

PRIVATE AND CONFIDENTIAL

Memorandum

To:	SANY Heavy Industry Co., Ltd.
From:	Ashurst Tokyo
Date:	October 20, 2025
CC:	CITIC Securities (Hong Kong) Limited (the "Sole Sponsor") CLSA Limited China International Capital Corporation Hong Kong Securities Limited (the "Overall Coordinators") Each of the other Underwriters, as defined in the Hong Kong Underwriting Agreement and the International Underwriting Agreement
Re:	Memorandum of Advice – Reasoned Analysis of International Economic Sanctions and Export Controls Laws

Contents

1.	Introduction	3
2.	Conclusion.....	5
3.	Executive Summary	6
4.	Documents and Information Provided by Group	9
5.	Background of the Group.....	10
6.	US Sanctions and Export Controls	11
7.	UN Sanctions and Export Controls	46
8.	EU Sanctions and Export Controls	49
9.	UK Sanctions and Export Controls	53
10.	Australian Sanctions and Export Controls.....	57
11.	Canadian Sanctions and Export Controls	59
	Annex I Assumptions And Qualifications.....	62

1. **Introduction**

1.1 We act as the international sanctions counsel of SANY Heavy Industry Co., Ltd. (the "**Company**" or "**Issuer**"), a company incorporated in the People's Republic of China, which applies for the listing of its H shares on the Stock Exchange of Hong Kong Limited (the "**HKEx**").

1.2 According to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Guide for New Listing Applicants published by the HKEx (the "**Guide**"), in regard to the business dealings that the Company and its subsidiaries (together, the "**Group**") had with certain parties (the "**Relevant Activities**"), the Company must obtain an analysis from its legal adviser, with basis, on:

(a) whether the Relevant Activities constitute Primary Sanctioned Activity that (i) violates any applicable law or regulation in the Relevant Jurisdictions; and/or (ii) results in any material sanctions risk to the Relevant Persons;

(b) whether the Relevant Activities constitute Secondary Sanctionable Activity that would likely result in the imposition of any sanctions against the Relevant Persons (including designation as a Sanctioned Target and/or the penalties which might be imposed);

(c) whether the Group is a Sanctioned Target, a Sanctioned Trader, or is located, incorporated, organised, or a resident in a Sanctioned Country;

(d) for these purposes, the capitalized terms mentioned above in paragraphs (a) to (c) have the following meanings as defined by the Guide:

(i) "**Primary Sanctioned Activity**" means any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by a listing applicant incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the Relevant Activity, such that it is subject to the relevant sanctions law or regulation.

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

- (iii) **"Relevant Persons"** means the Group, its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares, including the Sole Sponsor, the Overall Coordinators and HKEx.
- (iv) **"Sanctioned Country"** means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction.
- (v) **"Sanctioned Target"** means any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii).
- (vi) **"Sanctioned Trader"** means any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and/or Sanctioned Country entities or persons.
- (vii) **"Secondary Sanctionable Activity"** means certain activity by a listing applicant that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction.

1.3 This memorandum provides an outline of international laws and regulations relating to the economic sanctions and export control restrictions administered and enforced by the Relevant Jurisdictions (collectively, the **"International Sanctions"**) for the purpose of the Guide. It also provides an analysis of the application of the International Sanctions to the Relevant Activities between January 1, 2022 and April 30, 2025 (the **"Track Record Period"**), and up to October 11, 2025 (the **"Latest Practicable Date"**).

1.4 For the purposes of this memorandum, Sanctioned Countries within the meaning of this definition under the Guide are the equivalent of "Comprehensively Sanctioned Countries" and include the following countries or regions that are subject to a general and comprehensive export, import, financial or investment embargo: Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the self-proclaimed Luhansk People's Republic (**"LNR"**) and the self-proclaimed Donetsk People's Republic (**"DNR"**). Based on the information available to us, we understand that the Group did not sell to any Sanctioned Country during the Track Record Period and up to the Latest Practicable Date.

- 1.5 We have identified Group's business activities during the Track Record Period and up to the Latest Practicable Date in the following countries or territories for which the Relevant Jurisdictions administer various forms of sanctions on individuals and entities located in such countries and territories (albeit not a "general and comprehensive export, import, financial or investment embargo" within the meaning of the Guide): Afghanistan, Democratic Republic of the Congo ("**DRC**"), Haiti, Lebanon, Libya, Myanmar, Nicaragua, Russia (excluding Crimea, LNR and DNR, same below), South Sudan, Sudan, and the United Arab Emirates ("**UAE**"). These countries have been identified as the "**Relevant Countries**" in this memorandum.
- 1.6 Our analysis and assessment in this memorandum are subject to the assumptions and limitations set out in Annex I to this memorandum.
2. **Conclusion**
- 2.1 On the basis of the information received from the Group, and after carrying out the due diligence procedures and analysis set out below, we are of the view that
- (a) During the Track Record Period and up to the Latest Practicable Date, the Group did not engage in Primary Sanctioned Activity because it had no business activities in or with Sanctioned Countries or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, any Sanctioned Target where the Group had a nexus with the Relevant Jurisdictions with respect to the Relevant Activities;
 - (b) During the Track Record Period and up to the Latest Practicable Date, the Group did not engage in Secondary Sanctionable Activity with respect to dealing with Sanctioned Targets that are targeted by extra-territorial provisions of sanctions laws or regulations of the Relevant Jurisdictions. However, during the Track Record Period, the Group has conducted sales into Russia potentially involving the construction sector of the Russian economy, which may be deemed Secondary Sanctionable Activity. We have not identified other secondary sanctions risks in relation to the Relevant Activities involving the Relevant Countries. Overall, the risk that the Relevant Activities would result in the imposition of secondary sanctions on the Relevant Persons is remote;
 - (c) Neither the Company nor any of its subsidiaries and, to the best of the Company's knowledge, no affiliates, have been designated as a Sanctioned Target, nor are any of them located, incorporated, organized, or a resident in a Sanctioned Country; and
 - (d) The Group is not a Sanctioned Trader because it did not conduct a material portion of its business (10% or more) with persons in any Sanctioned Country or with

Sanctioned Targets during the Track Record Period and up to the Latest Practicable Date.

- 2.2 As no apparent or material sanctions risks are present, the Company is not required to make undertakings pursuant to the Guide.

3. **Executive Summary**

- 3.1 The Group is a world-leading manufacturer of industrial machinery and equipment. During the Track Record Period and up to the Latest Practicable Date, the Group had sold its non-US origin products to and received payments denominated in US dollars ("**USD**"), Renminbi ("**RMB**"), Euros ("**EUR**") and other currencies from Chinese and overseas customers and distributors, some of whom are located in the Relevant Countries.

3.2 **United States**

- (a) The Group's direct or indirect sales involving the Relevant Countries during the Track Record Period and up to the Latest Practicable Date should not give rise to material risks under US primary or secondary sanctions. This is because both the Group and our thorough sanctions screening did not identify any Group transactions with any Sanctioned Targets that would cause a violation of US primary or secondary sanctions. Please see Annex 1 for further details on our screening methodology.
- (b) The Group may not be able to verify the identities of all end users and we therefore cannot assess their sanctions status. That said, the Group has implemented risk-based compliance policies, procedures and measures aiming to prevent its distributors from selling to sanctioned end users. The risk that the Group's indirect sales in the Relevant Countries would contravene US secondary sanctions and trigger OFAC enforcement actions is remote.
- (c) The Group's Russian subsidiary conducts sales of construction machinery and equipment to Russian customers. The risk that OFAC would impose sanctions on the Group for operating in the construction sector of the Russian economy is remote because (1) the Group does not engage in local manufacturing but simply conducts sales into Russia, (2) the Group appreciates the sanctions risks of conducting business with Russian entities and has therefore implemented various sanctions compliance measures to avoid transacting with Sanctioned Targets, and (3) we are not aware of any non-Russian-controlled companies being designated as SDNs for operating in the construction sector of the Russian economy under Executive Order 14024.
- (d) While the risk that the Relevant Activities would result in the imposition of secondary sanctions on the Relevant Persons is remote at present, the sheer number of Russian

companies, oligarchs and banks subject to international sanctions and the Group's business scale in Russia will continuously expose the Group to compliance challenges. That said, the Group is committed to enhanced sanctions compliance measures which would mitigate sanctions risks related to its business operations in Russia.

- (e) US export control laws have not been implicated by the Group's activities during the Track Record Period and up to the Latest Practicable Date. Certain Group products incorporate a low level of low-technology US-controlled items, which do not subject the relevant products to US export control restrictions pursuant to the US export control *de minimis* rule.

3.3 European Union

- (a) The Group's direct or indirect sales of products manufactured in Germany should not give rise to material risks under EU sanctions, given that our due diligence and the Group have confirmed that the Group's business activities in the EU did not involve any Sanctioned Target. On the other hand, the Group's business activities involving the Relevant Countries did not trigger the application of EU sanctions.
- (b) The Relevant Activities during the Track Record Period and up to the Latest Practicable Date should not give rise to material risks under EU export controls, as the Group's sales of machinery and equipment manufactured in Germany were conducted in compliance with German and EU export controls.

3.4 United Kingdom

- (a) The Group's sales of products manufactured in Germany to UK customers during the Track Record Period and up to the Latest Practicable Date should not give rise to material risks under UK sanctions, given that no Group entity undertook activities in the UK's territory (other than selling to certain UK customers) and UK Sanctions will therefore unlikely apply *prima facie* to the Group.
- (b) UK export control laws have not been implicated by the Group's activities during the Track Record Period and up to the Latest Practicable Date, as the Group has confirmed that it did not export from the UK or otherwise source any items subject to UK export controls.

3.5 United Nations

- (a) The Group's activities should not give rise to material risks of implicating restrictive measures adopted by the UN, given that:

- (i) the Group's activities involving the Relevant Countries were limited to sales of industrial machinery and equipment that are not export-controlled; and
- (ii) the Group does not engage in any transactions with any party targeted by UN sanctions.

3.6 **Australia**

- (a) The Group's sales of products to Australia during the Track Record Period and up to the Latest Practicable Date should not give rise to material risks under Australian sanctions, given that no Group entity undertook activities in Australian territory (other than selling to certain Australian customers) and Australian sanctions will therefore unlikely prima facie apply to the Group.
- (b) Australian export control laws have not been implicated by the Group's activities during the Track Record Period and up to the Latest Practicable Date, as the Group has confirmed that none of its products contain any components, software, or technology exported from Australia.

3.7 **Canada**

- (a) The Group's sales of products to Canada during the Track Record Period and up to the Latest Practicable Date should not give rise to material risks under Canadian sanctions, given that no Group entity undertook activities in Canadian territory (other than selling to certain Canadian customers) and Canadian sanctions will therefore unlikely prima facie apply to the Group.
- (b) Canadian export control laws have not been implicated by the Group's activities during the Track Record Period and up to the Latest Practicable Date, as the Group has confirmed that none of its products contain any components, software, or technology exported from Canada.

3.8 In connection with any potential future sanctions risk and based on the Group's current compliance processes, we made the following enhancement recommendations, which the Group agreed to undertake in order to ensure compliance with International Sanctions:

- (a) The Group advised that it conducts sanctions screening before (i) onboarding a new customer, (ii) accepting a new purchase order from an existing customer and (iii) periodically (e.g., annually) on ongoing relationships. We recommend the Group to conduct ongoing sanctions screening and monitoring of all counterparties, especially in relation to high-risk jurisdictions such as the Relevant Countries; and

- (b) The Group's Policies (defined below) provide that its internal audit department shall conduct periodic compliance inspections and audits of the implementation of compliance measures in various department. We recommend the Group to ensure that such audits cover its overseas subsidiaries and distributors to assess whether its sanctions compliance policies and compliance-related contractual obligations imposed on distributors have been adequately followed.

4. **Documents and Information Provided by Group**

4.1 In preparing this memorandum, we have:

- (a) prepared the "HK IPO Sanctions Advice Document and Information Request List" and reviewed the Group's responses to such questionnaire (as well as related supporting materials) provided to us on March 4, 2025 and other subsequent dates;
- (b) reviewed additional information and supporting documentation provided by the Group including sanctions and export control-related policies and procedures dated December 2024 and sanctions and export control-related training program information;
- (c) subject to the limitations set out in Annex I to this memorandum and relying on Company's own sanctions screening processes, conducted sanctions screening of the Screened Parties (as defined in Annex 1):
- (d) reviewed the responses provided by the Group addressing additional specific questions in respect of the Relevant Activities relating to the Relevant Countries, which we received on various dates during the course of our analysis of the subject matter of this memorandum;
- (e) obtained a written confirmation from the Company on various aspects of the Group's Relevant Activities;
- (f) reviewed the Company's prospectus prepared in connection with the proposed public offering on the Hong Kong Stock Exchange (the "**Offering**"), as amended and updated;
- (g) reviewed other documents and information, and performed other procedures as we deemed necessary to carry out our reasoned analysis in this memorandum; and
- (h) conducted numerous conference calls with the Company in order to most efficiently address our sanctions due diligence queries.

5. **Background of the Group**

5.1 **Overview of the Group**

- (a) The Group is a world-leading engineering machinery manufacturer. As of the date of this memorandum, the Group has over 200 member companies in China and overseas.
- (b) All of the Company's directors, supervisors and senior officers have Chinese nationality (including Hong Kong) only. The Group has confirmed that none of the Company's directors, supervisors and senior officers is a US, EU, UK, Australian or Canadian national or permanent resident.
- (c) The Group's customers include both distributors and direct end-users.
- (d) The Group sources parts predominantly from suppliers located in the PRC. Certain products of the Group incorporate a low level (less than 5% in value) of parts that are subject to US export controls.

5.2 **Business involving Russia**

- (a) During the Track Record Period and up to the Latest Practicable Date, the Group sold industrial machinery and equipment in Russia such as excavators, drilling rigs, pumps, mining vehicles, road rollers, fuel loaders, concrete mixing stations, demolition machines, asphalt mixing equipment, graders, pavers, milling machine, tower cranes, engines, tunnelling machine, electric forklifts and various types of cranes and loaders.
- (b) The Group conducted its sales in Russia via its 100% subsidiaries (specifically, ООО CAHI ("**SANY Russia**") and ООО Putzmeister-Rus ("**Putzmeister-Rus**")), an affiliated party (i.e., PALFINGER SANY CRANES LLC ("**Palfinger SANY**")) and various unaffiliated distributors.
 - (i) SANY Russia was established in 2007 and currently has about 150 employees. It is the Group's main business entity in Russia, through which the Group sold its industrial machinery and equipment manufactured in China to Russian customers and distributors.
 - (ii) Putzmeister-Rus is a Russian subsidiary of Putzmeister, which was fully acquired by the Group in 2012. Putzmeister-Rus is therefore a 100% indirectly-owned Russian subsidiary of the Group. During the Track Record Period and up to the Latest Practicable Date, SANY Automobile Manufacturing Co., Ltd, ("**SANY Automobile**"), a subsidiary of the Company,

made limited sales of construction trucks to Putzmeister-Rus, which then distributed to Russian customers in 2023 and 2024. However, Putzmeister-Rus ceased almost all sales activities after August 2024 and has significantly downsized its business since then. Putzmeister-Rus currently has limited operations in Russia with around 20 employees locally.

- (iii) Palfinger SANY is a joint venture between the Company and PALFINGER AG, each holding 50% in the joint venture. In accounting for sales activities in Russia, the Group treats Palfinger SANY as a customer/distributor rather than a subsidiary/selling entity.
- (c) In relation to the Group's sales into Russia, the contract amounts were denominated in USD before the significant escalation of sanctions in early 2022 and in RMB afterwards. However, all sales into Russia (whether before or during the Track Record Period and up to the Latest Practicable Date) were settled in RUB only due to Russian law requirements

During the Track Record Period, SANY Russia, Putzmeister-Rus, and several other Group entities made sales to Russia, with SANY Russia contributing to the vast majority of the sales. The revenue generated from the Group's sales to Russia accounted for less than 7% of the Group's total revenue during each year/period of 2022, 2023, 2024 and the four months ended April 30, 2025.

