.4 This Council Decision was implemented pursuant to Council Regulation (EU) No. 401/2013 of May 2, 2013 (read together with Council Decision 2013/184, "**EU Myanmar sanctions**").

6.5.7.5 The EU Myanmar sanctions during the Track Record Period were extended to UK Overseas Territories, including the Cayman Islands and British Virgin Islands, through the UK's Burma (Restrictive Measures) (Overseas Territories) Order 2009), as amended by the Burma (Restrictive Measures (Overseas Territories) (Suspension) Order 2012, then by the Burma (Sanctions) (Overseas Territories) Order 2013 (the "**UK OT Myanmar sanctions**").

6.5.7.6 The EU Myanmar sanctions and the UK OT Myanmar sanctions prohibit:

- (a) the sale, supply, transfer or export, directly or indirectly, equipment which might be used for internal repression, whether or not originating in the European Union, to any natural or legal person, entity or body in, or for use in Myanmar/Burma;
- (b) the provision of technical assistance related to military activities and to the provision, manufacture, maintenance and use of arms and related materiel of any type, including weapons and ammunition, military vehicles and equipment, paramilitary equipment, and spare parts for the aforementioned, directly or indirectly to any natural or legal person, entity or body in, or for use in Myanmar/Burma;
- (c) the provision of technical assistance related to the equipment which might be used for internal repression, directly or indirectly to any natural or legal person, entity and/or body in, or for use in Myanmar/Burma;
- (d) the provision of financing or financial assistance related to military activities, including, in particular, grants, loans and export credit insurance for any sale, supply, transfer or export of arms and related materiel, directly or indirectly to any natural

or legal person, entity or body in, or for use in Myanmar/Burma;
and

- (e) the participation, knowingly and intentionally, in activities the object or effect of which is to circumvent the prohibitions referred to in paragraphs (a) to (d).

6.5.7.7 On April 26, 2018, the EU adopted a further package of restrictive measures via Council Decision 2018/655/CFSP and implemented pursuant to Council Regulation (EU) 2018/647. Measures include a prohibition on the export of dual-use goods for military and Border Guard Police end-users, restrictions on the export of equipment for monitoring communications that might be used for internal repression, and targeted restrictive measures against certain natural persons from the Myanmar Armed Forces (Tatmadaw) and the Border Guard Police. More recently, the EU has further extended the validity of its restrictive measures as contained in Council Decision 2013/184/CFSP to 30 April 2020, through Council Decision (CFSP) 2019/678, and Council Implementing Regulation 2019/672.

6.5.7.8 During February and March 2021, European Union foreign ministers have agreed to impose sanctions on Myanmar's military over its February 2021 coup and withhold some development aid. The rules and regulations had not been finalized as of the date of this Memorandum.

6.5.8 Application to Russia

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

- (a) Council Regulation (EU) No 833/2014 ("**Regulation 833/2014**"), adopted on July 31, 2014, and most recently extended by Council Decision 2017/2426 of December 21, 2017, which gave immediate effect to a range of measures, including prohibitions with respect to:
 - (i) The sale, supply, export or transfer of dual-use goods and technology to certain Russian persons, as listed in Annex IV;
 - (ii) The purchase, sale, provision of investment services for or assistance in the issuance of, or otherwise dealing with transferable securities and money market instruments issued after September 12, 2014 by certain Russian entities, including those listed in Annex VI; and

- (iii) Making or being part of any arrangement to make new loans or credit with a maturity exceeding 30 days to certain Russian entities, including those listed in Annex VI after September 12, 2014.

6.5.8.2 Regulation 269/2014, Regulation 692/2014 and Regulation 833/2014 are extended to the UK Overseas Territories by the UK's Russia, Crimea and Sevastopol (Sanctions) (Overseas Territories) Order 2014, as amended.

