M E M O R A N D U M

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Date	September 11, 2026
To	Transwarp Technology (Shanghai) Co., Ltd.
From	JunHe Law Offices LLC
Subject	Project Star – Memorandum on International Sanctions Risk Analysis

I. Introduction and Scope

1. Jun He Law Offices LLC (**"JH" or "we"**) has been engaged to act as international sanctions compliance counsel to Transwarp Technology (Shanghai) Co., Ltd. (together with its subsidiaries, "**Transwarp**" or the "**Company**") in connection with the proposed initial public offering (the "**Offering**") and listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKEX**").

2. In line with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Chapter 4.4 of the Guide for New Listing Applicant published by HKEX (the "**Sanctions Guidance**"), this Memorandum (the "**Memorandum**") analyzes the Company's suitability for listing on the HKEX. Specifically, this Memorandum assesses, whether the Company: (1) has engaged in activities in violation of applicable export control laws (including the U.S. Export Administrations Regulation) during the Track Record Period (the "TRP", from January 1 2023 to March 31 2026); (2) has engaged in Primary or Secondary Sanctions Activity as defined by the Sanctions Guidance during the TRP; (3) is a "Covered Foreign Person" that engages in a "Covered Activity" under the U.S. Outbound Investment Review Rules; (4) is a Sanctioned Target or is located, incorporated, organized or resident in a Sanctioned Country as defined by the Sanctions Guidance.

3. This Memorandum is based solely and exclusively on the information and representations provided by the Company through responses to our questionnaire and during the interviews we have conducted. We have screened the list of counterparties provided by the Company, which includes all counterparties that each account for more than 0.1% of the Company's overall transaction value over the TRP, using the World-Check One screening tool against the lists of Sanctioned Targets maintained by the Relevant Jurisdictions. Apart from this screening, we have not independently verified the information and representations provided by the Company and have relied on the Company to provide accurate and complete information.

4. Furthermore, this Memorandum only analyzes risks associated with International

Sanctions (including applicable export control law, applicable sanctions law and U.S. Outbound Investment Review Rules) in force as the date hereof and does not opine on any future risks.

5. For the purpose of this Memorandum and consistent with the Sanctions Guidance, the following terms shall have the meanings as set out below:

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.

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 listing applicant is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction.

Sanctioned Activity means Primary Sanctioned Activity and Secondary Sanctionable Activity.

Sanctioned Country means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction.

Sanctioned Target means any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii).

Sanctioned Trader means any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Sanctioned Country entities or persons.

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.

Relevant Persons means a listing applicant, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares, including the HKEX and related group companies, the listing sponsors and underwriters.

II. Company Overview and Executive Summary

Transwarp was incorporated in the People's Republic of China in 2013. It provides enterprises with infrastructure software and services around the whole data lifecycle. It primarily focuses on standardized products and solutions, supplemented by customized consulting and development services. For specific application scenarios of big data, it provides services such as consulting and customized development related to big data storage, processing, analysis, modeling, and other relevant scenarios. The Company also provides certain hardware incorporating its software products to satisfy customer needs.

This Memorandum analyzes the risks associated with the Company's operations under the laws and regulations of Relevant Jurisdiction, namely the U.S. Based on the information received from the Company and our subsequent review and analysis, we are of the view that:

1. Sanctions Target

Neither the Company nor any of the individuals and entities affiliated with the Company is listed on any sanctions or restricted persons lists maintained under U.S. law, or is a citizen/national of, or registered/incorporated in countries/regions subject to comprehensive sanctions. Thus, they are not Sanctions Targets as defined by the Sanctions Guidance.

2. Export Control Related Risks

Under the U.S. Export Control Regime, after reviewing the information provided by the Company, we conclude that its products are not subject to the EAR:

- The Company's products are completely developed and produced outside the U.S. and are not subject to the EAR for being U.S. origin or transshipped from the U.S.
- Under the De Minimis rule, the Company's software consists of 1) open-source encryption source code using standard cryptography, which is not subject to the EAR, and 2) source codes developed by the Company itself. The Company's All-in-One computing platforms do not incorporate any U.S. origin-controlled content that would require a license when exported to China. Therefore, the Company's products are not subject to the EAR under the De Minimis rule.
- Under the Foreign Direct Product rule, the Company has confirmed that the development and production of its products do not involve the concerned software, technology or equipment controlled under applicable FDP rules. Accordingly, its products are not subject to the EAR under the FDP rule.

Although the Company has engaged in transactions with persons on the Entity List and MEU List, because its products are not subject to the EAR, the Company does not present a risk of violating the EAR in connection with its sales activities.

Regarding procurement activities, the Company confirmed that it primarily sources U.S.-origin items classified under ECCNs 5A992.c, 5D992.c, and EAR99 (none of which require an export license for shipments to China). No suppliers have notified the Company of any applicable license requirements. Based on this, we are of the view that the Company does not appear to have violated the U.S. export control laws and regulations.