5.3 Business involving the Other Relevant Countries

Other than Russia, during the Track Record Period, the Group has sold industrial machinery and equipment to customers and distributors located in China and other Relevant Countries – specifically, Afghanistan, Democratic Republic of the Congo ("**DRC**"), Haiti, Lebanon, Libya, Myanmar, Nicaragua, Russia, South Sudan, Sudan, and the United Arab Emirates ("**UAE**"). Payments received from the Group's sales of machinery products in relation to these Relevant Countries were in AED, EUR, GBP, MYR, RMB, RUB and USD. The sales revenue from these Relevant Countries accounted for a negligible percentage of the Group's total revenue in 2022, 2023, 2024 and the four months ended April 30, 2025.

6. US Sanctions and Export Controls

6.1 Overview of US economic sanctions

The US Treasury Department's Office of Foreign Assets Control ("**OFAC**") administers US 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 US Government. That said, US economic sanctions generally consist of primary and secondary sanctions.

6.2 Primary sanctions

- (a) US "primary" sanctions are applicable to "US persons" or activities involving a US nexus (e.g., funds transfers in US currency or activities involving US-origin goods, software, technology, or services, even if performed by non-US persons).
- (b) The term "US persons" includes:
 - (i) Entities organized under US law (such as US companies and their US subsidiaries)
 - (ii) any US company's domestic and foreign branches
 - (iii) any individual who is a US 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) US branches or US subsidiaries of non-US companies.
- (c) When the US Government imposes economic sanctions against a foreign country, entity, or individual, US law typically prohibits (with limited exceptions that do not apply in this case) US persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeted country, entity or individual. Depending on the sanctions program and/or parties involved, US law may also require a US person to "block" any assets/property interests owned, controlled, or held for the benefit of a Sanctioned Country, entity, or individual when such assets/property interests are in the United States or within possession or control of a US person. A "blocked" asset means no transaction may be undertaken or effected by a US person with respect to the asset/property interest – no payments, benefits, provision of services or other dealings, or other type of performance (in case of contracts/agreements) – except pursuant to an authorization or license from OFAC.
- (d) US persons are also prohibited from approving, assisting, financing, guaranteeing or otherwise "facilitating," any activities by a non-US person that would, if engaged in by a US person, violate OFAC sanctions.
- (e) The facilitation concept is broad. Typically, it arises in the context of parent companies and their subsidiaries, or between affiliates, where one entity is jurisdictionally required to comply with primary sanctions 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. A prohibited facilitation of a transaction occurs, among other instances, when a US 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 US person where such transaction previously required approval by the US person, and such transaction by the foreign affiliate would be prohibited if performed directly by a US person or from the US;
 - (ii) refers to a foreign person's purchase orders, requests for bids, or similar business opportunities, involving a party in or the government of a sanctioned country, to which the US person could not directly respond as a result of US sanctions laws or regulations; or
 - (iii) changes the operating policies or procedures of a particular affiliate with the specific purpose of facilitating transactions that would be prohibited if performed by a US person or from the US.
- (f) There are two types of US primary sanctions programs – "country-based" programs and "list based" programs. Violations of either type can result in "strict" civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, wilful violations may result in criminal liability, punishable by imprisonment and elevated fines.
- (i) *Country-based programs.* US sanctions programs targeting specific countries fall into two categories: programs that are comprehensive in scope and programs that are limited in scope.
 - (A) Comprehensive country-based sanctions programs prohibit US persons from dealing in any manner with a sanctioned country and their governments. Currently, the US maintains comprehensive sanctions programs against: Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, DNR and LNR.
 - (B) Generally, comprehensive country sanctions programs prohibit transactions with or services in, from, or benefitting the targeted country. However, the comprehensive country sanctions programs may also be applicable to transactions outside the country. For example, the Cuban sanctions program prohibits US persons from engaging in transactions with any Cuban national (persons or entities)

located in countries outside of Cuba (except for the US), or Cuban goods outside of Cuba. The current Iran sanctions also apply outside of Iran to transactions involving the Government of Iran or entities that are owned or controlled by the Government of Iran.

- (C) There are also sectoral sanctions restricting US persons from engaging in certain types of transactions – typically financing and investments – with certain economic sectors of Belarus, China, Russia, and Venezuela. These sectoral sanctions have limited, if any, impact on non-US persons and on other transactions with the relevant sectors of the economy.
- (ii) *List-based programs.* In addition to country-based targets, primary US sanctions include list-based sanctions that prohibit US persons from dealing with or facilitating dealings with individuals, entities, and organizations that have been designated as Specially Designated Nationals ("**SDN**") on the Specially Designated Nationals and Blocked Persons list ("**SDN List**") by OFAC. Currently, the US government maintains list-based sanctions programs targeting:
 - (A) Afghanistan, the Balkans, Belarus, Central African Republic, Congo (DR), Ethiopia, Hong Kong, Iraq, Lebanon, Libya, Mali, Myanmar (Burma), Nicaragua, Russia, Somalia, South Sudan, Sudan, Ukraine, Venezuela and Yemen;
 - (B) Chinese Military Companies;
 - (C) terrorists and terrorist organizations;
 - (D) narcotics traffickers;
 - (E) transnational criminal organizations;
 - (F) persons involved in corruption;
 - (G) persons involved in US election interference;
 - (H) persons involved in taking hostages and wrongfully detaining US nationals;
 - (I) persons involved in the proliferation of weapons of mass destruction; and
 - (J) cyber-attackers.

- (g) US persons are not allowed to have any dealings whatsoever with, or facilitate dealings with, parties designated on the SDN List or entities owned 50% or more by them unless specifically authorized by OFAC. The SDN List is updated frequently and is available on OFAC's website www.ustreas.gov/ofac. However, entities owned 50% or more by SDNs are not on any list. Numerous vendors provide screening solutions that can be tailored to fit a particular business's needs and IT systems.
- (h) Specifically in relation to entities in China with potential military connections, the U.S. government has introduced the following measures:
 - (i) OFAC administers the Non-SDN Chinese Military-Industrial Complex Companies List ("**CMIC List**") pursuant to Executive Order 13959, as amended by Executive Order 14032 of June 3, 2021. The CMIC List identifies Chinese entities involved in China's military-industrial base. U.S. persons are prohibited from trading in the publicly traded securities of entities on the CMIC List. Non-U.S. persons are not subject to the restriction as long as the trading does not ultimately benefit a U.S. person.
 - (ii) The U.S. Department of Defense ("**DoD**") routinely publishes a list of entities identified by the US Secretary of Defense as "Chinese military companies" operating directly or indirectly in the U.S. as required by Section 1260H of the National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283) ("**Section 1260H List**"). Entities on the Section 1260H List are identified as controlled or acting as agent for the People's Liberation Army or as a "military-civil fusion contributor" to China's military-industrial base. The Being named on the Section 1260H List does not have direct sanctions implications, save for future restrictions on the DoD to engage in certain transactions with listed entities. That said, there remains the risk that sanctions may escalate with respect to entities on the 1260H List and they may be added to other US sanctions lists which may subject the listed entities to legal restrictions (e.g., the BIS Military End User List).

6.3 Secondary sanctions

- (a) Separate from primary sanctions, the US also imposes secondary sanctions under some of its sanctions programs. Secondary sanctions authorize the US government to impose sanctions on non-US persons located anywhere, who engage in certain prohibited transactions (e.g., significant transactions with parties blocked by US sanctions). The detailed rules of such secondary sanctions differ by sanctions regimes.

- (b) Secondary sanctions grant broad discretion to the US President and his delegated representatives to deny access to the US economic system to those non-US persons determined to have engaged in the specified transactions. The President and his delegated representatives may choose from a list of pre-determined penalties, such as:
 - (i) prohibition on US Government contracting;
 - (ii) prohibition on US visas for corporate officers;
 - (iii) prohibition on using the US financial system; and
 - (iv) designation as an SDN.
- (c) The imposition of penalties under secondary sanctions legislation is a mechanism that the US employs to punish and deter non-US parties from certain behaviours and transactions.

6.4 **Scope of our US economic sanctions analysis**

- (a) The Company has confirmed that, during the Track Record Period and up to the Latest Practicable Date:
 - (i) The Company's wholly-owned subsidiary SANY America, Inc. ("**SANY America**"), engaged in the research & development, production, sales, and servicing of heavy industrial equipment in the US and Canadian markets; and
 - (ii) USD was utilized in respect of certain business dealings involving all of the Relevant Countries.
- (b) Therefore, our assessment is that the US nexuses of the Group during the Track Record Period and up to the Latest Practicable Date included SANY America and the USD payments in respect of all Relevant Countries. Thus, US primary sanctions targeting the Relevant Countries are relevant to the business dealings of the Group during the Track Record Period and up to the Latest Practicable Date. Meanwhile, US secondary sanctions targeting the Relevant Countries are generally relevant to the business dealings of the Group (regardless of the currency) during the Track Record Period and up to the Latest Practicable Date. Our detailed risk assessment is provided below.

6.5 **US Sanctions Targeting the Relevant Countries**

- (a) *Afghanistan*

- (i) US sanctions relating to Afghanistan have been imposed under the following Executive Orders:
 - (A) Executive Order 14064 of February 11, 2022 on Protecting Certain Property of Da Afghanistan Bank for the Benefit of the People of Afghanistan, under which all the property and interests in property of Da Afghanistan Bank held in the United States have been blocked;
 - (B) Executive Order 13268 of July 2, 2002 on Termination of Emergency With Respect to the Taliban and Amendment of Executive Order 13224 of September 23, 2001; and
 - (C) Executive Order 13224 of September 24, 2001 on Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism.
- (ii) Currently, OFAC blocks the property and interests in property of persons listed in the Annex to Executive Order 13224 including, among others:
 - (A) Al Qaida/Islamic Army;
 - (B) Al Jihad (Egyptian Islamic Jihad;
 - (C) Abu Sayyaf Group;
 - (D) Armed Islamic Group (GIA);
 - (E) Libyan Islamic Fighting Group;
 - (F) Islamic Army of Aden; and
 - (G) Wafa Humanitarian Organization.
- (iii) In relation to Afghanistan, the US has issued multiple general licenses authorizing transactions and activities for the purpose of delivering humanitarian aid into the country. OFAC has further published guidance stating that its sanctions on the Taliban and Haqqani Network are not intended to pose an obstacle to transactions necessary for humanitarian purposes.

(b) *Democratic Republic of the Congo*

- (i) US sanctions relating to the DRC were first imposed under Executive Order 13413 of October 27, 2006 on Blocking Property of Certain Persons Contributing to the Conflict in the Democratic Republic of the Congo. On May

28, 2009, OFAC issued the D.R.C. Sanctions Regulations (31 C.F.R. 547) to implement Executive Order 13413.

- (ii) President Obama subsequently issued Executive Order 13671 of July 8, 2014 on Taking Additional Steps to Address the National Emergency with Respect to the Conflict in the Democratic Republic of the Congo, which amended the designation criteria contained in the earlier Executive Order 13413 to more closely conform with the criteria established by the United Nations Security Council.
- (iii) Currently, OFAC blocks the property and interests in property of persons listed in the Annex to Executive Order 13413 as well as specific individuals and entities determined by the Secretary of the Treasury, in consultation with the Secretary of State:
 - (A) To be a political or military leader of a foreign armed group operating in the D.R.C. that impedes the disarmament, demobilization, voluntary repatriation, resettlement, or reintegration of combatants;
 - (B) To be a political or military leader of a Congolese armed group that impedes the disarmament, demobilization, voluntary repatriation, resettlement, or reintegration of combatants;
 - (C) To be responsible for or complicit in, or to have engaged in, directly or indirectly, any of the following in or in relation to the DRC:
 - (aa) actions or policies that threaten the peace, security, or stability of the DRC;
 - (bb) actions or policies that undermine democratic processes or institutions in the DRC.
 - (cc) the targeting of women, children, or any civilians through the commission of acts of violence (including killing, maiming, torture, or rape or other sexual violence), abduction, forced displacement, or attacks on schools, hospitals, religious sites, or locations where civilians are seeking refuge, or through conduct that would constitute a serious abuse or violation of human rights or a violation of international humanitarian law.
 - (dd) the use or recruitment of children by armed groups or armed forces in the context of the conflict in the DRC;

- (ee) the obstruction of the delivery or distribution of, or access to, humanitarian assistance;
- (ff) attacks against United Nations missions, international security presences, or other peacekeeping operations; or
- (gg) support to persons, including armed groups, involved in activities that threaten the peace, security, or stability of the DRC. or that undermine democratic processes or institutions in the DRC, through the illicit trade in natural resources of the DRC;

(D) Except where intended for the authorized support of humanitarian activities or the authorized use by or support of peacekeeping, international, or government forces, to have directly or indirectly supplied, sold, or transferred to the DRC., or been the recipient in the territory of the DRC. of, arms and related materiel, including military aircraft and equipment, or advice, training, or assistance, including financing and financial assistance, related to military activities;

(E) To be a leader of (i) an entity, including any armed group, that has, or whose members have, engaged in any of the activities described in above, or (ii) an entity whose property and interests in property are blocked pursuant to Executive Order 13413, as amended by Executive Order 13671;

(F) To have materially assisted, sponsored, or provided financial, material, logistical, or technological support for, or goods or services in support of (i) any of the activities described above, or (ii) any person whose property and interests in property are blocked pursuant to Executive Order 13413, as amended by Executive Order 13671; or

(G) To be owned or controlled by, or to have acted or purported to act for or on behalf of any person whose property and interests in property are blocked pursuant to Executive Order 13413, as amended by Executive Order 13671.

(c) *Lebanon*

- (i) US sanctions relating to Lebanon have been imposed under Executive Order 13441 of August 1, 2007 on Blocking Property of Persons Undermining the Sovereignty of Lebanon or Its Democratic Processes and Institutions.

(ii) On July 30, 2010, OFAC issued the Lebanon Sanctions Regulations (31 C.F.R. 549) implementing Executive Order 13441. The Lebanon Sanctions Regulations have blocked the property and interests in property of any person determined by the Secretary of the Treasury, in consultation with the Secretary of State:

- (A) 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;
- (B) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of, the activities described above, including acts of violence, or any person whose property and interests in property are blocked;
- (C) to be a spouse or dependent child of any person whose property and interests in property are blocked; or
- (D) to be owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked.

(d) *Libya*

(i) The US President issued two Executive Orders, 13566 of February 25, 2011, and 13726 of April 19, 2016, finding that the ongoing violence in Libya, violations of UN arms embargoes, and misappropriation of Libya's natural resources threatened regional stability and posed an unusual and extraordinary threat to the foreign policy of the US

(ii) Currently, OFAC blocks the property and interests in property of persons listed in the Annex to Executive Order 13566, as well as specific individuals and entities determined by the US Secretary of the Treasury, in consultation with the US Secretary of State:

- (A) To be a senior official of the Government of Libya;
- (B) To be a child of Colonel Muammar Qadhafi;

- (C) To be responsible for or complicit in, or responsible for ordering, controlling, or otherwise directing, or to have participated in, the commission of human rights abuses related to political repression in Libya;
 - (D) To have materially assisted, sponsored, or provided financial, material, logistical, or technical support for, or goods or services in support of human rights abuses related to political oppression in Libya, or any person whose property and interests in property are blocked pursuant to Executive Order 13566;
 - (E) To be owned or controlled by, or to have acted or purported to act for or on behalf of, any person whose property and interests in property are blocked pursuant to Executive Order 13566; or
 - (F) To be a spouse or dependent child of any person whose property and interests in property are blocked pursuant to Executive Order 13566.
- (iii) Under Executive Order 13726, OFAC additionally blocks the property and interests in property of specific individuals and entities determined by the US Secretary of the Treasury, in consultation with the US Secretary of State:
- (A) To be responsible for or complicit in, or to have engaged in, directly or indirectly, any of the following:
 - (aa) actions or policies that threaten the peace, security, or stability of Libya, including through the supply of arms or related materiel;
 - (bb) actions or policies that obstruct, undermine, delay, or impede, or pose a significant risk of obstructing, undermining, delaying, or impeding, the adoption of or political transition to a Government of National Accord or a successor government;
 - (cc) actions that may lead to or result in the misappropriation of state assets of Libya; or
 - (dd) threatening or coercing Libyan state financial institutions or the Libyan National Oil Company;
 - (B) To be planning, directing, or committing, or to have planned, directed, or committed, attacks against any Libyan state facility or installation (including oil facilities), against any air, land, or seaport in Libya, or against any foreign mission in Libya;

- (C) To be involved in, or to have been involved in, the targeting of civilians through the commission of acts of violence, abduction, forced displacement, or attacks on schools, hospitals, religious sites, or locations where civilians are seeking refuge, or through conduct that would constitute a serious abuse or violation of human rights or a violation of international humanitarian law;
- (D) To be involved in, or to have been involved in, the illicit exploitation of crude oil or any other natural resources in Libya, including the illicit production, refining, brokering, sale, purchase, or export of Libyan oil;
- (E) To be a leader of an entity that has, or whose members have, engaged in any of the foregoing activities;
- (F) To have materially assisted, sponsored, or provided financial, material, logistical, or technological support for, or goods or services in support of any of the activities described above, or any person whose property and interests in property are blocked pursuant to Executive Order 13726; or
- (G) To be owned or controlled by, or to have acted or purported to act for or on behalf of, any person whose property and interests in property are blocked pursuant to Executive Order 13726.