6.5.9 Application to Turkey

6.5.9.1 On November 11, 2019, the EU adopted a sanctions framework targeting Turkey's unauthorized drilling activities in the Eastern Mediterranean. In February 2020, the EU targeted two Designated Parties (DPs) under this framework: Mehmet Ferruh Akalin and Ali Coscun Namoglu, both officials of the Turkish Petroleum Corporation (TPAO). The EU did not sanction TPAO itself.

6.5.9.2 EU restrictions on DPs include (1) a ban on travel to the EU; (2) an asset freeze on all funds and economic resources belonging to, owned, held or controlled by the DP; and (3) a prohibition on the making available of funds or economic resources, directly or indirectly, to or for the benefit of DPs.

6.5.9.3 During a meeting of the European Council on December 10, 2020, the Council released a statement calling for sanctions targeting Turkey's gas drilling in Cypriot-claimed waters:

- (a) "The European Council invited the Council to adopt additional listings based on its Decision of 11 November 2019 concerning restrictive measures in view of Turkey's unauthorized drilling activities in the Eastern Mediterranean. It also invited the High Representative and the Commission to submit a report on the state of play concerning the EU-Turkey political, economic and trade relations and on instruments and options on how to proceed, including on the extension of the scope of the above-mentioned decision, for consideration at the latest at the March 2021 European Council. The EU will seek to coordinate with the U.S. on matters relating to Turkey and the situation in the Eastern Mediterranean."

6.5.10 Application to Ukraine

6.5.10.1 On March 5, 2014, the Council adopted Council Decision 2014/119/CFSP providing for the freezing of funds and economic resources of persons alleged to be responsible for the

misappropriation of Ukrainian state funds, and persons responsible for human rights violations in Ukraine, and natural or legal persons, entities or bodies associated with them.

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

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

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

6.5.10.4 In July 2014, the EU adopted a further wide-ranging package of restrictive measures via Council Decision 2014/512/CFSP as last amended by Council Decision (CFSP) 2017/1148 of June 28, 2017 and implemented pursuant to Council Regulation (EU) No. 833/2014 of July 31, 2014. Measures implemented pursuant to EU Regulation 833/2014 include measures aimed at limiting access to EU capital markets for Russian state-owned financial institutions, a prohibition on new loans or credit arrangements, an embargo on trade in arms, an export ban for dual use goods for military end use and end users, and restrictions on access to certain sensitive technologies particularly in the oil sector. The package was further extended on September 8, 2014 by the adoption of the Council Regulation (EU) No 960/2014 and amended on December 4, 2014 by the adoption of the Council Regulation (EU) No 1290/2014.

6.5.10.5 In June 2014, the EU adopted restrictive measures interrupting trade between the EU and the Crimea and Sevastopol regions of Ukraine via Council Decision 2014/384 and implemented pursuant to Council

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

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

6.5.11 Application to Venezuela

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

6.5.11.2 The sanctions include a ban on the export of arms and equipment that might be used for internal repression, a ban on the export of surveillance equipment and the freezing of funds and economic resources of certain persons, entities and bodies responsible for serious human rights violations or abuses or the repression of civil society and democratic opposition and persons, entities and bodies whose actions, policies or activities otherwise undermine democracy or the rule of law in Venezuela, as well as persons, entities and bodies associated with them.

6.5.12 Application to Zimbabwe

6.5.12.1 The EU has imposed sanctions on Zimbabwe in the Track Record Period through Council Regulation No 314/2004, as last amended by Council Regulation No 2018/223 of 15 February 2018. These measures included a ban on exports of equipment for internal

repression, a ban on provision of certain services and freezing of funds and economic resources for designated parties.

6.5.12.2 The EU sanctions on Zimbabwe have been extended to the UK Overseas Territories in the Track Record Period through the Zimbabwe (Sanctions) (Overseas Territories) Order 2012.

6.5.13 Application to the Group

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

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

items for use in oil exploration and production in deep water, the Arctic as listed in Annex 2 of Regulation 833/2014, or shale formations, or in the provision of finance including loans or credit to Russia;

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

6.5.14 EU export controls

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

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

7. AUSTRALIAN SANCTIONS

7.1 Overview

- 7.1.1 Australia has a dual sanctions regime consisting of sanctions measures imposed

by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy.