3. Sanctions-related Risks

Under the U.S. Sanctions Regime, based on our review of the supplier and customer lists provided by the Company, which includes all counterparties that each account for more than 0.1% of the Company's overall transaction value over the TRP, we identified that during the TRP, the Company engaged in transactions involving twelve entities listed on the NS-CMIC List and CMC List. However, since the NS-CMIC List and the CMC List do not restrict non-U.S. persons from supplying to persons listed on these lists, the Company's dealings with these restricted entities do not violate U.S. sanctions laws and do not pose either primary or secondary sanctions risks.

4. Outbound Investment Rules Related Risks

Based on the information provided by the Company, the Company does not engage in covered activities as defined by the U.S. Outbound Investment Rules. As such, it is not a covered foreign person subject to restrictions or prohibitions on investment by U.S. persons. Therefore, the U.S. Outbound Investment Rules have no impact on the Company's Offering.

5. Conclusion

Based on the foregoing analysis, we conclude that the Company does not present risks under the applicable export control, sanctions, or outbound investment rules that would materially undermine its ability to continue its business operations, or cause significant risks or reputational harm to Relevant Persons or the HKEX.

Furthermore, given that the Company has also confirmed that it will not use any of the funds raised through the Offering to finance sanctioned activities, we are of the view that the Company is not rendered unsuitable for listing under the conditions set out in paragraph 10 of the Sanctions Guidance.

Please see below for a detailed analysis.

III. Relevant Jurisdiction Analysis

The Sanctions Guidance requires issuers to evaluate sanctions risks under applicable law or regulation in the Relevant Jurisdiction, which is defined as "any jurisdiction that is relevant to the applicant and has sanctions related law or regulation." We hereby analyze what the Relevant Jurisdictions are as relates to the Company's operations.

Considering that certain International Sanctions enacted by the U.S., including U.S. Export Administration Regulation, OFAC Sanctions Regulations, and U.S. Outbound Investment Review Rules, may have extraterritorial jurisdiction over the Company's activities, the U.S. is a Relevant Jurisdiction for the purpose of our analysis.

As for other potentially applicable jurisdictions, since the Company confirmed it does not have business operations in the E.U., U.K. or Australia and no individuals or entities associated with the Company is the citizen, national of or registered in the E.U., U.K. or Australia, for the purpose of this Memorandum, the E.U., U.K. or Australia do not qualify as the Relevant Jurisdictions.

In light of the above, this Memorandum will analyze International Sanctions risks under the laws and regulations of the U.S.

IV. Export Control Analysis

1. Overview of the U.S. Export Control Regime

1.1 Items and Activities Subject to the U.S. EAR

Pursuant to the Export Administration Act of 1979 and the Export Control Reform Act of 2018, the Export Administration Regulation (hereinafter "EAR") is created and revised to regulate the export, reexport, and in-country transfer of items subject to the EAR.

1) Items Subject to the EAR

Under Section 734.4 of the EAR, items subject to the EAR include the following:

- All items in the United States, including in a U.S. Foreign Trade Zone or moving in transit through the United States from one foreign country to another,
- All U.S. origin items wherever located,
- Non-U.S. made commodities that incorporate controlled U.S. -origin commodities, non-U.S. made commodities that are 'bundled' with controlled U.S. -origin software, non-U.S. made software that is commingled with controlled U.S. -origin software, and non-U.S. made technology that is commingled with controlled U.S. -origin technology in quantities exceeding the de minimis levels (the "De minimis rule"),
- Non-U.S. made "direct products" of specified "technology" and "software," or a complete plant or any major component of a plant that is a "direct product" of specified "technology" or "software" as described in Section 734.9 of the EAR (the "Foreign Direct Product Rule").

However, according to Section 734.7 of the EAR, when certain software or technology has been made public without restrictions upon further dissemination, such as through public dissemination (i.e. unlimited distribution) in any form (e.g. not necessarily in published form), including posting on the Internet on sites available to the public, it is considered "published" and not subject to the EAR.

a) De Minimis Rule

Under Section 734.4 of the EAR, De Minimis rule applies to the following non-U.S. made items:

- Commodities that incorporate controlled U.S. -origin commodities,
- Commodities that are bundled with controlled U.S. -origin software,
- Software that is commingled with controlled U.S. -origin software,
- Technology that is commingled with controlled U.S. origin technology.

Controlled U.S. -origin commodities, software, and technology are those that require a license to the destination of the non-U.S. -made item and are not eligible for License Exception GBS.