(e) *Myanmar*

- (i) The United States historically had imposed comprehensive sanctions against Myanmar, which primarily prohibited new investment in the country and export of financial services (exports of goods to non-SDNs were not widely restricted). Responding to democratic reforms in Myanmar, 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.
- (ii) On February 11, 2021, President Biden issued Executive Order 14014 on "Blocking Property with Respect to the Situation in Burma" which established a new sanctions program focused on Myanmar. Under Executive Order 14014, 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 defence sector.

- (iii) On June 1, 2021, OFAC issued the Burma Sanctions Regulations (31 C.F.R. 525) to implement Executive Order 14014.
 - (iv) On August 23, 2023, OFAC issued Determination Pursuant to Section 1(a)(i) of Executive Order 14014, identifying the jet fuel sector of the Burmese economy as being subject to Executive Order 14014.
 - (v) On October 31, 2023, OFAC issued Directive 1 under Executive Order 14014, prohibiting the provision, exportation, or re-exportation, directly or indirectly, of financial services to or for the benefit of Myanmar Oil and Gas Enterprise or its property or interests in property.
- (f) *Nicaragua*
- (i) US sanctions relating to Nicaragua have been imposed under the following Executive Orders:
 - (A) Executive Order 13851 of November 27, 2018 on Blocking Property of Certain Persons Contributing to the Situation in Nicaragua; and
 - (B) Executive Order 14088 of October 24, 2022 on Taking Additional Steps to Address the National Emergency With Respect to the Situation in Nicaragua.
 - (ii) Under Executive Order 13851, transactions involving property and interests in property of persons deemed by the Secretary of the Treasury, in consultation with the Secretary of State, to be:
 - (A) Responsible for or complicit in, or to have engaged in any:
 - (aa) Serious human rights abuse in Nicaragua;
 - (bb) Actions or policies which undermine democratic processes or institutions in Nicaragua;
 - (cc) Actions or policies that threaten the peace, security, or stability of Nicaragua;
 - (dd) Any transaction or series of transactions involving deceptive practices or corruption by, on behalf of, or otherwise related to the Government of Nicaragua or a current or former official of the Government of Nicaragua, such as the misappropriation of public assets or expropriation of private assets for personal gain

or political purposes, corruption related to government contracts, or bribery;

- (B) to be a leader or official of an entity that has, or whose members have, engaged in any activity described above on or of an entity whose property and interests in property are blocked pursuant to Executive Order 13851;
- (C) to be an official of the Government of Nicaragua or to have served as an official of the Government of Nicaragua at any time on or after January 10, 2007;
- (D) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of:
 - (aa) any activities described above; or
 - (bb) any person whose property and interests in property are blocked pursuant to Executive Order 13851;
- (E) to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to Executive Order 13851.

(g) *Russia*

- (i) The US maintains four sanctions programs related to Russia:
 - (A) Russia Harmful Foreign Activities Sanctions, consisting of the following Executive Orders – 14024 of April 15, 2021, 14039 of August 20, 2021, 14066 of March 8, 2022, 14068 of March 11, 2022, 14071 of April 6, 2022, and 14114 of December 22, 2023 – which the US President issued after finding that the Russian Government's harmful foreign activities constitute an unusual and extraordinary threat to the national security, foreign policy, and economy of the US;
 - (B) Ukraine/Russia-related Sanctions, consisting of the following Executive Orders – 13660 of March 6, 2014, 13661 of March 17, 2014, 13662 of March 20, 2014, 13685 of December 19, 2014 – which the US President issued after 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 US, and Executive Order 14065 of February 21, 2022, which the US President issued after finding that Russia's purported recognition of the DNR or LNR contradicts Russia's commitments under the Minsk agreements and further threatens the peace, stability, sovereignty, and territorial integrity of Ukraine;

- (C) Countering America's Adversaries Through Sanctions Act-Related Sanctions, consisting of Executive Order 13849 of September 20, 2018, to implement Countering America's Adversaries Through Sanctions Act (August 2, 2017, P.L. 115-44), a sanctions law enacted by the US Congress; and
 - (D) Magnitsky Sanctions, consisting of the Magnitsky Act Sanctions Regulations (31 C.F.R. 584), to implement the Sergei Magnitsky Rule of Law Accountability Act of 2012 (December 14, 2012, P.L. 112-208), a sanctions law enacted by the US Congress.
- (ii) In addition, the US President issued the following Executive Orders targeting malicious Russian actors/activities:
- (A) Two Executive Orders, 13694 of April 1, 2015, and 13757 of December 29, 2016, in respect of significant malicious cyber-enabled activities; and
 - (B) Executive Order 13848 of September 12, 2018, in respect of foreign interference in the United States Elections.
- (iii) Further, the US Congress has enacted two other sanctions laws targeting Russia: the Ukraine Freedom Support Act of 2014 (P.L. 113-272), and the Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (P.L. 113-95).
- (iv) The sanctions on Russia take several different forms:
- (A) Certain Russian persons and entities have been placed on the SDN List and thus US persons and, in most cases (particularly due to the SDN designations implemented since 2022), non-US persons, are prohibited from dealing with them and the entities that they own 50% or more (directly or indirectly, solely or in aggregate);

- (B) the Crimea region, DNR and LNR regions of Ukraine are subject to a comprehensive trade embargo for US persons and most of these restrictions will also apply to non-US persons;
 - (C) "sectoral" sanctions (mainly applicable to US persons) have been imposed on Russia's energy, financial, and defence industries, among other sectors, and target specified types of investment, finance, and/or sales of US-origin goods and services to these industries as well as key public financial institutions.
 - (D) significant export control restrictions, including a general denial policy for certain categories of goods exported to Russia (semiconductors, computers, information security), and removing Russia from the preferred trade partner status, which will impact US content/origin goods and technology being transferred to Russia or Russian parties anywhere in the world;
 - (E) removal of numerous Russian banks from the SWIFT messaging system, ensuring that those banks were disconnected from the international financial system;
 - (F) restriction of "new investment" in Russia by US persons;
 - (G) price caps on certain Russian energy resources sold internationally; and
 - (H) secondary sanctions threatening the imposition of penalties on non-US persons that undertake a variety of defined activities with Russia, including significant transactions with SDNs, operating in Crimea, construction of energy export pipelines, sanctions evasion, corruption, and defence and intelligence-related sector transactions.
- (v) Russia continues to be a jurisdiction of heightened US sanctions risks. Since Russia invaded Ukraine in February 2022, the US Treasury and Department of State have imposed, almost on a monthly basis, significant sanctions targeting Russian individuals, entities, vessels and airplanes, as well as non-Russian individuals and entities that support Russia's war in Ukraine and/or Russian efforts to circumvent or evade US sanctions.

(h) *South Sudan*

- (i) US sanctions relating to South Sudan have been imposed under Executive Order 13664 of April 3, 2014 on Blocking Property of Certain Persons with Respect to South Sudan.
- (ii) On July 1, 2014, OFAC issued the South Sudan Sanctions Regulations (31 C.F.R. 558) to implement Executive Order 13664. The South Sudan Sanctions Regulations have blocked the property and interests in property of persons that are determined by the Secretary of the Treasury, in consultation with the Secretary of State, to be responsible for or complicit in:
 - (A) Actions or policies threatening the peace, security or stability of South Sudan,
 - (B) Actions or policies that threaten transitional agreements or undermine democratic processes or institutions in South Sudan,
 - (C) Actions or policies which have the purpose or effect of expanding or extending the conflict in South Sudan or obstructing reconciliation or peace talks or processes,
 - (D) The commission of human rights abuses against persons in South Sudan,
 - (E) The targeting of women, children or any civilians through the commission of violence which would constitute a serious abuse or violation of human rights,
 - (F) The use or recruitment of children by armed groups or forces in the context of the conflict in South Sudan,
 - (G) The obstruction of the activities of international peacekeeping, diplomatic or humanitarian missions in South Sudan,
 - (H) Attacks against United Nations missions, international security presences, or other peacekeeping operations.
- (iii) Pursuant to Subpart B of the South Sudan Sanctions Regulations, there is a prohibition on the transfer, payment for, exportation, withdrawal or dealing in any property or interests in property of a person determined by the Secretary of the Treasury, in consultation with the Secretary of State:
 - (A) to be blocked pursuant to Executive Order 13664 as described above,

- (B) to be a leader of an entity, including any government and rebel militia, that has engaged in any of the activities described above,
- (C) to have materially assisted, sponsored, or provided financial, material, logistical, or technological support for, or goods or services in support of the activities described above, or any person whose property and interests in property are blocked pursuant to Executive Order 13664, or
- (D) to be owned or controlled by, or to have acted on behalf of any person whose property and property interests are blocked pursuant to Executive Order 13664.

(i) *Sudan and Darfur Sanctions*

- (i) The national emergency declared with respect to the Government of Sudan in Executive Order 13067 of November 3, 1997 remains in effect with the sanctions regime undergoing a number of transitions since that time. Subsequent Executive Orders on Sudan and Darfur include:
 - (A) Executive Order 14098 of May 4, 2023 on Imposing Sanctions on Certain Persons Destablizing Sudan and Undermining the Goal of a Democratic Transition,
 - (B) Executive Order 13804 of July 11, 2017 on Allowing Additional Time for Recognizing Positive Actions by the Government of Sudan and Amending Executive Order 13671,
 - (C) Executive Order 13761 of January 13, 2017 on Recognizing Positive Actions by the Government of Sudan and Providing for the Revocation of Certain Sudan-Related Sanctions,
 - (D) Executive Order 13412 of October 13, 2006 on Blocking Property and Prohibiting Transactions with the Government of Sudan, and
 - (E) Executive Order 13400 of April 26, 2006 on Blocking Property of Persons in Connection with the Conflict in Sudan's Darfur Region.
- (ii) Effective October 12, 2017, sections 1 and 2 of Executive Order 13067 and all of Executive Order 13412 have been revoked. However, the revocation of those sections will not affect OFAC enforcement investigations or actions associated with any apparent violations which occurred prior to October 12, 2017.

- (iii) The determination of Sudan as a State Sponsor of Terrorism was also rescinded on December 14, 2020. Accordingly, Sudan is no longer subject to prohibitions under the Terrorism List Governments Sanctions Regulations (31 C.F.R. 596 or section 906(a)(1) of the Trade Sanctions Reform and Export Enhancement Act of 2000 (22 USC. 7205)).
- (iv) Under Executive Order 13400, property and interests in property of the following persons are blocked:
 - (A) Sanctioned persons as listed in the Annex to Executive Order 13400 of April 26, 2006,
 - (B) Any person determined by the Secretary of the Treasury, after consultation with the Secretary of State:
 - (aa) To have constituted a threat to the peace process in Darfur,
 - (bb) To have constituted a threat to stability in Darfur and the Region,
 - (cc) To be responsible for conduct related to the conflict in Darfur that violates international law,
 - (dd) To be responsible for heinous conduct with respect to human life or limb related to the conflict in Darfur,
 - (ee) To have directly or indirectly supplied, sold, or transferred arms or any related materiel or any assistance, advice, or training related to military activities to the Government of Sudan, the Sudan Liberational Movement/Army, the Justice and Equality Movement, the Janjaweed or any person operating in the states of North Darfur, South Darfur or West Darfur that is a belligerent, a nongovernmental entity or an individual,
 - (ff) To have materially assisted or sponsored activities listed above, or
 - (gg) to be owned or controlled by, or to have acted on behalf of any person whose property and interests in property are blocked pursuant to Executive Order 13400.
- (v) Executive Order 14098 further sets out prohibitions on transactions with any foreign person determined by the Secretary of the Treasury, in consultation with the Secretary of State:

- (A) To be responsible for, or complicit in, or to have directly or indirectly engaged or attempted to engage in any of the following:
 - (aa) Actions or policies that threaten the peace, security, or stability of Sudan,
 - (bb) Actions or policies that obstruct, undermine, delay, or impede, or pose a significant risk of obstructing, undermining, delaying, or impeding, the formation or operation of a civilian transitional government, Sudan's transition to democracy, or a future democratically elected government,
 - (cc) Actions or policies that have the purpose or effect of undermining democratic processes or institutions in Sudan,
 - (dd) Censorship or other actions or policies that prohibit, limit, or penalize the exercise of freedoms of expression, association, or peaceful assembly by individuals in Sudan, or that limit access to free and independent news or information in or with respect to Sudan,
 - (ee) Corruption, including bribery, misappropriation of state assets, and interference with public processes such as government oversight of parastatal budgets and revenues for personal benefit,
 - (ff) Serious human rights abuse, including serious human rights abuse related to political repression, in or with respect to Sudan,
 - (gg) The targeting of women, children, or any other civilians through the commission of acts of violence that would constitute a serious abuse or violation of human rights or a violation of international humanitarian law,
 - (hh) The obstruction of the activities of United Nations missions—including peacekeeping missions, as well as diplomatic or humanitarian missions—in Sudan, or of the delivery of, distribution of, or access to humanitarian assistance, or
 - (ii) Attacks against United Nations missions, including peacekeeping operations,

- (B) To be or have been a leader, official, senior executive officer, or member of the board of directors of any entity:
 - (aa) that has members which have engaged in any activity described above, or
 - (bb) whose property and interests in property are blocked pursuant to Executive Order 14098 relating to the tenure of such leader, official, senior executive officer, or member of the board of directors,
- (C) To be a spouse or adult child of any person whose property and interests in property are blocked pursuant to Executive Order 14098,
- (D) To have materially assisted, sponsored or provided support for any activity described above or to any person who is otherwise blocked pursuant to Executive Order 14098, or
- (E) to be owned or controlled by, or to have acted on behalf of any person whose property and interests in property are blocked pursuant to Executive Order 14098.

(j) *United Arab Emirates*

- (i) The United States do not maintain comprehensive sanctions against the UAE or any sanctions that are territorial in nature and that apply to the UAE as a country.
- (ii) Pursuant to Executive Order 13846 of August 6, 2018, reinstituting sanctions against Iran, OFAC has sanctioned numerous UAE entities deemed to have supported the Government of Iran's purchase or acquisition of U.S. bank notes or precious metals; certain Iranian persons; and Iran's energy, shipping, and shipbuilding sectors and port operators. These have included scores of UAE entities operating within the energy, shipping and shipbuilding sectors.
- (iii) Since Russia's war against Ukraine began in 2022, the U.S. has also imposed sanctions on hundreds of UAE individuals and entities which, pursuant to Executive Order 14024, were deemed to have further specified harmful foreign activities of Russia.
- (iv) Other individuals and entities domiciled or registered in the UAE have been variously designated on, among others, OFAC's SDN list under the Syria, Sudan, DRC, North Korean as well as the Global Terrorism Sanctions regimes.