- 7.1.2 The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to:
- 7.1.2.1 any person in Australia;
 - 7.1.2.2 any Australian anywhere in the world;
 - 7.1.2.3 companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or
 - 7.1.2.4 any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.
- 7.1.3 The Department of Foreign Affairs and Trade (“**DFAT**”) maintains the Consolidated List of all persons and entities designated for the purposes of sanctions regimes implemented under Australian sanction laws with dedicated sites for countries where a sanctions regime has been declared.
- 7.1.4 A criminal offence is committed if an individual or a body corporate to whom Australian sanctions measures apply, engages in conduct and the conduct contravenes a sanction law.
- 7.1.5 The Australian autonomous sanctions regimes are primarily implemented under the Australian Autonomous Sanctions Act 2011 (the “**Act**”) and the Australian Autonomous Sanctions Regulations 2011 (the “**Regulations**”). These sanctions laws are created by the Minister of Foreign Affairs by legislative instrument.
- 7.1.6 The Act prohibits a person from engaging in conduct that is in breach of the sanctions laws.
- 7.1.7 Part 3 of the Regulations specifies that Section 15.1 of the Australian Criminal Code applies to a person that makes an unauthorised sanctioned supply. This has the effect of making the offence extra territorial if the alleged offence occurs outside of Australia by a person who is an Australian citizen or a body corporate incorporated under Australian law.
- 7.1.8 The prohibited conduct applies to conduct committed entirely inside or outside Australia if at the time of the alleged offence, the alleged offender is an Australian citizen or a body corporate incorporated under Australian law.

7.2 Application to Cote d'Ivoire (Ivory Coast)

- 7.2.1 At the date of this memorandum, Australia applies no sanction-related restrictions on the export or supply of goods to the Ivory Coast.
- 7.2.2 Australia previously fully implemented the UN sanctions regime in relation to the Ivory Coast.² However, as of 28 April 2016, all sanctions related to the Ivory Coast ceased with immediate effect in accordance with UN Security Council Resolution 2283 (2016).
- 7.3 Application to Cuba
 - 7.3.1 Australia has not imposed any targeted sanctions (autonomous or otherwise) in relation to Cuba.
- 7.4 Application to Egypt
 - 7.4.1 Australia has not imposed any targeted sanctions (autonomous or otherwise) in relation to Egypt.
- 7.5 Application to Haiti
 - 7.5.1 Australia has not imposed any targeted sanctions (autonomous or otherwise) in relation to Haiti.
- 7.6 Application to Iran
 - 7.6.1 Australia fully implemented the UN sanctions regime in relation to Iran.
 - 7.6.2 Australia also implements an autonomous sanctions regime in relation to Iran.
 - 7.6.3 The Government of Australia announced the autonomous sanctions regime in October 2008 in response to Iran's proliferation-sensitive nuclear and missile programs and efforts to contravene UN sanctions. The sanctions regime has been amended on several occasions.
 - 7.6.4 Currently Australian law sanctions include restrictions (without a sanctions permit) on the direct or indirect supply, sale or transfer to Iran, for use in Iran, or for the benefit of Iran, of the following ("Export Sanctioned Goods"):
 - 7.6.4.1 arms or related material;
 - 7.6.4.2 corrosion-resistant high grade steel (with chromium content > 12%) in the form of sheet, plate, tube or bar;
 - 7.6.4.3 raw or semi-fabricated graphite;

² *Charter of the UN (Sanctions - Cote d'Ivoire) Regulations 2008 (Cth)*.

- 7.6.4.4 aluminium and alloys in the form of sheet, plate, tube or bar;
- 7.6.4.5 nickel and alloys in the form of sheet, plate, tube or bar;
- 7.6.4.6 titanium and articles thereof, including waste and scrap; and
- 7.6.4.7 enterprise resource planning software designed specifically for use in nuclear and military industries.