Non-U.S. made items are subject to the EAR if the value of the U.S. -origin content exceeds the following threshold:

Percentage	Applicable Conditions
0%	Exceeds 0% of the value of the non-U.S. made item when: • U.S. -origin 3A001 semiconductors (other than memory circuits) or 4A994.j high speed interconnect devices are incorporated in high-performance computers with Adjusted Peak Performance (APP) exceeding that listed in ECCN 4A003.b or ECCN 4A994.b (if provided to Cuba, Iran, North Korea and Syria), • U.S. origin content is encryption technology controlled by ECCN 5E002, • U.S. origin content is certain encryption or cryptanalytic items (5A002, 5A004, 5B002, 5D002) that do not meet the requirements identified in Section 734.4(b); • Non-U.S. made item is equipment meeting the parameters in ECCN 3B993.f.1 unless the country from which the non-U.S. made item was first exported has this commodity specified on an export control list, • U.S. origin content is technology controlled by ECCN 9E003.a.1 through a.6, a.8, .h, .i, and .l, when redrawn, used, consulted, or otherwise commingled abroad, • Non-U.S. made military commodities incorporating commodities described in ECCN 0A919.a.1 when destined for a country listed in Country Group D:5 of supplement no. 1 to part 740 of the EAR, • Non-U.S. made items: − Incorporating U.S. origin commodities described in paragraphs .a through .x of ECCN 9x515 or “600 series” items and destined for a country listed in Country Group D:5 of supplement no. 1 to part 740 of the EAR, − Incorporating U.S. origin 9x515 or “600 series” .y items when destined for a country listed in Country Group E:1 or E:2 of supplement no. 1 to part 740 of the EAR or for Belarus, the People’s Republic of China (P.R.C.), or Russia, • Non-U.S. made item meeting the parameters in ECCNs 3B001.a.4, c, d, f.1, f.5, f.6, k to n, p.2, p.4, r, or 3B002.c contains a U.S. -origin integrated circuit specified under Category 3, 4, or 5 of the CCL, and is destined for Macau or a destination specified in Country Group D:5, • Non-U.S. made items meeting the parameters in ECCNs specified in Category 3B (except 3B001.a.4, c, d, f.1, f.5, f.6, k to n, p.2, p.4, r, or 3B002.c) contains a U.S. -origin integrated circuit specified under Category 3, 4, or 5 of the CCL, and the

	commodity is destined for an entity with a Footnote 5 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR, or to an end-user "facility" located in Macau or a destination specified in Country Group D:5 when there is "knowledge" that the commodities will be used in the "production" of logic or DRAM "advanced-node integrated circuits."
10%	Exceeds 10% of the value of the non-U.S. made item when the item is destined for Country Group E:1 or E:2.
25%	Exceeds 25% of the value of the non-U.S. made item when the item is destined for countries/regions other than Country Group E:1 or E:2.

b) Foreign Direct Product Rule (the "FDP" rule)

Under Section 734.9 of the EAR, non-U.S. made items located outside the United States are subject to the EAR when they are 1) a direct product of specified technology or software, 2) produced by a complete plant or major component of a plant that itself is a direct product of specified technology or software, or, 3) for specified non-U.S. made items, contain an item produced by a complete plant or major component of a plant that itself is a direct product of specified technology or software.

Considering the Company confirmed that it does not conduct any Russia or Iran-related business, does not provide any military items, and does not supply to entities designated as Footnote 5 Entity on the Entity List, we provide below the rules that are potentially applicable to the Company's business, which includes the National Security FDP rule, the Footnote 1 Entity List FDP rule, the Footnote 4 Entity List FDP rule and the Supercomputer FDP rule.

A non-U.S. made item is subject to the EAR if it meets both the product scope and the destination scope of one of the following FDPs:

National Security FDP rule	
Product scope	The product scope applies if a non-U.S. made item meets the following conditions: (a) It is subject to national security controls as designated on the applicable ECCN of the Commerce Control List at part 774 of the EAR, and (b) It is: - a "direct product" of U.S. -origin "technology" or "software" that requires a written assurance as a supporting document for a license, as defined in paragraph (o)(3)(i) of supplement no. 2 to part 748 of the EAR, or as a precondition for the use of License Exception TSR at § 740.6 of the EAR; or

	- a "direct product" of a complete plant or 'major component' of a plant that itself is the "direct product" of U.S. -origin "technology" that requires a written assurance as a supporting document for a license or as a precondition for the use of License Exception TSR in § 740.6 of the EAR.
Destination Scope	The destination scope applies if the destination is listed in Country Group D:1, E:1, or E:2 (See supplement no.1 to part 740 of the EAR).
Supercomputer FDP rule	
Product Scope	The product scope applies if a non-U.S. made item meets the conditions of either of the following: (a) the item is a "direct product" of "technology" or "software" subject to the EAR and specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002, or 5E991 of the CCL; or (b) the item is produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S. -origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002, or 5E991 of the CCL.
Destination and End Use Scope	The destination scope applies if there is "knowledge" that the non-U.S. made item will be: (a) used in the design, "development," "production," operation, installation (including on-site installation), maintenance (checking), repair, overhaul, or refurbishing of, a "supercomputer"[1] located in or destined to the P.R.C. or Macau; or (b) incorporated into, or used in the "development," or "production," of any "part," "component," or "equipment"

[1] According to Part 772 of the EAR, supercomputer refers to computing "system" having a collective maximum theoretical compute capacity of 100 or more double-precision (64-bit) petaflops or 200 or more single-precision (32-bit) petaflops within a 41,600 ft3 or smaller envelope.