6.6 Analysis

(a) *US primary sanctions*

As mentioned in Section 6.4(b) above, the US nexuses of the Group during the Track Record Period and up to the Latest Practicable Date included SANY America and the USD payments – both received and made – from/to various counterparties, but especially those in Relevant Countries. Since SANY America only engages in the assembly and sales of the Group's products within the United States and Canada, and the Group has confirmed that none of its customers in the United States and Canada is a Sanctioned Target, there should be no primary sanctions risks associated with such activities. Thus, for purposes of US primary sanctions analysis, we will focus on US primary sanctions targeting the Relevant Countries.

(i) Relevant Activities involving Relevant Countries

During the Track Record Period and up to the Latest Practicable Date, the Group conducted annual USD sales of various types of products to hundreds of customers located in the Relevant Countries. Subject to the limitations set out in Annex I to this memorandum, we have screened all customers who are located in the Relevant Countries during the Track Record Period using a reputable reliable third party screening tool against the sanctions lists maintained by the Relevant Jurisdictions. None of the customers screened is an SDN or appears to be owned 50% or more by an SDN. The Company has also confirmed, relying on its own sanctions screening and other compliance measures, that none of the Group's USD customers in the Relevant Countries during the Track Record Period and up to the Latest Practicable Date is an SDN or appears to be owned 50% or more by an SDN. Accordingly, the Group's transactions with these customers located in the Relevant Countries should not have triggered relevant primary US sanctions restrictions.

(ii) Relevant Activities involving other countries

During the Track Record Period and up to the Latest Practicable Date, the Group also conducted sales denominated in USD to customers located in countries other than the Relevant Countries. We have screened a selected group of these USD customers (i.e., customers with which the Group conducted annual sales exceeding USD 1 million), including those located in Turkey, Italy, India, Australia, South Korea, Saudi Arabia, the Philippines, Argentina, Bahrain, Kazakhstan, Qatar, Oman, Ghana, Chile, the Netherlands and Brazil during the Track Record Period. Moreover, we have also screened the Group's top 50 customers and top 50 suppliers worldwide by revenue (in

2024). Our screening has not identified any customer or supplier who is an SDN or is owned 50% or more by an SDN. The Company has also confirmed, relying on its own sanctions screening and other compliance measures, that none of the Group's USD customers in countries and regions other than the Relevant Countries during the Track Record Period and up to the Latest Practicable Date is an SDN or appears to be owned 50% or more by an SDN. Accordingly, the Group's transactions with these USD customers should not have triggered relevant primary US sanctions restrictions.

(iii) Military business and customers

We understand, based on the Group's confirmation and our due diligence on the nature of the business, that the Group's historical military-related business conducted prior to and during the Track Record Period did not involve any US person, use of USD or other US nexus. US primary sanctions would therefore not prima facie apply to the Group in connection with such military-related business. The military-related business thus should not give rise to US primary sanctions risks.

(iv) Indirect sales to end users

Some of the Group's customers are distributors, who resold Group's products to end users located in the same country as such distributors. The Group is unable to obtain identifying information of all end users and therefore cannot verify the sanctions status of all end users. However, the Group takes sanctions compliance seriously and has implemented the following adequate measures aiming to ensure that the distributors do not sell the Group's products to sanctioned end users.

(A) The Group's General Export Controls and Sanctions Policies (the "**Policies**") provide that unless otherwise licensed or authorized, the Group will not engage in any business activities with any countries/regions, parties (including end users), industries or projects that are subject to international sanctions restrictions. The Policies prescribe sanctions screening against all counterparties (manual screening using public search engines or screening using professional providers such as Dow Jones) before entering into any new business or purchase order. For ongoing counterparties, the Policies require the sales team to rescreen (at least annually) the counterparty to check for any changes in the sanctions status.

- (B) For all sales activities, before entering into a sales contract with a potential customer (including a distributor), the responsible sales personnel shall (among other things) request the potential customer and other third-parties to sign a letter of commitment regarding sanctions and export controls compliance. The template commitment letter appended to the Policies includes a covenant by the customer/distributor that it "will not knowingly sell, supply, or ship any [SANY products] to restricted countries/regions, industries, projects, or parties." The restricted end users include entities and persons listed on relevant sanctions or export control lists, including but not limited to the SDN List and BIS Entity List, as well as any entity or person of which the distributor knows is acting for or on behalf of the listed entities and persons. The Group has confirmed that all customers and distributors (including all distributors in Russia) have signed the commitment letter.
- (C) The Legal Department of the Group is responsible for implementing the Policies and has the power to reject transactions potentially involving end users with sanctions concerns. For example, the Legal Department recently flagged that the UAE, Turkey and Hong Kong were key regions used for potential sanctions evasion resales to Russia. When the sales teams had information that the end users were in the above-mentioned sensitive jurisdictions, the Legal Department required all potential customers from these jurisdictions to provide information about the end users. If an end user did not meet the compliance requirements in the Policies, the Legal Department rejected the sales. Moreover, when a major UAE customer once indicated that it would like to make large-scale sales to Russia but did not commit to the Group to provide information about the end users, the Group rejected the entire transaction following the Legal Department's advice. In relation to Russia, the Legal Department has requested the sales teams to periodically rescreen all known end users for sanctions risks.
- (D) The Policies also contain sample clauses regarding sanctions and export control compliance to be incorporated in all contracts entered into by the Group. The clauses include covenant by the counterparty to comply with all applicable sanctions and export control laws, representations that the counterparty is not in violation of any applicable sanctions and export control laws, as well as relevant indemnities and termination clauses. As with the commitment letter

required under the Policies, this serves as another deterrent to the distributors from selling to sanctioned end users.

(E) The Group has appointed a Chief Compliance Officer ("**CCO**") with relevant experience and expertise in sanctions and export controls compliance. Supported by the Legal Department, the CCO is in charge of overseeing the implementation of the Policies and all relevant sanctions and export controls compliance measures, and reports directly to the Group's Board and management.

(v) On the basis of the foregoing, our assessment is that the Group did not engage in Primary Sanctioned Activity during the Track Record Period and up to the Latest Practicable Date.

(b) *US secondary sanctions*

(i) US secondary sanctions under the various regimes mainly authorize sanctions on non-US persons who engage in certain material or significant transactions with SDNs or blocked persons (entities owned 50% or more by SDNs). Entities owned less than 50% by one or more SDNs are not subject to the same blocking sanctions. None of the Screened Parties during the Track Record Period is named on the SDN List and our screening does not indicate that any of the Screened Parties is 50% or more owned by any SDN. The Company has also confirmed, relying on its own sanctions screening and other compliance measures, that none of the Group's customers and suppliers during the Track Record Period and up to the Latest Practicable Date is an SDN or appears to be owned 50% or more by an SDN. As such, the Group has not engaged in Secondary Sanctionable Activity with respect to dealing with Sanctioned Targets.

(ii) The Group's historical military-related business should not give rise to US secondary sanctions risks, because the Group has confirmed that such business did not involve any SDNs or entities owned 50% or more by one or more SDNs. Moreover, the Group has ceased all military-related business and has no plan to resume such business in the future.

(iii) During the Track Record Period and up to the Latest Practicable Date, the Group used local banks in Russia and the UAE (among all Relevant Countries) to process payments in these jurisdictions. Payment settlements involving these banks were conducted partly by wire transfers and partly by letters of credit. As sanctions targeting Russia continuously increased, some of the banks used by the Group in Russia became gradually sanctioned during the

Track Record Period. However, as confirmed by the Group as well as our due diligence – (i) the Group's compliance ensured that it has ceased all transactions with Sanctioned Target banks immediately upon or even before the imposition of sanctions and (ii) none of the banks currently utilized by the Group is a Sanctioned Target. The Group's transactions with local banks in the Relevant Countries thus should not give rise to US secondary sanctions risks.

- (iv) As the Group has been unable to verify the identities and sanctions status of all end users, there remains the risk that the Group's products may, without the Group's knowledge or consent, be onsold to sanctioned end users. Nevertheless, given the Policies and the Group's compliance measures with respect to its end users as described in (a)(iii) above, any risk that the Group's indirect sales to sanctioned end users would contravene US secondary sanctions and trigger OFAC enforcement actions is remote. Indeed, our screening of all 13 customers to whom one of the Group's key Russia-based distributors, PALFINGER SANY CRANES LLC, sold the Group's products during the Track Record Period did not reveal any sanctions hits.
- (v) Furthermore, OFAC's Determination Pursuant to Section 1(a)(i) of Executive Order 14024 dated May 19, 2023 authorizes economic sanctions on any person determined by the US government to operate or have operated in the architecture, engineering, construction, manufacturing, and transportation sectors of the Russian economy. OFAC Frequently Asked Question ("FAQ") 1126 gives examples of activities that may be deemed fall within these sectors as follows:
 - (A) Architecture sector: The term architecture sector of the Russian Federation economy includes activities such as advising; pre-designing; designing; preparing sketches, reports, studies, assessments, site plans, working drawings, specifications, cost estimates, as-built drawings, or other materials; contract administration; site selection; and inspections concerning architectural and related matters involving the Russian Federation. Such activities may be related to the following types of projects, e.g., residential, institutional, leisure, commercial, and industrial buildings and structures; recreational areas; transportation infrastructure; land subdivisions; urban planning; landscape architecture; and not necessarily relate to a new construction project. The term additionally includes any related activities, including the provision or receipt of goods, services, or

technology to, from, or involving the architecture sector of the Russian Federation economy.

- (B) Engineering sector: The term engineering sector of the Russian Federation economy includes activities such as advising; designing; recommending; consulting; constructing; installing, surveying; preparing studies, specifications, cost estimates, working drawings, process flow diagrams, arrangement drawings, or other materials; map making; planning; testing; analysis; and inspecting for engineering and related matters involving the Russian Federation. Such activities may be undertaken during any phase of an engineering project of any type and may not necessarily relate to a new construction or development project. The term additionally includes any related activities, including the provision or receipt of goods, services, or technology to, from, or involving the engineering sector of the Russian Federation economy.
- (C) Construction sector: The term construction sector of the Russian Federation economy includes activities such as the production, procurement, devising, framing, design, testing, financing, distribution, or transport involving the Russian Federation, of goods, services, or technology to fabricate, shape, alter, maintain, or form any buildings or structures, including the on-site development, assembly, or construction of residential, commercial, or institutional buildings, or of transportation infrastructure, in the Russian Federation; and any related activities, including the provision or receipt of goods, services, or technology to, from, or involving the construction sector of the Russian Federation economy.
- (D) Manufacturing sector: The term manufacturing sector of the Russian Federation economy includes activities such as the creation, modification, repair, testing, or financing, of goods by manual labor or machinery involving the Russian Federation and any related activities, including the provision or receipt of goods, services, or technology to, from, or involving the manufacturing sector of the Russian Federation economy.
- (E) Transportation sector: The term transportation sector of the Russian Federation economy includes activities such as the production, manufacturing, testing, financing, distribution or transport to, from, or involving the Russian Federation of any mode of transport or any goods, services, or technology for the movement or conveyance of persons or

property and the loading, unloading, or storage incidental to the movement of such persons or property; and any related activities, including the provision or receipt of goods, services, or technology to, from, or involving the transportation sector of the Russian Federation economy.

- (vi) We understand from the Group that its products sold to the Russian customers (directly or indirectly through its Russian subsidiaries) during the Track Record Period and up to the Latest Practicable Date included excavators, drilling rigs, pumps, mining vehicles, road rollers, fuel loaders, concrete mixing stations, demolition machines, asphalt mixing equipment, graders, pavers, milling machine, tower cranes, engines, tunnelling machine, electric forklifts and various types of cranes and loaders. Such machinery and equipment are utilized in the construction sector. Based on OFAC's broad interpretation of the various sectors, including the catch-all phrase of "any related activities, including the provision or receipt of goods, services, or technology to, from, or involving" the relevant sectors of the Russian economy, the Group and/or its Russian subsidiaries may potentially be deemed to be operating in the construction sector of the Russian economy and therefore risk sanctions by OFAC.
- (vii) We further analyzed whether the Group and/or its Russian subsidiaries may also be deemed to be operating in the other targeted sectors – specifically, engineering and/or transportation sector. Based on OFAC's own explanations and guidance, entities designated by OFAC for operating in the engineering sector are mainly companies that provide engineering services (in most cases related to oil and gas explanation), whereas entities designated by OFAC for operating in the transportation sector are mainly logistics companies providing freight transportation services in Russia. The Group does not appear to fall within either category. Our analysis will therefore focus on the construction sector of the Russian economy.
- (viii) According to the Guide, operating in the construction sector of the Russian economy may result in sanctions by OFAC and therefore fit into the definition of "Secondary Sanctionable Activity." However, the risk that the Relevant Activities would result in the imposition of secondary sanctions on the Relevant Persons is remote, mainly for the following reasons:
 - (A) The Group does not appear to have any manufacturing sites in Russia. It only conducts sales of machinery and equipment manufactured in China into Russia. Such limited business operations in Russia further

reduce the Group's risk of being subject to OFAC sanctions. Specifically, not having local manufacturing facilities reduces the Group's contribution to the Russian economy (through tax, employment or otherwise). Compared to businesses operating local manufacturing facilities in Russia, companies that simply sell products to Russian customers (such as the Group) have reduced touchpoints with the local economy (i.e., less contact with local suppliers, logistics providers, banks, insurance companies, government agencies and other business service providers).

- (B) By limiting its touchpoints with the Russian economy, the Group further reduces the possibility of inadvertently transacting with SDNs. In particular, the Group's current Russian business (including both the Group's Russian subsidiaries, its joint venture business and direct sales from China to Russian customers) involves limited exposure to third-party Russian service providers, and the Group's enhanced sanctions compliance measures have ensured that the Group avoids dealing with any sanctioned Russian counterparties. By way of illustration, two of the Group's Russia-based distributors, Palfinger SANY and Putzmeister-Rus, are Group entities. Both of them are therefore subject to the Group's sanctions compliance policies, including end-user KYCs. Palfinger SANY is listed among the Group's top Russian customers for 2024. Our screening of its customers during the Track Record Period (some are end users of the Group's products) did not reveal any sanctions hits. For the avoidance of doubt, we have screened all of the Group's Russian customers during the Track Record Period and identified no sanctions hits.
- (C) We are not aware of any non-Russia-controlled companies being designated as SDNs for operating in the construction sector of the Russian economy. OFAC has provided some limited guidance on what the term "construction sector" entails but has yet to issue clear guidance on when an entity would be viewed as operating in "certain sectors" of the Russian economy that are subject to sanctions. That said, OFAC's past enforcement actions under this sanctions authority provide hints on the type of companies and activities that could result in a company being sanctioned for operating in the construction sector of the Russian economy. Specifically, companies that have been designated as SDNs for operating in the construction sector include the following:

- (aa) A Russian civil engineering and construction company active in construction projects located in Moscow;
- (bb) Russian construction and engineering companies that construct motorways and related infrastructure, buildings, roads and highways, and civil engineering works;
- (cc) Russian construction companies involved in industrial, transportation and commercial building construction projects;
- (dd) Russian construction companies involved in energy-related construction projects;
- (ee) A Russian company involved in construction activities and which has represented the Government of Moscow for 20 years on issues involving the creation, development, and management of the Moscow International Business Center; and
- (ff) A Russian construction company that specializes in the design and construction of production facilities and cleanrooms for the electronics industry.

As illustrated above, all past OFAC enforcement actions targeting the Russian construction sector were targeting Russian local construction companies. This strongly suggests that OFAC's enforcement priority and regulatory intent behind the relevant sectoral sanctions is to focus on Russian local construction companies that are key to Russian infrastructure, energy and civil engineering works. The Group and the Group's Russian subsidiaries are not Russian local construction companies and would therefore face a remote risk of being subject to OFAC sanctions for operating in the Russian construction sector.