7.6.5 Australia's autonomous sanctions law also prohibits the provision to any person of:

- 7.6.5.1 technical advice, assistance or training;
- 7.6.5.2 financial assistance;
- 7.6.5.3 a financial service; or
- 7.6.5.4 another service,

If it assists with, or is provided in relation to, the supply, sale or transfer of a sanctioned good to Iran.

7.7 Application to Lebanon

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

7.8 Application to Myanmar/Burma

- 7.8.1 The Regulations currently prohibit:
 - 7.8.1.1 the direct or indirect supply, sale or transfer to Myanmar/Burma, for use in Myanmar/Burma, or for the benefit of Myanmar/Burma, of arms or related materiel;
 - 7.8.1.2 the provision to Myanmar/Burma, or to a person for use in Myanmar/Burma, of technical advice, assistance or training, financial assistance, a financial service or other service if it assists with or is provided in relation to the direct or indirect supply, sale or transfer of arms or related materiel to Myanmar/Burma, for use in Myanmar/Burma, or for the benefit of Myanmar/Burma; and
 - 7.8.1.3 the provision to Myanmar/Burma, or to a person for use in Myanmar/Burma, of technical advice, assistance or training, financial

assistance, a financial service or other service if it assists with or is provided in relation to the manufacture or use of arms or related materiel.

- 7.8.1.4 Australia has not adopted any new Myanmar sanctions with respect to the military junta and related actions in Myanmar in 2021.

7.9 Application to Russia

- 7.9.1 Australia imposes an autonomous sanctions regime in relation to Russia/Ukraine pursuant to the Regulations and the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015 (Cth) ("**Autonomous Sanctions Specification**").
- 7.9.2 The Australian Government announced on March 19, 2014, that it would impose a sanctions regime in response to the Russian threat to the sovereignty and territorial integrity of Ukraine. On September 1, 2014, the then Prime Minister of Australia announced expanded autonomous sanctions in relation to Russia, Crimea and Sevastopol. These measures were implemented through amendments to the Regulations commencing on March 31, 2015.

Restrictions on the export or supply of goods

- 7.9.3 Australian law prohibits the direct or indirect supply, sale or transfer to Russia, for use in Russia, or for the benefit of Russia, of the following 'export sanctioned goods':
- 7.9.3.1 arms or related materiel (please note that the import, purchase or transport of arms or related materiel from Russia is also prohibited); and
- 7.9.3.2 items suited to any of the following categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf:
- (a) oil exploration and production in waters deeper than 150 metres;
 - (b) oil exploration and production in the offshore area north of the Arctic Circle; or
 - (c) projects that have the potential to produce oil from resources located in shale formations by way of hydraulic fracturing (other than exploration and production through shale formations to locate or extract from non-shale reservoirs),

without a sanctions permit.

Restrictions on the export or provision of services

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

7.9.4.1 technical advice, assistance or training;

7.9.4.2 financial assistance;

7.9.4.3 a financial service; or

7.9.4.4 another service,

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

7.9.4.5 a military activity; or

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

without a sanctions permit.

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

7.9.5.1 oil exploration and production in waters deeper than 150 metres;

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

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

without a sanctions permit.

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

Restrictions on commercial activities

7.9.7 Australian law also prohibits:

7.9.7.1 the direct or indirect purchase or sale of, or any other dealing with,

bonds, equities, transferable securities, money market instruments or other similar financial instruments, if the financial instrument:

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

without a sanctions permit.

7.9.8 The prohibition in paragraph 7.9.7 does not apply to an activity in relation to tradable securities or any other financial instrument that:

7.9.8.1 is a derivative product the value of which is linked to an underlying asset of a type mentioned in paragraph 7.9.7.1; and

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

7.9.9 Australian law also prohibits:

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

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

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

7.9.11 The prohibition in paragraph 7.9.9 does not apply to:

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

- (a) financing for non-prohibited imports or exports of goods and non-financial services between Australia and Russia; or
- (b) emergency funding to meet the solvency and liquidity criteria for legal persons:
 - (i) established in Australia; and

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

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

- (a) all the terms and conditions of such drawdown or disbursement:
 - (i) were agreed before July 28, 2017; and
 - (ii) have not been modified on or after July 28, 2017; and
- (b) before July 28, 2017, a contractual maturity date has been fixed for the repayment in full of all funds made available and for the cancellation of all the commitments, rights and obligations under the contract.