	that will be used in a "supercomputer" located in or destined to the P.R.C. or Macau.
Entity List FDP rule: Footnote 1	
Product Scope	The product scope applies if a non-U.S. made item meets the conditions of either of the following: (a) a "direct product" of "technology" or "software" subject to the EAR and specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991 of the CCL; or (b) produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the U.S. or a foreign country, itself is a "direct product" of U.S. -origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991 of the CCL.
Destination Scope	The destination scope applies if there is "knowledge" that: (a) the non-U.S. made item will be incorporated into, or will be used in the "production" or "development" of any "part," "component," or "equipment" produced, purchased, or ordered by any entity with a footnote 1 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR, or (b) any entity with a footnote 1 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR is a party to any transaction involving the non-U.S. made item, e.g., as a "purchaser," "intermediate consignee," "ultimate consignee," or "end-user."
Entity List FDP rule: Footnote 4	
Product Scope	The product scope applies if a non-U.S. made item meets the conditions of either of the following: (a) a "direct product" of "technology" or "software" subject to the EAR and specified in ECCN 3D001, 3D901, 3D991,

	3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002 or 5E991 of the CCL; or (b) produced by any complete plant or 'major component' of a plant that is located outside the United States, when the complete plant or 'major component' of a plant, whether made in the U.S. or a foreign country, itself is a "direct product" of U.S. -origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002 or 5E991 of the CCL.
Destination and End Use Scope	The destination scope applies if there is "knowledge" that: (a) the non-U.S. made item will be incorporated into, or will be used in the "production" or "development" of any "part," "component," or "equipment" produced, purchased, or ordered by any entity with a footnote 4 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR; or (b) any entity with a footnote 4 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR is a party to any transaction involving the non-U.S. made item, e.g., as a "purchaser," "intermediate consignee," "ultimate consignee," or "end-user."

2) Activities Subject to the EAR

According to Sections 734.13 to 734.16, the following activities are subject to the EAR:

a) Export

Export includes the following activities:

- An actual shipment or transmission out of the United States, including the sending or taking of an item out of the United States, in any manner;
- Releasing or otherwise transferring "technology" or source code (but not object code) to a foreign person in the United States (a "deemed export")[2];
- The export of an item that will transit through a country or countries to a destination identified in the EAR is deemed to be an export to that destination.

[2] Any release in the United States of "technology" or source code to a foreign person is a deemed export to the foreign person's most recent country of citizenship or permanent residency.

b) Reexport

Reexport includes the following activities:

- An actual shipment or transmission of an item subject to the EAR from one foreign country to another foreign country, including the sending or taking of an item to or from such countries in any manner;
- Releasing or otherwise transferring "technology" or source code subject to the EAR to a foreign person of a country other than the foreign country where the release or transfer takes place (a deemed reexport);
- The reexport of an item subject to the EAR that will transit through a country or countries to a destination identified in the EAR is deemed to be a reexport to that destination.

c) Transfer in-country

A Transfer (in-country) is a change in end use or end user of an item within the same foreign country.

1.2 Restricted End Users and End Uses under the EAR

According to General Prohibition Five as set out in Section 736.2 of the EAR, any persons may not, without a license, knowingly export, reexport, or transfer (in-country) any item subject to the EAR to an end user or end use that is prohibited by part 744 of the EAR. According to Section 744, exports, reexports and in-country transfers of items subject to the EAR to/for the following end users and end uses are subject to license requirements under the EAR.

1) Unverified List

Foreign persons who are parties to an export, reexport, and transfer in-country of items subject to the EAR may be added to the Unverified List if BIS cannot verify the bona fides (i.e. legitimacy and reliability relating to the end use and end user of items subject to the EAR) of such person because an end-use check cannot be completed satisfactorily. Once placed on the Unverified List, license exceptions are not available for exports, reexports, and transfers in-country to such persons, and a UVL statement must be obtained before any transfers of item subject to the EAR take place, regardless of whether a license is required for such items. The Unverified List is included in Supplement No.6 to Part 744 of the EAR.

2) Entity List

Persons or addresses of persons reasonably believed to be involved, or to pose a significant risk of being or becoming involved, in activities contrary to the national security or foreign policy interests of the United States can be added to the Entity List. It is prohibited to export, reexport or transfer in country any items subject to the EAR and included in the License Requirement column of an entry on the Entity List when an entity associated with that entry or using an address associated with that entry is a party to the transaction. The Entity List is included in Supplement No. 4 to Part 744 of the EAR.

3) Military End-User List

Supplement No. 8 to Part 744 provides the list of military end users as designated by the U.S. Department of Commerce Bureau of Industry and Security (hereinafter "BIS"). Pursuant to Section 744.21 of the EAR, any item subject to the EAR listed in Supplement No.2 to Part 744 requires a license to be exported, reexported, or transferred in country, if the transferor has knowledge, that the item is intended, entirely or in part, for a Burmese, Cambodian, Chinese, Nicaraguan, or Venezuelan military end user.

For Belarusian and Russian Military End Users, no item subject to the EAR may be exported, reexported or transferred in country without a license, if the transferor knows that the item is destined for such persons. These military end users are currently included in the Entity List as Footnote 3 Entities.