- (D) The Group's Russian business accounted for less than 7% of the Group's annual global sales revenue. The Group is therefore less likely to be deemed by OFAC as operating in any sector of the Russian economy and/or contributing to Russia's war economy.
- (E) Appreciating that Russia is a high-risk jurisdiction, the Group has implemented various sanctions compliance measures, including sanctions screening, to avoid dealing with any Sanctioned Targets.
- (F) Operating in an identified sector seems less likely to result in the imposition of sanctions than engaging in prohibited transactions with

an SDN. While the identified sectors are broadly defined, the sector-based sanctions are not as widely invoked as those targeting transactions with SDNs. The sanctions imposed on persons deemed to operate in an identified sector include not only SDN designations but also non-SDN sanctions such as designations on the Non-SDN Menu-Based Sanctions List. Such differences suggest that the US regulators deem the act of operating in an identified sector less egregious than dealing with an SDN.

(G) OFAC through various FAQs explained that the identification of a sector does not automatically block all persons operating in that sector of the Russian economy. The US regulator would have to make individual designations based on various criteria, including the overall objectives of the specific sanctions regime. Only persons designated on the SDN List and entities owned 50% or more (individually or in the aggregate, directly or indirectly) by one or more such listed persons are subject to blocking sanctions. During the Track Record Period and up to the Latest Practicable Date, none of the Group entities has been so designated.

(ix) While the risk that the Relevant Activities would result in the imposition of secondary sanctions on the Relevant Persons is remote at present, considering the sheer number of Russian companies and banks subject to international sanctions and the Group's business scale in Russia, the Group's Russian business will continuously expose the Group to compliance challenges going forward. That said, with enhanced sanctions compliance measures including ongoing screening and monitoring of Russian counterparties and sanctions compliance-focused audit as recommended herein, and the potential geo-political developments discussed above, maintaining the Group's current business operations in Russia would unlikely create increased US secondary sanctions risks.

(x) On the basis of the foregoing, our assessment is that the Group have not engaged in Secondary Sanctionable Activity with respect to dealing with Sanctioned Targets. While the Group may be potentially operating in the construction sector of the Russian economy, which may be deemed Secondary Sanctionable Activity, the risk that the Relevant Activities would result in the imposition of secondary sanctions on the Relevant Persons is remote.

(c) *Other US measures*

For completeness and transparency, among the Group's top 50 suppliers in 2024, one entity has been placed on the Section 1260H List on January 6, 2025. However, as discussed in 6.2(h)(ii) above, the listing does not itself impose any sanctions or prohibitions for the listed entities and thus does not restrict the Group from transacting with the listed supplier or create a sanctionable exposure therefrom. The listed supplier is therefore not a Sanctioned Target as the term is defined in the Guide. Moreover, the Group is closely monitoring the sanctions status of this supplier and will implement necessary changes to its contractual relationship with such supplier, including immediate discontinuation of the contractual relationship, upon any sanctions escalation with respect to such supplier. 6.2(h)(ii)

6.7 US Export/Re-Export Controls

(a) Overview

- (i) Unlike US economic sanctions that apply based on the persons involved, US export controls apply based on the products involved. Any item that is sent from the US to a foreign destination is an export. "Items" include commodities, software or technology, circuit boards, blueprints, design plans, retail software packages and technical information. The method by which an item is exported does not matter in determining export license requirements. For example, an item can be sent by regular mail, hand-carried on an airplane, or 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.
- (ii) The US Department of Commerce, Bureau of Industry and Security ("**BIS**") regulates exports of commercial and dual-use products, and software and technology. These controls are authorized by the Export Administration Act of 1979, as amended and extended, and implemented by the Export Administration Regulations ("**EAR**").
- (iii) The EAR applies to exports of commodities, software and technical data from the US to foreign countries, and to re-exports from one foreign country to another. The EAR may require a license for the exports, re-exports, and in-country transfers of certain US-origin content as well as foreign-made products incorporating US-origin content, depending on (A) what the U.S.-origin content is (i.e., judging by the Export Control Classification Number ("**ECCN**")), (B) what the end product/use is (with much more stringent regulation of items with military capabilities), (C) who the end user is (certain end users are subject to specified restrictions imposed by the BIS), and (D) the ultimate destination of the U.S.-origin content or the foreign-made products (specific rules are prescribed based on the Country Groups in

Supplement No. 1 to Part 740, Title 15 of the Code of Federal Regulations). For foreign-made products that incorporate US-origin content subject to the EAR, BIS allows them to be exempted from the EAR if such products incorporate less than the *de minimis* level of US content (the "***de minimis* rule**"). The *de minimis* threshold is 25% or 10%, depending on the country of ultimate destination.

- (iv) The BIS administers various lists of parties of concern. Various export restrictions apply to the exports, re-exports, and transfers within a foreign country to entities designated on the lists. The main BIS lists include the following:
 - (A) Denied Persons List: a list of individuals and entities that have been denied export privileges. Any dealings with a party on this list that would violate the terms of its denial order are prohibited (15 CFR 764.3(a)(2)).
 - (B) Entity List: a list of foreign parties that are prohibited from receiving some or all items subject to the EAR unless the exporter secures a license, usually subject to a policy of denial. In most instances, license exceptions are unavailable for the export, re-export, or transfer (in-country) to a party on the Entity List of items subject to the EAR.
 - (C) Unverified List: a list of parties whose bona fides BIS has been unable to verify. No license exceptions may be used for exports, re-exports, or transfers (in-country) to Unverified parties. A statement must be obtained from such parties prior to shipping items not subject to a license requirement (15 CFR 744.15).
 - (D) Military End User List: a list of foreign parties identified in Supplement No. 7 to Part 744 that are prohibited from receiving items described in Supplement No. 2 of Part 744 of the EAR unless the exporter secures a license. 15 CFR 744.21 defines "military end user" to mean the national armed services (army, navy, marine, air force, or coast guard), as well as the national guard and national police, government intelligence or reconnaissance organizations (excluding those subject to restrictions under 15 CFR 744.22(f)(2)), or any person or entity whose actions or functions are intended to support "military end uses." 15 CFR 744.21(f) defines "military end use" to mean incorporation into a military item described on the U.S. Munitions List ("**USML**"); incorporation into items classified under ECCNs ending in "A018" or under "600 series" ECCNs; or any item that supports or contributes to

the operation, installation, maintenance, repair, overhaul, refurbishing, development, or production, of military items described on the USML, or items classified under ECCNs ending in "A018" or under "600 series" ECCNs. BIS has noted that the Military End User List is not an exhaustive listing of all "military end users" in China (and certain other countries) and any end user meeting the definition of "military end user" would be subject to the same licensing requirement.¹ Exporters, re-exporters, or transferors must therefore conduct their own due diligence to determine if their end users are "military end users."

(b) *Analysis*

- (i) We have not undertaken an independent analysis of the Group's products against US export controls (including ECCN classification of the Group's products and/or US-origin parts incorporated therein) because the Group routinely conducts such analysis and shared relevant confirmations with us. Our analysis therefore relies on information provided by the Group in relation to its products. The Group has confirmed that:
 - (A) Some of its products incorporate US-origin items classified as 9A990 (diesel engines not elsewhere specified, and tractors and "specially designed" "parts" and "components" therefor, not elsewhere specified), which are used in diesel engines for trucks, tractors and cars. The value of such US-controlled items is less than 5% in all types of engines that incorporate such items.
 - (B) The Group once procured from a Chinese supplier certain remote controls to be used for certain pump trucks. The Chinese supplier indicated to the Group that the remote controls may have contained US-origin integrated circuits classified as 3A991 (electronic devices and components not controlled by 3A001). The value of such US-controlled items is minimal (i.e., RMB 24.2). Moreover, such devices do not have a processing speed of 5GFLOPS or more nor an arithmetic logic unit with an access width of 32 bit or more and are thus not subject to additional license requirements.
 - (C) The Group's products do not incorporate other items subject to US export controls, nor are the Group's products subject to any EAR foreign direct product rules.

¹ See Note 1 to paragraphs (a)(1) and (2) of 15 CFR 744.21.

- (ii) The 3A991 integrated circuits were incorporated into a foreign-made discrete product (i.e., the remote control), which was then incorporated by the Group into its pump trucks. In such a case, the "second incorporation principle" applies, which provides that US-origin components that are incorporated into a foreign-made discrete product will not be counted in *de minimis* calculations. Accordingly, the 3A991 integrated circuits should not be counted in *de minimis* calculation. Given that these pump trucks do not incorporate other controlled US-origin items, they are not subject to the EAR and the Group is thus not restricted by US export controls from supplying these trucks to customers located in China or the Relevant Countries (including Russia).
- (iii) 9A990 is controlled solely for anti-terrorist reasons and therefore do not require a license for export to China and other countries (except for Russia and the Sanctioned Countries). It is thus not "controlled" US-origin content for purposes of sales to China and other countries (except for Russia and the Sanctioned Countries) and should not be counted for purposes of the *de minimis* calculation when destined to China and other countries except for Russia and the Sanctioned Countries. Accordingly, the Group's products incorporating 9A990 (i.e., diesel engines for trucks, tractors and cars) should not be subject to the EAR and the Group is thus not restricted by US export controls from supplying these trucks to customers located in China and other countries (except for Russia and the Sanctioned Countries).
- (iv) As for Russia, 9A990 would require a license and therefore should be counted for *de minimis* calculation. That said, given that the level of 9A990 in the Group's products is far below the 25% threshold applicable to Russia with respect to 9A990, these Group products are not subject to the EAR and thus do not require a BIS license to be exported to Russia,
- (v) The Group's historical military-related business prior to and during the Track Record Period may directly or indirectly implicate certain U.S. export controls (e.g., by having counterparties on the Entity List and/or being subject to export license requirements imposed on certain "military end users"). However, relying on the Group's export control analysis and confirmation, we understand that the Group did not procure or supply to its counterparties items subject to U.S. export controls in violation of applicable export control regulations.
- (vi) On the basis of the Group's confirmation and relevant due diligence conducted, our assessment is that US export/re-export controls do not apply to the Group's products sold during the Track Record Period and up to the Latest

Practicable Date. The Group's historical military-related business did not violate US export controls.

7. UN Sanctions and Export Controls

7.1 Overview of UN sanctions regime

- (a) The UN Security Council can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter.
- (b) UN Security Council sanctions have taken a number of different forms and have measures ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.
- (c) As of date of this memorandum, there are 15 ongoing UN sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counterterrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the Security Council.
- (d) UN Security Council Resolutions are binding upon UN member states but are not enforceable against private parties. UN member states are therefore required to implement UN sanctions. The domestic laws of UN member states will determine how sanctions imposed by the UN Security Council are implemented and enforced against private parties.

7.2 UN Sanctions Targeting the Relevant Countries

(a) *Afghanistan*

The UN has maintained an active program of sanctions against Afghanistan since its adoption of Security Council Resolution 1267 of 1999, which sought to compel the Taliban to cease providing sanctuary and training to terrorists by imposing limited air and financial embargoes. Subsequently, the UN has imposed targeted measures against entities and individuals associated with the Taliban and Al-Qaida and designated anyone associated with the Taliban in a way which constitutes "a threat to the peace, stability and security of Afghanistan" (Resolution 2255 of 2015).

(b) *Democratic Republic of the Congo*

In 2003, pursuant to UN Security Council Resolution 1493, the UN imposed sanctions on the DRC in response to hostilities in the eastern DRC arising and developing out of the First and Second Congo wars. The UN imposed an arms embargo, assets

freeze and travel ban on entities and individuals deemed to have engaged in or provided support for acts undermining the peace, stability or security of the DRC.

(c) *Haiti*

In 2022, pursuant to UN Security Council Resolution 2653, the UN imposed targeted sanctions on entities and individuals responsible for or complicit in actions that threaten the peace, security or stability of Haiti. The sanctions regime encompasses a targeted arms embargo, travel ban and assets freeze. Resolution 2653 designated entities and individuals who had, among other things, (i) engaged in supporting criminal activities and violence involving armed groups and criminal networks that promote violence; (ii) supported illicit trafficking and diversion of arms and related materiel; (iii) acted in violation of the arms embargo; or (iv) committed or planned to commit violations of international human rights.

(d) *Lebanon*

UN Security Council Resolution 1636 of 2005 established a limited sanctions regime concerning Lebanon, following a terrorist bombing in Beirut that killed 23 people including former Lebanese Prime Minister Rafiq Hariri. The regime established a committee whose remit was to designate individuals suspected of involvement in the bombing to a travel ban and assets freeze. The mandate of the commission ended in 2009 and no individuals are currently designated under the regime.

(e) *Libya*

In 2011, pursuant to UN Security Council Resolution 1970, the UN imposed sanctions on Libya in response to the violence and use of armed force against civilians in Libya and the systemic violations of human rights by the former Qadhafi regime. The UN imposed an arms embargo, required UN member states to inspect vessels and aircraft suspected of transporting such goods, established a travel ban and asset freezes against certain individuals.

(f) *Myanmar*

Myanmar is not the subject of any UN sanctions.

(g) *Nicaragua*

Nicaragua is not the subject of any UN sanctions.

(h) *Russia*

Russia is not the subject of any UN sanctions.

(i) *South Sudan*

The UN has maintained an active sanctions program against South Sudan since an outbreak of conflict between the Government of the Republic of South Sudan and opposition forces in December 2013. The UN first imposed an arms embargo, travel ban and assets freeze in March 2015, pursuant to Security Council Resolution 2208, on entities and individuals it deemed to be complicity in actions or policies threatening the peace, security or stability of South Sudan. Subsequent UN resolutions have set out and expanded the designation criteria, sanctioning individuals who, among other things, have engaged in (i) actions or policies that have the purpose or effect of expanding or extending the conflict in South Sudan; (ii) committing acts in violation of human rights law; (iii) the targeting of civilians through violence, abduction, enforced disappearance and attacks on schools, hospitals, religious sites or locations where civilians are seeking refuge; and (iv) the use or recruitment of children by armed groups or forced.

(j) *Sudan*

The UN first sanctioned Sudan in July 2004, imposing an arms embargo on non-governmental entities and individuals operating in Darfur in response to violence and violations of international humanitarian law taking place in the region. UN Security Council Resolution 1591 of 2005 further expanded the arms embargo and imposed a travel ban and asset freeze on designated entities and individuals deemed to have, among other things, (i) impeded the peace process; (ii) constituted a threat to stability in Darfur; (iii) committed violations of international humanitarian or human rights law; or (iv) violated the arms embargo.

(k) *United Arab Emirates*

The UAE is not the subject of any UN sanctions.

7.3 **Analysis**

On the basis of our due diligence process and review of the information provided by the Group, together with the Group's confirmation that:

- (a) Neither the Company nor any of its directors, officers, or, to the best knowledge of the Company, affiliates, agents or employees, is engaged in transactions that, directly or indirectly, involve or benefit a person on the UN sanctions list; and
- (b) All of the Group's business in relation to the Relevant Countries do not involve products subject to UN export controls,

our assessment is that the Relevant Activities in respect of the Relevant Countries during the Track Record Period and up to the Latest Practicable Date are not subject to material risk under existing UN sanctions.

8. EU Sanctions and Export Controls

8.1 Overview of EU sanctions regime

- (a) The EU has nearly fifty different sanctions regimes in place. The EU implements all sanctions adopted by the UN Security Council. The EU may also reinforce UN sanctions by applying measures in addition to those imposed by the UN Security Council and/or impose sanctions on its own initiative.
- (b) EU sanctions may target governments of non-EU countries, as well as companies, groups, organisations, or individuals through any of the following measures:
 - (i) Arms embargoes;
 - (ii) Restrictions on admission of listed persons (travel ban): targeted persons cannot enter the EU or travel beyond their member state of nationality if they are an EU citizen;
 - (iii) Freezing of assets belonging to listed persons or entities: all their assets in the EU are frozen and EU persons and entities cannot make any funds and/or economic resources available to those listed; and/or
 - (iv) Financial sanctions or restrictions concerning specific sectors of economic activity, including but not limited to import or export bans on certain goods, investment bans, and prohibitions on supplying certain services.
- (c) EU sanctions focus on freezing the assets and economic resources of certain designated persons or entities. The sanctions provide that:
 - (i) All funds and economic resources belonging to, owned, held, or controlled by any designated person or entity are to be frozen;
 - (ii) No funds or economic resources shall be made available, directly or indirectly, to or for the benefit of, any designated person or entity; and/or
 - (iii) The participation, knowingly and intentionally, in activities the object or effect of which is, directly or indirectly, to circumvent the measures referred to in subparagraphs (i) and (ii) above, shall be prohibited.