7.10 Application to Turkey

7.10.1 Australia has not imposed any targeted sanctions (autonomous or otherwise) in relation to Turkey.

7.11 Application to Ukraine

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

7.11.2 Currently, Australian law prohibits:

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

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

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

7.11.4 Australia has enacted legislation containing a consolidated list of 'designated persons and entities' for Ukraine.³

³ Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) List 2014 (Cth)

7.12 Application to Venezuela

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

7.13 Application to Zimbabwe

- 7.13.1 Australia imposes an autonomous sanctions regime in relation to Zimbabwe.

- 7.13.2 Currently, Australian sanctions law includes restrictions on the supply, sale or transfer of arms or related materiel without a sanctions permit.

- 7.13.3 Australia's autonomous sanctions law prohibits the provision to any person of:

7.13.3.1 technical advice, assistance or training;

7.13.3.2 financial assistance;

7.13.3.3 a financial service; or

7.13.3.4 another service,

if it assists with, or is provided in relation to military activity, arms or related materiel.

- 7.13.4 Currently, Australian law also prohibits:

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

(a) making an asset available directly or indirectly to, or for the benefit of, a 'designated person or entity' for Zimbabwe,

without a sanctions permit.

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

- 7.13.6 Australia has enacted legislation containing a consolidated list of 'designated persons and entities' for Zimbabwe.

- 7.13.7 The Australian Minister for Foreign Affairs may grant a sanctions permit authorising an activity that would contravene the above prohibitions if:

7.13.7.1 The Minister is satisfied that it would be in the national interest to do so; and

7.13.7.2 The application for the sanctions permit is for a 'basic expense

dealing', a 'legally required dealing', or a 'contractual dealing' as those terms are defined in regulation 20 of the Regulations.

7.14 Application to the Group

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

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

7.14.2.1 a person in Australia;

7.14.2.2 an Australian citizen or Australian-registered body;

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

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

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

8. CONCLUSION

8.1 On the basis of the information received from the Company and the corresponding analysis of relevant International Sanctions set forth above, I am of the view that the Group's activities during the Track Record Period, other than those covered by the VSD, do not implicate restrictions under International Sanctions. For the transactions covered by the VSD, I am of the view that all matters are fully and finally resolved through the issuance of the Cautionary Letter. Further, given the Offering scope and the expected use of proceeds as detailed in this memorandum, I am of the view that the involvement by parties in the Offering will not implicate any applicable International Sanctions on such parties, including the Sole Sponsor, the Company and its subsidiaries, their respective directors and employees, the Company's or its subsidiaries' investors, shareholders as well as The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Hong Kong Securities Clearing Company Limited (the "HKSCC"), HKSCC Nominees Limited and the Securities and Futures Commission (the "SFC").

8.2 Furthermore, in the Prospectus, the Company undertakes to the Stock Exchange that it will not:

8.2.1 use the proceeds from the Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate any activities or business, directly or indirectly, relating to or with any Sanctioned Person (i.e., person(s) and entity(ies))

listed on OFAC's sanctions lists including the SDN List or other restricted parties lists maintained by the United States, the European Union, the United Nations, or Australia) or any other person or entity that is a target of any International Sanctions; or

- 8.2.2 undertake any sanctionable transactions that would expose the Company and its subsidiaries, or any person or entity, including the Company's or its subsidiaries' investors, the Stock Exchange, the listing sub-committee of the board of directors of the Stock Exchange, the HKSCC and the HKSCC Nominees Limited and the SFC, to the risk of being sanctioned.

* * * * *

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

A handwritten signature in blue ink, appearing to read "Stephen", written over a horizontal line.

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