4) Supercomputer End Uses

In addition to restrictions on certain end users, Section 744.23 of the EAR imposes supercomputer end use related restrictions on certain items subject to the EAR. If any person has knowledge at the time of export, reexport, or transfer in-country that the item meets the following product scope and the destination/end-use scope, a license is required:

a) Product Scope:

- an integrated circuit subject to the EAR and specified in ECCN 3A001, 3A991, 4A994, 5A002, 5A004, or 5A992;
- A computer, "electronic assembly," or "component" subject to the EAR and specified in ECCN 4A003, 4A004, 4A994, 5A002, 5A004, or 5A992.

b) Destination and end-use scope:

- The "development," "production," operation, installation (including on-site installation), maintenance (checking), repair, overhaul, or refurbishing of a "supercomputer" located in or destined to Macau or a destination specified in Country Group D:5 of supplement no. 1 to part 740 of the EAR; or
- The incorporation into, or the "development" or "production" of any "component" or "equipment" that will be used in a "supercomputer" located in or destined to Macau or a destination specified in Country Group D:5.

1.3 Civil and Criminal Penalties for Violations of the EAR

Violations of the EAR or any order, license or authorization issued thereunder may result in civil and criminal penalties:

- Civil Penalties: a person may be subject to a fine of $374,474 per violation or twice the value of the transaction, whichever is greater. The violator may also be subject to denial of export privileges that suspend and/or revoke any or all outstanding licenses and deny/restrict dealings involving items subject to the EAR.
- Criminal Penalties: a person who willfully commits, willfully attempts to commit, or willfully conspires to commit, or aids and abets in the commission of, a violation

of the EAR may be fined for not more than $1,000,000; and in the case of the individual, may be imprisoned for not more than 20 years, or both.

2. Risks under the U.S. Export Control Regime

2.1 Risks Associated with the Company's Sales Activities

As confirmed by the Company, all of its products are developed and produced outside the U.S. In order to determine whether its products are subject to the EAR, the De Minimis Rule and the Foreign Direct Product Rule must be applied.

1) De Minimis Rule

a) Digital Infrastructure Software

As confirmed by the Company, the digital infrastructure software consists of open-source software (some of them are U.S. origin) and software developed by the Company itself outside of the United States. Considering that the open-source software incorporated by the Company are publicly available encryption source code using standard cryptography, according to Section 734.7 and 742.15(b) of the EAR, the U.S.-origin software incorporated into the Company's products are considered "published" and thus not subject to the EAR. As a result, under the De Minimis Rule, the percentage of U.S. controlled content incorporated into the digital infrastructure software produced by the Company is 0% and the Company's software products are not subject to the EAR under De Minimis Rule.

b) All-in-One Computing Platforms

According to the Company's response to our due diligence questionnaire, the computing platforms do not incorporate U.S. controlled content. The U.S. origin parts and components included in the platforms are those classified under 5A992.c and EAR99, which qualify as non-controlled U.S. content exempt from de minimis calculations. Therefore, the computing platforms are not subject to the EAR under the De Minimis Rule.

2) Foreign Direct Product Rule

Based on our review and screening of the Company's customer list, which includes all customers that each account for more than 0.1% of the Company's overall transaction value over the TRP, we note that:

- Twenty of the Company's customers or the end users are listed on the Entity List without any footnote designation,
- One customer is listed on the Entity List with a Footnote 1 designation,
- Nine customers are listed on the Entity List with a Footnote 4 designation,
- One customer is listed on the Military End User List.

The Company confirmed that it only sold software and service to the above concerned customers or the end users. Given the restricted end users and end uses involved in the transactions conducted by the Company and the nature of the Company's products, we consider it necessary to determine whether the Company's products are subject to the

EAR under the following Foreign Direct Product Rules: 1) the National Security FDP; 2) the Entity List Footnote 1 FDP; 3) the Entity List Footnote 4 FDP; and 4) the Supercomputer FDP.

As confirmed by the Company's response to our due diligence questionnaire, their products do not fit either of the conditions below:

- A direct product of technology or software subject to the EAR and specified in ECCNs 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002, or 5E991 of the CCL, or
- Produced by any complete plant or "major component" of a plant that is located outside the United States, when the complete plant or "major component" of a plant, whether made in the United States or a foreign country, itself is a "direct product" of U.S. -origin "technology" or "software" that is specified in ECCN 3D001, 3D901, 3D991, 3D992, 3D993, 3D994, 3E001, 3E002, 3E003, 3E901, 3E991, 3E992, 3E993, 3E994, 4D001, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002, or 5E991 of the CCL.

As a result, we understand that the Company's products are not subject to the EAR under the applicable Foreign Direct Product Rule.

3) Risks Analysis

For a violation to occur under the EAR, the items involved in the relevant transactions must be subject to the EAR as a precondition. As explained above, none of the Company's products are subject to the EAR, either under the De Minimis rule, or the applicable Foreign Direct Product Rules. Accordingly, the Company's sales activities do not present EAR violations, even when involving restricted end-users or end-uses.

In addition, to prevent potential violations of the EAR and to further mitigate the risks of future violations, the Company has established a compliance mechanism to screen and monitor the restricted status of its customers, especially the customers on the Entity List, and conduct careful review of potential risks before proceeding with the relevant transactions.