EU sanctions define "funds" and "economic resources" broadly: "funds" means financial assets and benefits of every kind, and "economic resources" means assets of every kind which are not funds, but which may be used to obtain funds, goods, or services.

- (d) The EU has issued guidelines which provide information on what is meant by "own" or "control" in the context of financial sanctions. "Owning" a person, entity, or body means being in possession of more than 50 per cent of the proprietary rights of an entity or having majority interest in it. A number of criteria are taken into account in assessing whether a legal person or entity is "controlled" by another person or entity, including but not limited to, holding a majority of voting rights, exercising a dominant influence, and/or sharing financial liabilities.
- (e) All EU sanctions apply:
 - (i) within the EU (including its airspace);
 - (ii) on board any aircraft or vessel under the jurisdiction of any EU member state;
 - (iii) to any EU national, regardless of where they are resident/located;
 - (iv) to any legal person, entity, or body which is incorporated/constituted under the laws of any EU member state, irrespective of their location, including unincorporated branches, but not entities incorporated outside the EU; and
 - (v) to any legal person, entity, or body in respect of any business done in the EU.
- (f) The EU generally does not utilize secondary sanctions which apply extraterritorially to parties without any nexus to the EU.
- (g) EU sanctions regulations typically include a standard of liability clause stating that an action by an individual or an entity does not give rise to liability if such person or entity did not know, and had no reasonable cause to suspect, that their actions would infringe EU sanctions.
- (h) EU sanctions are implemented through EU regulations, which are directly applicable in EU member states and do not require further implementing legislation on a national level (subject to paragraph (i) below).
- (i) Each member state sets its own penalties for breaches of EU sanctions. This is generally done by way of national legislation. In some EU member states national legislation creates criminal offences and may further elaborate on activities which will be regarded as contrary to EU regulations.

- (j) The EU Commission is responsible for ensuring that EU member states implement, and the regulations imposing, the relevant sanctions, but it does not take any enforcement action for individual breaches of EU sanctions. Any enforcement action for breach of EU sanctions is taken on a national level by specifically designated member state authorities.

8.2 Analysis

- (a) EU sanctions will have applied to any entity within the Group and/or any director or employee of the Group in respect of any business done by the Group in the EU.
- (b) During the Track Record Period and up to the Latest Practicable Date, the Group had several entities incorporated in Europe, including manufacturing facilities located in Germany which manufactured construction machinery, mobile harbor machinery and harbor cranes, concrete pumps and other equipment. The products manufactured in Germany are sold in Europe and the United States.
- (c) On the basis of our due diligence process and the Group's confirmation, none of the Group's customers in Europe and the United States is a Sanctioned Target. The Group's business activities involving EU parties (and with EU nexus) should therefore not give rise to a violation of EU sanctions.
- (d) On the other hand, the Group's business activities involving the Relevant Countries did not trigger the application of EU sanctions. While Putzmeister-Rus is a Russian subsidiary of Putzmeister (an EU company subject to the jurisdiction of EU sanctions), Putzmeister-Rus, as a Russia-incorporated entity, is not directly subject to the jurisdiction of EU sanctions. It also did not transact with EU-sanctioned parties during the Track Record Period and up to the Latest Practicable Date. Moreover, some of the Group's transactions involving the Relevant Countries were denominated in Euro. However, absent other EU nexus and EU-sanctioned parties, these Euro-denominated transactions would not trigger the application of EU sanctions.
- (e) On the basis of the foregoing, our assessment is that the Relevant Activities during the Track Record Period and up to the Latest Practicable Date are not subject to material risks under EU sanctions.

8.3 EU Export Controls

- (a) *Summary of EU Export Controls*
 - (i) EU export controls consist of a combination of EU-wide rules pursuant to EU legislation and national rules applied by individual EU member states. The

two main export control regimes in the EU are those concerning (i) dual-use export controls and (ii) military export controls.

(ii) The key EU dual-use export control legislation is Regulation (EU) No 2021/821 ("**EU Dual-Use Regulation**"), which controls:

- (A) 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);
- (B) the provision of technical assistance relating to controlled items; and
- (C) 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 by an EU person or entity from one non-EU country to another non-EU country, or by an EU or non-EU person or entity from one EU country to a non-EU country.

(iii) Annex I to the EU Dual-Use Regulation contains the main list of controlled items, which are determined pursuant to international frameworks to which the EU or its member states are party (including, the Wassenaar Arrangement, the Australia Group (chemical weapons), the Nuclear Suppliers Group and the Missile Technology Control Regime).

(iv) Unlike US export controls, EU export controls typically do not apply to reexports or transfers outside of the Union without any EU nexus (i.e., involvement of an EU person).

(v) EU export controls in relation to military items are controlled by each EU Member State. The EU does maintain a common military list setting out a list of military items subject to export controls. This list is adopted annually by the EU Council, pursuant to Council Common Position 2008/944/CFSP. However, this list is non-binding, and it is up to each Member State to legislate for and implement its own, national military export controls.

(b) *Analysis*

(i) During the Track Record Period and up to the Latest Practicable Date, the Group manufactured machinery and equipment locally in Germany. Based on our due diligence of the customer base, these products were sold in various jurisdictions including outside the EU.

- (ii) The Group has conducted relevant export control analysis, on the basis of which they confirmed that while parts and materials sourced locally for the manufacturing of machinery and equipment might be subject to German or EU export controls, the Group's sales of machinery and equipment manufactured in Germany were conducted in compliance with relevant German and EU export controls.
- (iii) The Group's German entities have also adopted export control-related policies and procedures, including compliance with main EU sanctions regulations and other related rules taking into account indirect and direct financial and sectoral sanctions. The policies and procedures apply to both employees and customers. The German entities have also conducted export control-related trainings, covering EU and German export control laws and laying down the procedural steps for employees to follow.
- (iv) Moreover, the Group has confirmed that construction machinery and equipment manufactured in Germany were not sold to high-risk sanctions jurisdictions, such as Russia, during the Track Record Period and up to the Latest Practicable Date.
- (v) On the basis of the Group's confirmation and relevant due diligence conducted, our assessment is that the Relevant Activities during the Track Record Period and up to the Latest Practicable Date do not give rise to material risks under EU export control regulations.

9. **UK Sanctions and Export Controls**

9.1 **Overview of UK Economic Sanctions**

(a) *Implementation of EU sanctions*

- (i) Before the UK left the EU on December 31, 2020, the UK implemented EU sanctions through EU regulations, which were directly applicable to the UK as an EU member state and did not require further implementing legislation on a national level. After December 31, 2020, EU law ceased to have effect in the UK. During the Track Record Period and up to the Latest Practicable Date, EU sanctions were binding and directly applicable in the UK for the period up to December 31, 2020, with specific UK measures having effect after that date.
- (ii) During the period of EU membership, the UK made statutory instruments (UK regulations) to impose penalties for breaches of EU regulations and obtain, provide, and use information relating to the operation of these regulations.

(b) *The UK's standalone sanctions regime*

- (i) As from 11 PM on December 31, 2020, the UK operates its autonomous sanctions regime following its exit from the EU, although most of the existing EU sanctions were in effect replicated into the UK legal system prior to that date so as to prepare for a "no deal Brexit". The power to introduce these unilateral measures was granted under the Sanctions and Anti-Money Laundering Act 2018 (the "**UK Sanctions Act**"). The extent to which UK and EU sanctions subsequently diverge will depend on policy decisions. In addition, the UK (as a stand-alone member of the UN) will be required to give effect to UN sanctions.
- (ii) The UK has established a new and standalone human rights sanctions regime. This is in force now and is distinct from any EU legislation. The UK currently only implements a global human rights sanctions regime through regulations under the UK Sanctions Act. The UK maintains a list of those persons who are designated under the UK's human rights sanctions regime.
- (iii) The UK also imposes autonomous terrorism and terrorist financing sanctions. These provide HM Treasury with powers to, *inter alia*, freeze the funds and economic resources of those suspected or believed to be involved in terrorist activities. It also restricts the making available of funds, financial services and economic resources to, or for the benefit of such persons. The targets of such sanctions are included on the UK's Consolidated List of sanctions targets (along with EU sanctions targets).

(c) *Regulation and enforcement*

- (i) The Office of Financial Sanctions Implementation ("**OFSI**"), which is part of HM Treasury, maintains two lists of those subject to financial sanctions:
 - (A) The "consolidated list" includes all designated persons subject to financial sanctions under EU and UK legislation, as well as those subject to UN sanctions which are implemented through EU regulations (the "**UK Consolidated List**"); and
 - (B) A separate list of entities subject to specific capital markets restrictions. These entities are not contained on the UK Consolidated List.
- (ii) OFSI also has the power to impose financial penalties on a party which breaches financial sanctions. In circumstances where the breach relates to particular funds or economic resources, the maximum fine will be linked to the amount of such funds and economic resources. The current permitted

maximum financial penalty is the greater of (a) £1,000,000 or (b) 50 per cent of the estimated value of the funds or resources.

(iii) OFSI will take into account various factors when deciding whether to impose a financial penalty, including *inter alia* the following:

- (A) Whether there has been direct provision of funds or economic resources to a designated person;
- (B) Whether there has been a deliberate circumvention of sanctions, whether the breach was negligent, or whether it was caused by a systems/controls failure;
- (C) The value of the breach;
- (D) Whether there have been repeated or persistent breaches; and/or
- (E) Whether the breach was reported to OFSI and the party's cooperation with OFSI.

(iv) Historically, UK and EU sanctions authorities have taken a less aggressive approach to enforcement than the US OFAC. Until earlier this year, OFSI's financial penalties for sanctions breaches have been relatively low. However, in February 2020, OFSI imposed a fine in excess of £20 million on Standard Chartered Bank, which was its first and only multi-million pound fine since its inception in 2016.

(d) *Application of UK sanctions*

(i) Under section 21 of the UK Sanctions Act, UK laws in respect of sanctions, both EU sanctions and autonomous sanctions ("**UK Sanctions**"), apply to:

- (A) Conduct in the UK or in UK territorial waters by any person, or
- (B) Conduct anywhere in the world, but only if the conduct is by a UK person, defined as a UK national or a UK legal entity established under UK law.

(ii) The legislation does not define what "conduct in the UK" comprises, neither does the statutory guidance. The OFSI has published guidance on monetary penalties for breaches of UK Sanctions. It advises that a UK nexus is a fact-specific enquiry and might be created by circumstances such as a UK company working overseas, transactions using clearing services in the UK, actions by a local subsidiary of a UK company (depending on the governance),

action taking place overseas but directed from within the UK, or financial products or insurance bought on UK markets but held or used overseas. It also advises that it will not artificially bring something within UK authority that does not clearly and naturally come under it.

- (iii) Critically, the OFSI has not published any guidance on whether merely exporting products from a third country to the UK, or to a UK person, without more, would bring a party within the jurisdiction of UK Sanctions. We are of the view that such conduct will likely not give rise to the jurisdiction of UK Sanctions.
- (iv) In regard to its Russian sanctions regime under the Russia (Sanctions) EU Exit Regulations 2019 ("**UK Russia Regulations**"), on July 31, 2024, the UK government enacted the Russia (Sanctions) (EU Exit) (Amendment) (No 3) Regulations 2024, which expanded the designation criteria for Sanctioned Targets under UK law to persons who provide financial services, or make available funds, economic resources, goods or technology to persons involved in obtaining a benefit from or supporting the Russian government. The expanded designated criteria, which allows the UK government to designate persons outside the UK's legal jurisdiction – particularly foreign financial institutions – that facilitate transactions on behalf of, or in support of, sectors of strategic significance to the Russian government specified in the UK Russia Regulations, including chemicals, construction, defence, electronics, energy, extractives, financial services, information, communication, and digital technologies, and transport, broadly aligns with US secondary sanctions under Executive Order 14114.

(e) *Analysis*

- (i) During the Track Record Period and up to the Latest Practicable Date, the Group recorded sales of its products to various UK customers. On the basis of our due diligence process and review of the information provided by the Group, together with the Group's confirmation that no Group entity undertakes activities in the UK's territory (other than selling to certain UK customers), we consider that UK Sanctions will unlikely prima facie apply to the Group.
- (ii) Therefore, our assessment is that the Relevant Activities during the Track Record Period and up to the Latest Practicable Date are not subject to material risks under UK sanctions.

9.2 Overview of UK Export Controls

Before the UK left the EU, it implemented the EU export control regimes. However, as of January 1, 2021, the UK export control framework is set out in the UK Strategic Export Control List, which are drawn from the Export Control Act 2002, the Export Control Order 2008, the Retained Firearms Regulation No. 258/2012 from the EU, the Retained Human Rights Regulation No. 125/2019 from the EU, the Export of Radioactive Sources (Control) Order 2006, and the Retained Dual-Use Regulation No. 428/2009 from the EU ("**UK Strategic Export Control List**").

(a) *Analysis*

- (i) During the Track Record Period and up to the Latest Practicable Date, the Group has confirmed that it did not export from the UK dual-use items subject to UK export license requirements or other export restrictions under UK export controls. The Group has further confirmed that none of its machinery and equipment sold during the Track Record Period and up to the Latest Practicable Date contained UK-origin controlled items. As such, we have not carried out further analysis of the Group's services and products against the relevant export control regulations (e.g., any assessment against the specific list of items controlled under the UK Strategic Export Control List). Based on the Group's confirmation, we do not consider that any UK export controls will apply to the Relevant Activities.
- (ii) Therefore, our assessment is that the Relevant Activities during the Track Record Period and up to the Latest Practicable Date are not subject to material risks under UK export control regulations.

10. Australian Sanctions and Export Controls

10.1 Overview

- (a) Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy. Australia's dual sanctions regime is administered by the Australian Sanctions Office ("**ASO**"), the Australian Government sanctions regulator, which sits within the Department of Foreign Affairs and Trade ("**DFAT**").
- (b) The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to:
 - (i) any person in Australia;

- (ii) any Australian anywhere in the world;
 - (iii) activities in Australia;
 - (iv) companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or
 - (v) any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.
- (c) The ASO maintains the Consolidated List of all persons and entities designated for the purposes of sanctions regimes implemented under Australian sanction laws.
- (d) A criminal offence is committed if an individual or a body corporate to whom Australian sanctions measures apply, engages in conduct and the conduct contravenes a sanctions law.
- (e) The Australian autonomous sanctions regimes are primarily implemented under the *Act Autonomous Sanctions 2011* (Cth) (the "**Act**") and the *Autonomous Sanctions Regulations 2011* (Cth) (the "**Regulations**").
- (f) The Act prohibits a person from engaging in conduct that is in breach of the sanctions laws.
- (g) Part 3 of the Regulations specifies that section 15.1 of the *Criminal Code* (being Schedule 1 to the *Criminal Code Act 1995* (Cth)) applies to a person that makes an unauthorised sanctioned supply. This has the effect of making the offence extra territorial if the alleged offence occurs outside of Australia by a person who is an Australian citizen or a body corporate incorporated under Australian law.
- (h) The prohibited conduct applies to conduct committed entirely inside or outside Australia if at the time of the alleged offence, the alleged offender is an Australian citizen or a body corporate incorporated under Australian law.

10.2 Analysis

- (a) During the Track Record Period and up to the Latest Practicable Date, the Group sold its products to certain Australian customers.
- (b) On the basis of our due diligence process and review of the information provided by the Group, together with the Group's confirmation that:
 - (i) the Group does not engage in manufacturing or other activities in Australian territory (other than selling to certain Australian customers);

- (ii) no member of the Group directly or indirectly exports from the Australia goods, technology or software, of any type or quantity;
- (iii) no member of the Group directly or indirectly re-exports any Australia-origin technology, goods or software; and
- (iv) none of the Group's products (or any components) contain any components, software, or technology exported from Australia;

we do not consider that any Australian sanctions or export controls will apply to the Relevant Activities.