2.2 Risks associated with the Company's Procurement Activities

Based on our review of the supplier list provided by the Company, we have noticed that one of the Company's supplier is included in the Entity List. However, because the EAR does not restrict procurement from persons on the Entity List, there is no significant risks of violation related to the Company's purchase from these restricted entities.

We have also reviewed the Company's procurement and use of U.S. origin items. As confirmed by the Company in its response to our due diligence questionnaire, most of the U.S. origin items purchased by the Company are classified under ECCNs 5A992.c, 5D992 or EAR99, which do not require a license when exported to China, and the suppliers have never informed the Company of any license requirement applicable to the purchased items. Thus, we understand the risk of EAR violation associated with the Company's procurement activities is low. Further, the Company has taken control measures to avoid transferring or using these U.S.-origin items in violation of the EAR, including attaching specific control requirements to the U.S. origin items in their system.

In conclusion, the risks of EAR violations in connection with the Company's procurement activities are minimal.

V. Sanctions Analysis

1. U.S. Sanctions Analysis

1.1 Overview of the U.S. Sanctions Regime

Under the authorities granted by the International Emergency Economic Powers Act ("IEEPA") and the Trading with the Enemy Act ("TWEA"), the U.S. president can create and enforce sanctions programs through Executive Orders to deal with any unusual and extraordinary threat to the national security, foreign policy, or economy of the United States.

In practice, the Office of Foreign Assets Control (OFAC) under the Department of Treasury is tasked with implementing and enforcing sanctions measures in accordance with relevant Executive Orders.

1.1.1 Comprehensive Sanctions against Certain Countries

Currently, Iran, North Korea, Cuba, the Crimea Region, Luhansk Region and Donetsk Region are subject to comprehensive sanctions imposed by the U.S. government. The sanctions generally include prohibitions or restrictions on U.S. persons from providing certain goods, services and investments to the sanctioned countries or its citizens. Further, transactions involving these countries that do not have a U.S. nexus can carry significant secondary sanctions risks. For example, non-U.S. persons that participate in transactions involving Iranian oil may be designated onto the Specially Designated Nationals (SDN) List for operating in Iran's energy sector, even if the transactions do not have any U.S. nexus, such as U.S. person, U.S. financial institutions, U.S. dollars, and U.S. origin items.

Apart from countries subject to comprehensive sanctions, OFAC also maintains limited sanctions program on certain other countries. For the purpose of this Memorandum, sanctioned countries or regions also include the following: Myanmar, Libya, Afghanistan, Iraq, Mali, Nicaragua, Haiti, Ethiopia, Sudan and Darfur, South Sudan, Syria, Zimbabwe, Belarus, Democratic Republic of Congo, Venezuela, Burundi, Central African Republic, Lebanon, Somalia, Ukraine, Russia, Yemen and the Western Balkans (Macedonia, Bosnia, Serbia and Kosovo).

1.1.2 Sanctions List

Apart from comprehensive sanctions against certain countries, the U.S. government also imposes sanctions on certain individuals or entities for endangering the national security and foreign policy of the U.S. The main sanctions list administered by OFAC (and other departments, e.g. Department of Defense) includes the Specially Designated Nationals List (SDN List), the Non-SDN Military Industrial Complex List (NS-CMIC List), and the Chinese Military Companies List (CMC List).

1) SDN List

Persons, including individuals and entities, listed on the SDN List (hereinafter "SDNs") are subject to blocking sanctions. As a result of the designation, all property and interest in property of the SDNs that are in the U.S. or within the possession of control of U.S. persons[3] are blocked and may not be transferred, paid, exported, withdrawn or otherwise dealt in. U.S. persons are prohibited from dealing with SDNs and non-U.S. persons may be exposed to primary or secondary sanctions risks by participating in transactions involving SDNs.

Moreover, OFAC applies a 50 percent rule to persons who are owned, directly or indirectly, individually or in the aggregate, 50% or more, by SDNs. These persons are considered blocked persons and subject to substantially similar restrictions as the SDNs, i.e. U.S. and non-U.S. persons may be exposed to sanctions risks by engaging in significant transactions involving the blocked persons.

2) NS-CMIC List

Executive Orders No. 13959 and 14032 were issued to create the NS-CMIC List, which includes companies that meet the following criteria:

- to operate or have operated in the defense and related materiel sector or the surveillance technology sector of the economy of the P.R.C.; or
- to own or control, or to be owned or controlled by, directly or indirectly, a person who operates or has operated in the defense and related materiel sector or the surveillance technology sector of the economy of the P.R.C.

Once a company is designated onto the NS-CMIC List, U.S. persons are prohibited from purchasing or selling any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of such persons.

3) CMC List

The CMC List is maintained by the U.S. Department of Defense. Under Section 1260H of the National Defense Authorization Act of 2021 (hereinafter "2021 NDAA"), the Department of Defense must identify entities according to the definition set out in the Act and update the CMC List before December 31 of each year.