11. Canadian Sanctions and Export Controls

11.1 Overview

- (a) Canada maintains a dual sanctions regime consisting of UN sanctions which are enacted into domestic regulations via Canada's United Nations Act, and autonomous sanctions under the Special Economic Measures Act ("**SEMA**") or Justice for Victims of Corrupt Foreign Officials Act ("**JVCFOA**").
- (b) Sanctions under SEMA can target specific countries or regions; sectors and industries; or individuals and entities in line with Canada's foreign affairs policies. Under SEMA, persons located in Canada and Canadians outside of the country may be prohibited from various activities involving a designated foreign state, including the acquisition of goods from the designated foreign state; the provision of data to the foreign state; and the exportation, sale, supply or shipment of goods to the foreign state.
- (c) Sanctions under JVCFOA are typically imposed on a thematic basis, targeting persons who may have been involved in a particular event or circumstance related to human rights abuses and corruption. Persons in Canada and Canadians outside of Canada are prohibited from dealing in the property of the entities and individuals designated under JVCFOA.
- (d) Canadian restrictions and prohibitions arising from sanctions laws broadly apply to:
 - (i) entities and individuals located in Canada, including governments; and
 - (ii) Canadian entities, meaning a body corporate incorporated or continued by or under the laws of Canada or of a province, and individuals with Canadian citizenship, wheresoever located in the world.

- (e) The administration and enforcement of Canadian sanctions are undertaken by a number of government departments. The Minister for Foreign Affairs, via Global Affairs Canada, considers applications for exemption permits and certificates. The investigation of breaches and enforcement is then undertaken by the Royal Canadian Mounted Police Force, the Canada Border Services Agency and the Canadian Security Intelligence Service.

11.2 Analysis

- (a) During the Track Record Period and up to the Latest Practicable Date, the Group sold its products to certain Canadian customers.
- (b) On the basis of our due diligence process and review of the information provided by the Group, together with the Group's confirmation that:
 - (i) the Group does not engage in manufacturing or other activities in Canadian territory (other than selling to certain Canadian customers);
 - (ii) no member of the Group directly or indirectly exports from Canada, goods, technology or software, of any type or quantity;
 - (iii) no member of the Group directly or indirectly re-exports any Canadian-origin technology, goods or software; and
 - (iv) none of the Group's products (or any components) contain any components, software, or technology exported from Canada;

we do not consider that any Canadian sanctions or export controls will apply to the Relevant Activities.

12. Sanctioned Trader Analysis

The Guide requires us to determine whether the Group should be considered a "Sanctioned Trader." "Sanctioned Trader" is defined in the Guide as any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Sanctioned Country entities or persons.

- (a) Our sanctions screening indicates that none of the Screened Parties is a Sanctioned Target.
- (b) The Group did not sell to any entity or person in a Sanctioned Country.
- (c) Accordingly, our conclusion is that the Group has not conducted a material portion of its business with any Sanctioned Target or Sanctioned Country entity or person.

Accordingly, we have concluded that the Group is not a Sanctioned Trader, as such term is used in the Guide.

Should you have questions regarding this memorandum or would like to discuss the information set out in this memorandum, please feel free to contact us.



Ashurst Tokyo

Annex I

Assumptions And Qualifications

1. **Reliance**

This memorandum is privileged and confidential. It has been prepared for the benefit of the Group in connection with its proposed public offering on the Hong Kong Stock Exchange. The conclusion made based on our reasoned analysis of the relevant facts to the applicable International Sanctions laws does not necessarily represent the view of, nor does it bind, the sanctions authorities in the various Relevant Jurisdictions, which have discretion in deciding on whether to investigate or enforce sanctions related matters.

Except for the Group, this memorandum is not to be disclosed to, or relied on by, any other person or for any other purpose or quoted or referred to in any public document or filed with any government or other agency or other person except with our prior written consent (and in accordance with any conditions stated in such consent). We hereby give our consent for this memorandum to be disclosed to, but not relied on by, the Sole Sponsor and the Overall Coordinators.

2. **Assumptions**

2.1 General

In conducting our due diligence and for the purposes of preparing this memorandum, we have made certain assumptions. The fact that we have made an assumption in this memorandum does not imply that we have made any enquiry to verify any such assumption so made.

The persons involved in the production of this memorandum are not, to the best of their knowledge, aware of any circumstances which would affect the correctness of any assumption.

No assumption is limited by reference to any other assumption or qualification.

This memorandum deals only with the International Sanctions in force as at the date of this memorandum. For the avoidance of doubt, we are under no obligation to update this memorandum or advise any recipient of this memorandum about any changes in International Sanctions after the date of this memorandum. Except for the International Sanctions herein, no opinion, advice and view are expressed or implied as to the law of any other country or territory, or as to other matters of fact.

2.2 Assumptions as to the information in the documents provided

We have assumed that:

- (a) All documents provided to us are reliable, accurate and complete;
- (b) No document has been tampered with, modified or edited in any way by any person once it has been made available (electronically or otherwise), except to the extent notified to us; and
- (c) All information and comments made to us and responses provided to us by the Group were reliable, accurate and complete.

2.3 Assumptions as to validity of documents

In relation to the documents provided, we have assumed as follows:

- (a) The authenticity, completeness and conformity of originals of all copies of documents;
- (b) Where a document reviewed was in a draft form, that it has been or will be executed in the form of that draft;
- (c) That all documents are within the capacity and power and for the corporate benefit of, and have been or will be validly authorized, executed and delivered by, each party to them, and constitute legal, valid and binding obligations of those parties, enforceable in accordance with their terms under all applicable laws;
- (d) That in respect of any documents containing conditions precedent to the operation of part or all of that document, all conditions precedent have been satisfied or waived in accordance with the terms of the document;
- (e) The authenticity of all signatures, seals and dates and of any stamp duty paid or marked on documents; and
- (f) That all documents that should have been stamped, have been or will be duly stamped and will not incur penalties or fines for late or inadequate stamping;

except to the extent expressly identified in this memorandum.

3. **Qualifications**

This memorandum is subject to the following qualifications:

- (a) This memorandum is not intended as a full due diligence review of all issues relating to International Sanctions, nor is it intended to provide an assessment of any policies or procedures implemented by the Group to ensure compliance with the International Sanctions.

- (b) We have relied on information and written confirmations related to sanctions compliance issues provided to us by the Company. We have not undertaken any independent verification of any of the information supplied to us, other than those due diligence steps specifically referred to in this memorandum.
- (c) We have not made any investigations, enquiries or searches other than those specifically referred to in this memorandum.
- (d) The information contained in government records is not necessarily accurate or up to date.
- (e) Information concerning the Group may be known by our partners or employees who have not been directly involved in the preparation of this memorandum – we have not made any attempt to collate such information and will not be taken to be aware of such information for the purposes of this memorandum.
- (f) The statements made and the opinions expressed in this memorandum are given only to the extent that a law firm, having the role described in this memorandum, could reasonably be expected to have become aware of relevant facts and to have identified implications of those facts.
- (g) We specifically disclaim any special knowledge, skills or expertise in any capacity other than that of legal advisers, including any of a financial, business, statistical, information technology, insurance, accounting, taxation or valuation nature or otherwise.
- (h) In preparing this memorandum, we have not:
 - (i) Reviewed any financial statements of the Group;
 - (ii) Interviewed any directors or members of the senior management of the Group;
 - (iii) Considered in detail whether all procedural steps have been complied with prior to the grant of any licenses, permits, consents, registrations and approvals. Our assumption has been that if a license, permit, consent, registration or approval has been granted, it is valid;
 - (iv) Carried out any legal, financial, accounting, taxation, tax structuring or operational analysis in relation to the Group or their activities save for those specifically referred to in this memorandum;
 - (v) Reviewed any environmental report or environmental study;
 - (vi) Undertaken any commercial analysis of the Offering;

- (vii) Conducted any license or litigation related searches; or
- (viii) Undertaken any physical examination of the Group's offices or premises.

4. **Screening Methodology and Limitations**

4.1 Subject to the limitations set out below and relying on Company's own sanctions screening processes, we have conducted sanctions screening of the following parties ("**Screened Parties**"):

- (a) all Group subsidiaries worldwide (as of April 30, 2025);
- (b) all customers located in the Relevant Countries during the Track Record Period;
- (c) all customers located in jurisdictions other than the Relevant Countries who conducted transactions with the Group in USD and whose transaction volumes exceeded USD 1 million each per year during the Track Record Period;
- (d) the Group's top 50 customers (as of 2024);
- (e) the Group's top 50 suppliers (as of 2024);
- (f) all local banks in the Relevant Countries with which the Group transacted during the Track Record Period;
- (g) all Russian customers of Putzmeister-Rus during the Track Record Period;
- (h) all Russian customers of Palfinger SANY during the Track Record Period; and
- (i) all logistics companies the Group uses for transporting machinery and equipment into and within Russia during the Track Record Period.

4.2 Our sanctions screening of the Screened Parties is subject to the following limitations:

- (a) The screening of the names of counterparties provided the Company using a reputable sanctions screening software compares the entered name against relevant lists and returns potential matches. The system can identify ownership relationships and other affiliations linking the entered counterparty to direct or indirect shareholders, subsidiaries, or affiliates that may be Sanctioned Targets only when such information is publicly available. In some instances, affiliations with Sanctioned Targets were detected though near-matches with the names of Sanctioned Targets indicated obvious affiliations.
- (b) Because the Company does not routinely collect information about the identities of the upstream owners of counterparties, screening work was not performed on any of

the counterparties' owners/controllers. It is therefore possible that the ultimate legal and/or beneficial owner(s) of certain customers (while not captured by the screening of such customers) are in fact sanctioned under any US sanctioned programs, and the sanction measures imposed against the sanctioned persons to likewise apply to the relevant customer if owned, directly or indirectly, 50% or more by such owner(s).

- (c) This screening methodology relied on a risk-based approach as recommended by International Sanctions regulators, which we understand should sufficiently cover all sanctions exposure for the Group. To reiterate, our screening covered *all* Screened Parties described in 4.1 above (approximately 1,200 names), but we have not screened all customers and suppliers of the Group.
- (d) The screening was conducted as of the date of this memorandum. Accordingly, this methodology would not detect scenarios in which an entity was designated at the time of the relevant transactions, but subsequently de-listed and thus not included on various sanctions lists at the time of screening. For the same reasons, this methodology would not detect scenarios in which a party was designated after the screening date, or in which the specific restrictions and licensing requirements applicable to a party were changed after the screening date.

PRIVATE AND CONFIDENTIAL

Memorandum

To:	SANY Heavy Industry Co., Ltd.
From:	Ashurst Tokyo Alexander Dmitrenko, Office Managing Partner
Date:	October 20, 2025
CC:	CITIC Securities (Hong Kong) Limited CLSA Limited China International Capital Corporation Hong Kong Securities Limited
Re:	U.S. Outbound Investment Regulations Analysis

1. **Executive Summary**

- 1.1 US investments in SANY Heavy Industry Co., Ltd. ("**SANY**," together with its subsidiaries, the "**SANY Group**") should not be subject to the restrictions under the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the "**Final Rule**"). This is because SANY manufactures construction machinery and equipment which do not fall within the "covered activities" for purposes of the Final Rule. Accordingly, US persons are not restricted from investing into SANY. In addition, we note that publicly traded securities are subject to an exception from the Final Rule.
- 1.2 The America First Investment Policy ("**AFIP**") proposed to expand the sectors and investment types covered by the Final Rule, mostly focusing on "areas implicated by China's national military-civil fusion strategy," which include "advanced manufacturing." While SANY's business activities do not seem to squarely fall within such areas, it is difficult to predict if and what types of amendments and definitions might actually be implemented to the Final Rule. The AFIP also proposed to eliminate an exemption currently afforded to publicly traded securities, which, however, would still not restrict US persons from trading in SANY's listed securities as long as SANY's business does not fall within "covered activities."

2. **Background**

- 2.1 SANY is a global construction machinery company headquartered in Beijing and Changsha, China. It is among the world's largest heavy equipment manufacturers. Within China, SANY operates multiple manufacturing plants producing piling machinery, precast concrete, concrete, road and hoisting machinery, alongside heavy-duty trucks and fire-fighting equipment, among other construction machinery and equipment.
- 2.2 SANY is currently listed on the Shanghai Stock Exchange. It is preparing for a listing application to the Hong Kong Stock Exchange ("**HKEx**").

3. **Assumptions and Qualifications**

- 3.1 We have relied on the facts, materials and information provided by the SANY Group.

3.2 Our advice in this memorandum is based on the US laws and regulations that exist as of the date of this memorandum, which may be subject to change. Our advice may change if the underlying facts, laws and regulations change.

4. **Overview of US Outbound Investment Restrictions**

4.1 On 9 August 2023, President Biden issued Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern" (the "**Outbound Order**"). The Outbound Order directs the Secretary of the Treasury to establish a program to prohibit, or require notification of, certain types of outbound investments by US persons into certain entities located in a country of concern; involved in specific categories of advanced technologies and products critical for military, intelligence, surveillance, or cyber-enabled capabilities. The Outbound Order identifies three categories of national security technologies and products targeted by the program: semiconductors and microelectronics, quantum information technologies and artificial intelligence ("**AI**").

4.2 On 28 October 2024, the US Department of the Treasury ("**Treasury**") released the Final Rule implementing the Outbound Order, prohibiting or requiring the notification of certain outbound foreign investments by US persons into the People's Republic of China, Hong Kong and Macao (collectively "**China**").¹ The Final Rule took effect on 2 January 2025. It is a live instrument which could be further amended, e.g. in accordance with the AFIP issued on 21 February 2025.

4.3 Specifically under the Final Rule, effective 2 January 2025, unless an exception applies, US persons are prohibited from engaging in, or required to notify the US government of, any (i) "covered transaction" involving (ii) a "covered foreign person" (iii) who is engaged in any "covered activity" involving the Initial Key Sectors. Whether a "covered transaction" is prohibited or requires notification to the US government depends on the nature of the "covered activity." Moreover, a US person must have possessed the requisite knowledge in

¹ 31 CFR Part 850.

order for the investment to be a "covered transaction" under the Final Rule. We explain each of the key definitions below.

US persons

- 4.4 In order for the Final Rule to be engaged, the investment or transaction must have been conducted by a US person, which includes "any United States citizen, lawful permanent resident, entity organized under the laws of the United States or any jurisdiction within the United States, including any foreign branch of any such entity, or any person in the United States."²

Covered transactions

- 4.5 The term "covered transaction" includes the following transactions conducted directly or indirectly by a US person:³
- (a) The acquisition of equity and contingent equity interest in a target that the US person knows at the time of the acquisition is a "covered foreign person;"
 - (b) The provision of debt financing (i.e., a loan or other debt facility) to a person that the US person knows at the time of the provision is a "covered foreign person," where such debt financing affords the US person an interest in profits, board rights or other financial or governance rights with respect to the "covered foreign person," that are characteristic of an equity investment and not typical of a loan;
 - (c) The conversion of a contingent equity interest (acquired on or after 2 January 2025) into an equity interest in a person that the US person knows at the time of the conversion is a "covered foreign person;"
 - (d) The acquisition, leasing or other development of operations, land, property or other assets in China that the US person knows at the time of such acquisition, leasing, or other development will result in (or is planned to result in) the establishment of a

² 31 CFR 850.229.

³ 31 CFR 850.210.

"covered foreign person" or the engagement of a Chinese person in a "covered activity;"

- (e) The entrance into a joint venture, wherever located, that is formed with a Chinese person and that the US person knows at the time of entrance into the joint venture that it will engage, or plans to engage, in a "covered activity;" or
- (f) The acquisition of a limited partner or equivalent interest in a non-US pooled investment fund (e.g., a venture capital fund, private equity fund, fund of funds) that the US person knows at the time of the acquisition will likely invest in a Chinese person that is in the semiconductor and microelectronics, quantum information technologies, or AI sectors, and such fund undertakes a transaction that would be a "covered transaction" if undertaken by a US person.