The following Chinese companies that engage in providing commercial services, manufacturing, producing or exporting in the U.S. may be designated onto the CMC List:

- directly or indirectly owned by, controlled by, or beneficially owned by, affiliated with, or in an official or unofficial capacity acting as an agent of or on behalf of, the People's Liberation Army, Chinese military and paramilitary elements, security forces, police, law enforcement, border control, the People's Armed Police, the Ministry of State Security (MSS), or any other organization subordinate to the Central Military Commission of the Chinese Communist Party, the Chinese Ministry of Industry and Information Technology (MIIT), the State-Owned Assets

[3] U.S. persons include any United States citizen, lawful permanent resident, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

Supervision and Administration Commission of the State Council (SASAC), or the State Administration of Science, Technology, and Industry for National Defense (SASTIND); or

- identified as a military-civil fusion contributor to the Chinese defense industrial base.

According to Section 805 of the National Defense Authorization Act of 2024 (hereinafter "2024 NDAA")[4]:

- After June 30, 2026, the U.S. Department of Defense may not enter into, renew, or extend a contract for the procurement of goods, services, or technology with an entity identified on the CMC list and any entity subject to the control of such entity,

- The U.S. Department of Defense may not enter into, renew, or extend a contract for the procurement of goods or services that include goods or services produced or developed by an entity identified on the CMC list and any entity subject to the control of such entity.

1.1.3 Primary and Secondary Sanctions

1) Primary Sanctions

Under the U.S. sanctions laws, non-U.S. persons may be exposed to primary sanctions risks when engaging in transactions with a U.S. nexus. U.S. nexus mainly includes U.S. persons, conduct within the U.S. territory, U.S. origin items, and U.S. dollar. If a transaction conducted by a non-U.S. person involves a U.S. nexus and violates applicable sanction regulations, non-U.S. persons may be considered by OFAC to have caused a U.S. person to violate applicable sanctions and be subject to civil or criminal penalties.

2) Secondary Sanctions

Even when the transactions do not involve U.S. nexus, non-U.S. persons may be subject to secondary sanctions for providing "material assistance" to or conducting "significant transactions" with persons listed on the SDN list. When deciding whether the transactions are "significant", OFAC may consider the following factors[5]: (a) the size, number, and frequency of the transactions; (b) the nature of the transactions, or the goods or services for sale, supply, or transfer, including their type, complexity, and commercial purpose; (c) the level of awareness of management and whether the transactions are part of a pattern of conduct; (d) the nexus between the transactions and the sanctioned persons, (e) the impact of the transactions on the sanctions objectives; (f) whether the transactions attempt to obscure or conceal the actual parties or true nature of the transactions, or evade sanctions; and (g) other relevant factors that the Secretary of the Treasury deems relevant.

Further, if non-U.S. persons participate in dealings involving countries or regions subject to comprehensive sanctions, they may also be subject to secondary sanctions

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4 https://www.congress.gov/118/plaws/publ31/PLAW-118publ31.pdf

5 https://ofac.treasury.gov/faqs/683、 https://ofac.treasury.gov/faqs/542

and designated onto the SDN List or other sanctions lists for operating in certain sanctioned sectors.

1.2 Risks under the U.S. Sanctions Regime

1.2.1 Sanctions Target

Pursuant to the Company's response to our questionnaire and our independent screening, as of the date of this Memorandum, neither the Company nor its affiliated entities are listed on any sanctions lists under the U.S. Sanctions Regime.

1.2.2 Risks related to Sanctioned Countries or Regions

As confirmed by the Company, neither the Company, nor the persons or entities associated with the Company are citizens or nationals of or located/registered in sanctioned countries or regions. Further, the Company has no business operations in the countries or regions subject to comprehensive sanctions.

1.2.3 Risks related to Sanctioned Persons

As for counterparties, upon our review of the supplier and customer lists provided by the Company, which includes all counterparties that each account for more than 0.1% of the Company's overall transaction value over the TRP, we identified that during the TRP, the Company engaged in transactions involving twelve entities that are listed on the NS-CMIC List and CMC List.

As mentioned above, the CMC List restricts the U.S. Department of Defense from procuring from designated entities, and the NS-CMIC List prohibits U.S. persons from purchasing or selling publicly traded securities that are issued by NS-CMIC entities. Neither of these lists restricts Chinese companies from providing products and services to the designated persons. Hence, the Company's dealings with persons on the CMC and NS-CMIC Lists do not violate U.S. sanctions law and does not expose the Company to any sanction risks, either primary or secondary.

VI. Outbound Investment Review Analysis

On August 9, 2023, the U.S. president issued Executive Order No. 14105, directing the Secretary of Treasury to establish a program to prohibit or require notification of certain types of outbound investments by U.S. persons into certain entities located in or subject to the jurisdiction of countries of concern (which includes the P.R.C., along with Hong Kong and Macau) that are involved in the development and production of specific categories of advanced technologies and products. On January 2, 2025, the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern became effective (hereinafter "the Outbound Investment Rules").

Under the Outbound Investment Rules, U.S. persons are subject to notification requirements or prohibitions if they knowingly engage in "covered transactions" involving "covered foreign persons".