Knowledge standard

4.6 As mentioned above, a "covered transaction" generally requires the US person to have the requisite knowledge under the Final Rule. A US person may be deemed to possess knowledge that a transaction involves a "covered foreign person" engaging in a "covered activity" if it:

- (a) Has actual knowledge that the fact or circumstance exists or is substantially certain to occur;
- (b) Has an awareness of a high probability of a fact or circumstance's existence or future occurrence; or
- (c) Has reason to know of a fact or circumstance's occurrence, judged through whether a reasonable and diligent inquiry was undertaken.⁴

4.7 The Final Rule also sets out a list of factors against which due diligence efforts will be scrutinized. These include efforts to obtain information and contractual assurances, which should be obtainable through a reasonable transactional due diligence process with respect

⁴ 31 CFR 850.216.

to the determination of a transaction's status as a "covered transaction," or relevant entity's status as a "covered foreign person."⁵ The Final Rule further stipulates that whether a "reasonable and diligent inquiry" has been undertaken will be based on a consideration of the totality of the relevant facts and circumstances.⁶

Covered foreign person

- 4.8 A "covered foreign person" includes: (a) a person of a country of concern that is engaged in a "covered activity;" (b) a person that has a voting or equity interest, board seat, or certain powers with respect to such a person of a country of concern, where more than 50 percent of one of several key financial metrics of the person is attributable to one or more such persons of a country of concern; and (c) a person of a country of concern that participates in a joint venture engaged in a "covered activity." A person of a country of concern includes an entity with its principal place of business in, headquartered in, or incorporated in, or otherwise organised under, the laws of a country of concern, including China, as well as an entity that is directly or indirectly at least 50 percent owned by such an entity.⁷
- 4.9 In other words, the definition of "covered foreign person" covers: e.g., (a) Chinese entities such as SANY; (b) entities that are 50 percent or more owned or controlled, directly or indirectly, by a Chinese entity, such as majority-owned subsidiaries of SANY (whether located in China or overseas); and (c) entities (Chinese or non-Chinese) with 50 percent or more of their revenue or expenses attributable to Chinese entities engaged in "covered activities."

Covered activity

- 4.10 The term "covered activity" refers to those activities described in the definition of "notifiable transaction" or "prohibited transaction."⁸ The Final Rule provides a list of activities that fall

⁵ 31 CFR 850.104(c).

⁶ 31 CFR 850.104(d).

⁷ 31 CFR 850.221.

⁸ 31 CFR 850.208

under either "prohibited transaction" or "notifiable transaction" under each of the Initial Key Sectors.

(a) Semiconductors and microelectronics:

- (i) Prohibited transactions: the development or production of certain electronic design automation software, certain fabrication or advanced packaging tools; the design or fabrication of certain advanced integrated circuits; advanced packaging techniques for integrated circuits; and supercomputers.
- (ii) Notifiable transactions: the design, fabrication, or packaging of integrated circuits not otherwise covered by the prohibited transactions above.

(b) Quantum information technologies:

- (i) Prohibited transactions: the development of quantum computers or the production of any critical component required to produce a quantum computer; the development or production of certain quantum sensing platforms; and the development or production of certain quantum networks or quantum communication systems.
- (ii) Notifiable transactions: none.

(c) Certain AI systems:

- (i) Prohibited transactions: the development of any AI system designed to be exclusively used for, or intended to be used for, certain end uses (i.e., military and government intelligence, or mass-surveillance end uses); the development of any AI system that is trained using a quantity of computing power greater than 10^{25} computational operations, or trained using primarily biological sequence data and a quantity of computing power greater than 10^{24} computational operations.
- (ii) Notifiable transactions: the development of any AI system not otherwise covered by the "prohibited transaction" definition, where such AI system is designed or intended to be used for certain end uses or applications; or trained

using a quantity of computing power greater than 10^{23} computational operations.

- 4.11 With respect to "AI system" in particular, the Final Rule defines it broadly to mean "a machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments" or "any data system, software, hardware, application, tool, or utility that operates in whole or in part" using a system described above.⁹
- 4.12 The Final Rule also prohibits a "covered transaction" in which the relevant "covered foreign person" engages in a "covered activity" and is subject to one or more sanctions regimes maintained by the US government (i.e., the Bureau of Industry and Security ("**BIS**")'s Entity List; BIS's Military End User List; BIS's definition of "Military Intelligence End User;" the Treasury's list of Specially Designated Nationals and Blocked Persons; the Treasury's list of Non-SDN Chinese Military-Industrial Complex Companies; and/or is designated as a foreign terrorist organisation by the US Secretary of State).
- 4.13 In relation to a "prohibited transaction," the Final Rule also require a US person to take "all reasonable steps" to prohibit and prevent any transaction by its controlled foreign entity that would be a "prohibited transaction" if engaged in by a US person.¹⁰ In addition, the Final Rule prohibits a US person from "knowingly directing" a transaction that the US person knows would be a prohibited transaction if engaged in by a US person.¹¹
- 4.14 In the case of a "notifiable transaction," the US person with knowledge of the transaction has an obligation to report it to the Treasury within 30 calendar days after the closing of the transaction. The Final Rule also requires a US person to notify the Treasury: (a) of a transaction by its controlled foreign entity that would be a "notifiable transaction" if engaged in by a US person;¹² and (b) in a situation where the US person obtained certain post-

⁹ 31 CFR 850.202.

¹⁰ 31 CFR 850.302.

¹¹ 31 CFR 850.303.

¹² 31 CFR 850.402.

transaction knowledge regarding a transaction that would have been a "prohibited transaction" or a "notifiable transaction" if such information had been processed by the relevant US person at the time of the transaction.¹³

Excepted transactions

- 4.15 The Final Rule provides 10 categories of exceptions where the prohibitions and notification requirements laid down by the Final Rule do not apply. Most relevant to SANY's listing application to the HKEx, the Final Rule excepts from its coverage investments in publicly traded securities, denominated in any currency, that trade on a securities exchange or over-the-counter in any jurisdiction.¹⁴ Notably, this exception does not apply to investments that afford the US person rights beyond "standard minority shareholder protections" with respect to the "covered foreign person."¹⁵
- 4.16 In the comments to the Final Rule, the Treasury "emphasizes" that a US person's acquisition of equity that is not yet publicly traded for the purposes of facilitating an IPO, including as part of an underwriting arrangement, would not fall under this exception and could be a "covered transaction." On the other hand, the provision of a service ancillary to an IPO that does not include the acquisition of an equity interest, is not a covered transaction.¹⁶ In the context of a Hong Kong IPO, this means that US-person sponsors who would acquire non-public shares of a listing applicant are not excepted from the restrictions of the Final Rule.

¹³ 31 CFR 850.403.

¹⁴ 31 CFR 850.501(a)(1)(i).

¹⁵ 31 CFR 850.501(a)(2); the "standard minority shareholder protections" include the power to prevent the sale or pledge of all assets of an entity or a voluntary filing for bankruptcy or liquidation; the power to prevent an entity from guaranteeing the obligations of majority investors or their affiliates; the right to purchase an additional interest in an entity to prevent the dilution of an investor's pro rata interest in that entity in the event that the entity issues additional instruments conveying interests in the entity; the power to prevent the change of existing legal rights or preferences of the particular class of stock held by minority investors, as provided in the relevant corporate documents governing such stock; and the power to prevent the amendment of the Articles of Incorporation, constituent agreement, or other organizational documents of an entity with respect to the above matters.

¹⁶ <https://www.federalregister.gov/documents/2024/11/15/2024-25422/provisions-pertaining-to-us-investments-in-certain-national-security-technologies-and-products-in#:~:text=The%20final%20rule%20requires%20United,to%20the%20threat%20to%20the>.

Penalties for violations

- 4.17 In the case of a violation (i.e., US persons engaging in a "prohibited transaction"), the Final Rule authorises civil money penalties of up to USD 377,700 (as adjusted for inflation), or twice the value of the relevant transaction, whichever is greater. Wilful violations may result in criminal sanctions of up to USD 1 million and/or up to 20 years imprisonment.¹⁷ The Final Rule also authorises the Treasury to force the divestment of any "prohibited transaction."

Ambiguities in the Final Rule

- 4.18 Some ambiguities remain under the Final Rule, including the scope of "indirect" investments in persons of a country of concern; and whether activities engaged in by subsidiaries of the investment target can subject the investment target itself to the Final Rule. The Treasury seems to have purposely left certain concepts broadly defined to allow itself considerable enforcement discretion. Furthermore, there has been limited guidance and no enforcement actions from the regulator as of the date of this memorandum. The Final Rule may also be subject to potential expansion in light of the Trump administration's new investment policy discussed below.

5. Further Changes under the Current Administration's Investment Policy

- 5.1 On 21 February 2025, the current administration issued a memorandum titled the "America First Investment Policy," outlining its approach to foreign investment controls. In the policy, the administration proposes a number of changes which envisage a broadening of the restrictions on outbound investments, in a number of countries the US considers threaten its national and economic security, including China. Whilst no regulations enforcing these changes have been enacted as of yet, AFIP reflects a general stance taken by the Trump administration to curb economic investments in China and Chinese companies.

¹⁷ 31 CFR 850.701.

- 5.2 Specifically, the AFIP states that the Outbound Order is under review by the Trump administration, to examine "whether it includes sufficient controls to address national security threats."¹⁸ It proposes the following two major expansions of the Final Rule:
- (a) An expansion of the sectors subject to US outbound investment restrictions targeting China to biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy ("**New Key Sectors**") and "other areas implicated by China's national military-civil fusion strategy;" and
 - (b) An expansion of the investment types subject to US outbound investment restrictions targeting China to private equity; venture capital; greenfield investments; and corporate expansions and investments in publicly traded securities, from sources including pension funds, university endowments and other limited-partner investors.
- 5.3 If the proposed expansions in the AFIP are implemented, it would eliminate the exception related to publicly traded securities discussed in 4.15 above, among other exceptions.

6. Analysis

SANY is not a "covered foreign person" under the Final Rule

- 6.1 As a company incorporated in the PRC, SANY is a "person of a country of concern." SANY has confirmed that, as of the date of this memorandum, no entity within the SANY Group engages in any "covered activity" involving the Initial Key Sectors discussed in 4.10 above. In particular, SANY has confirmed that it has not developed any AI system as the term is defined in the Final Rule and explained in the Treasury's comments to the Final Rule. According to SANY's clarification, its autonomous road construction machinery only utilizes technologies such as remote control, radio technology, sensors and high-definition camera. It does not involve any AI system. Moreover, while some parts of its manufacturing process rely on technologies such as pre-programmed systems and sensors, these fall within the realm of industrial automation and do not involve the use of AI systems.

¹⁸ The America First Investment Policy: <https://www.whitehouse.gov/presidential-actions/2025/02/america-first-investment-policy/>.

- 6.2 SANY has further confirmed that no entity within the SANY Group has a voting or equity interest, board seat, or certain powers with respect to any "covered foreign person," where more than 50 percent of its annual revenue, net income, capital expenditure or operating expenses (individually for one "covered foreign person" or aggregated for all) is attributable to one or more such "covered foreign persons." Moreover, SANY has clarified that no entity within the SANY Group participates in any joint venture that engages in any "covered activity."
- 6.3 Accordingly, neither SANY nor any entity within the SANY Group is a "covered foreign person" for the purposes of the Final Rule. Any US investment in the SANY Group, including acquiring SANY's non-public shares to facilitate its listing application, should not be deemed a "covered transaction" that is subject to the prohibitions or notification requirements of the Final Rule.
- 6.4 Moreover, once SANY becomes listed on the HKEx, acquisition of its publicly-traded shares by US persons would be excepted from restrictions under the Final Rule, pursuant to the exception discussed in 4.15. While SANY's H shares would afford its 1% (or above) shareholders certain "proposal rights," acquisition of such shares by a US person could be excepted as long as the US person does not acquire an amount of SANY's H shares that would afford such shareholder rights beyond those "standard minority shareholder protections."¹⁹

The Implementation of AFIP should not subject SANY to US outbound investment restrictions

- 6.5 Among the New Key Sectors, "advanced manufacturing" could be potentially relevant to the SANY Group's business. While no definition or description of the sector has been provided,

¹⁹ Treasury has commented in the Supplementary Information to the Final Rule (89 FR 90398) that "certain jurisdictions, including the PRC, may provide proposal rights to relatively low percentage shareholders in companies listed in those jurisdictions. The Treasury Department, however, does not consider these rights to be standard minority protection rights and declines to modify the Final Rule to accommodate this scenario. Standard minority protection rights are typically defensive in nature and are aimed at protecting minority shareholders' investments from actions taken by majority investors. A right to propose a slate of directors is a positive, not negative right, and goes beyond just protecting the investment of the minority shareholders. Being afforded such a right with respect to an investment in a covered foreign person would go beyond standard minority shareholder protections; as such, if provided as part of an investment that would otherwise be an excepted transaction, the investment will not have that excepted status."

in the context of US inbound investment, the Treasury has defined "advanced manufacturing facility" to mean "a facility for which the primary purpose is the manufacturing of semiconductors or semiconductor manufacturing equipment."²⁰ While the SANY Group utilizes technologies including AI and internet-of-things digital platform in its manufacturing process (just like most other manufacturers), it should not automatically qualify the SANY Group as being in the advanced manufacturing sector, subject to the specific definition of "advanced manufacturing sector" to be provided by the government.

6.6 Moreover, SANY has confirmed that as of the date of this memorandum, no entity within the SANY Group has a voting or equity interest, board seat, or certain powers with respect to any "covered foreign person," where more than 50 percent of its annual revenue, net income, capital expenditure or operating expenses (individually for one "covered foreign person" or aggregated for all) is attributable to one or more Chinese entities in the New Key Sectors. Consequently, even if the AFIP is implemented to include the New Key Sectors, the SANY Group is unlikely to become a "covered foreign person" by virtue of relationship with any "covered foreign person."

6.7 Another potential exposure is AFIP's open-ended phrase of "other areas implicated by China's national military-civil fusion strategy." Whilst the Trump administration has not unequivocally defined the term, according to guidance issued by the US Department of State, China's military-civil fusion strategy involves "systematically reorganizing the Chinese science and technology enterprise to ensure that new innovations simultaneously advance economic and military development."²¹ It is therefore understood that the AFIP and/or the Trump administration will most likely target sectors related to science and technology that can fuel military development. Given the nature of the SANY Group's business and industry, it is unlikely that the SANY Group would fit these criteria.

²⁰ 26 CFR 1.48D-4(b).

²¹ <https://www.state.gov/wp-content/uploads/2020/05/What-is-MCF-One-Pager.pdf>

- 6.8 The AFIP also proposed to eliminate the exception for "publicly-traded securities." However, this should not affect US investments in the SANY Group, as it should not be considered a "covered foreign person."

Important Disclaimers

- 6.9 Our analysis and conclusion are based on the laws currently in effect and the limited guidance provided by the regulator. There have been no enforcement activities and the AFIP has already proposed to modify the Final Rule, creating uncertainties and ambiguities in the interpretation and enforcement of the Final Rule. Our advice is therefore subject to any future enforcement actions and/or legislative amendments, including but not limited to the following considerations:
- (a) There is no indication of if or how soon the AFIP may be implemented. We can be certain, however, that if it is implemented, it will broaden the scope of the Final Rule.
 - (b) The Treasury has issued only limited guidance to clarify the coverage of the Final Rule and there is no guarantee that a different (likely broader) view of the regulator will prevail, which may treat an equity investment in SANY by a US person as a "covered transaction" that requires notification in a timely manner or is prohibited.
 - (c) There has been no enforcement action taken under the Final Rule and it remains unclear how it will be enforced (and whether it will be an enforcement priority).

We hope you find the above analysis helpful. We remain at your disposal should you have any questions or concerns.



Ashurst Tokyo