1. Overview of the Outbound Investment Rules

1.1 Covered Transactions

"Covered Transactions" include a U.S. person's direct or indirect:

- Acquisition of an equity interest or contingent equity interest in a person that the U.S. person knows at the time of the acquisition is a covered foreign person;
- Provision of a loan or a similar debt financing arrangement to a person that the U.S. person knows at the time of the provision is a covered foreign person, where such debt financing affords or will afford the U.S. person an interest in profits of the covered foreign person, the right to appoint members of the board of directors (or equivalent) of the covered foreign person, or other comparable financial or governance rights characteristic of an equity investment but not typical of a loan;
- Conversion of a contingent equity interest into an equity interest in a person that the U.S. person knows at the time of the conversion is a covered foreign person, where the contingent equity interest was acquired by the U.S. person on or after January 2, 2025;
- Acquisition, leasing, or other development of operations, land, property, or other assets in a country of concern that the U.S. person knows at the time of such acquisition, leasing, or other development will result in, or that the U.S. person plans to result in:
  - the establishment of a covered foreign person; or
  - the engagement of a person of a country of concern in a covered activity.
- Joint ventures: Entrance into a joint venture, wherever located, that is formed with a person of a country of concern, and that the subject U.S. person knows at the time of entrance into the joint venture that the joint venture will engage, or plans to engage, in a covered activity; or
- Investments made as a limited partner: Acquisition of a limited partner or equivalent interest in a venture capital fund, private equity fund, fund of funds, or other pooled investment fund (in each case where the fund is not a U.S. person) that a U.S. person knows at the time of the acquisition likely will invest in a person of a country of concern that is in the semiconductors and microelectronics, quantum information technologies, or artificial intelligence sectors, and such fund undertakes a transaction that would be a covered transaction if undertaken by a U.S. person.

1.2 Covered Foreign Person

Covered Foreign Persons include:

- **<u>A person of a country of concern[6] that engages in a *covered activity*;</u>**

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[6] Persons of a country of concern include:

1) Any individual that is:
   - a citizen or permanent resident of a country of concern;
   - not a U.S. citizen; and
   - not a permanent resident of the United States;
2) An entity with a principal place of business in, headquartered in, or incorporated in or otherwise organized under the laws of, a country of concern;
3) The government of a country of concern.

- A person that directly or indirectly holds a board seat on, a voting or equity interest (other than through securities or interests that would satisfy the conditions in § 850.501(a) if held by a U.S. person) in, or any contractual power to direct or cause the direction of the management or policies of any person or persons described in the above paragraph from or through which it:
  - Derives more than 50 percent of its revenue/net income individually, or as aggregated across such persons from each of which it derives at least $50,000 (or equivalent) of its revenue/net income, on an annual basis;
  - Incurs more than 50 percent of its capital expenditure/operating expenses individually, or as aggregated across such persons from each of which it incurs at least $50,000 (or equivalent) of its capital expenditure/operating expenses, on an annual basis.

1.3 Covered Activities

As mentioned above, "covered transactions" conducted by U.S. persons in persons of P.R.C. that engage in "covered activities" are subject to notification requirements or prohibitions.

Currently, "covered activities" include activities in the following sectors: 1) Semiconductor and Microelectronics, 2) Quantum Information Technologies, 3) Artificial Intelligence. Please see below for a detailed description of these activities:

1.3.1 Semiconductor and Microelectronics

Covered transactions in persons that engage in the following activities are *prohibited*:

- Develops or produces any electronic design automation software for the design of integrated circuits or advanced packaging;
- Develops or produces any:
  - Front-end semiconductor fabrication equipment designed for performing the volume fabrication of integrated circuits, including equipment used in the production stages from a blank wafer or substrate to a completed wafer or substrate (i.e. the integrated circuits are processed but they are still on the wafer or substrate);
  - Equipment for performing volume advanced packaging; or
  - Commodity, material, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment.
- Designs any integrated circuit that meets or exceeds the performance parameters in Export Control Classification Number 3A090.a in supplement No. 1 to 15 CFR

4) Any entity in which one or more persons identified above, individually or in the aggregate, directly or indirectly, holds at least 50 percent of any of the following interests of such entity: outstanding voting interest, voting power of the board, or equity interest,

5) Any entity in which one or more persons identified in paragraph (4), individually or in the aggregate, directly or indirectly, holds at least 50 percent of any of the following interests of such entity: outstanding voting interest, voting power of the board, or equity interest.

part 774, or integrated circuits designed for operation at or below 4.5 Kelvin;

- Fabricates any of the following:
  - Logic integrated circuits using a non-planar transistor architecture or with a production technology node of 16/14 nanometers or less, including fully depleted silicon-on-insulator (FDSOI) integrated circuits;
  - NOT-AND (NAND) memory integrated circuits with 128 layers or more;
  - Dynamic random-access memory (DRAM) integrated circuits using a technology node of 18 nanometer half-pitch or less;
  - Integrated circuits manufactured from a gallium-based compound semiconductor;
  - Integrated circuits using graphene transistors or carbon nanotubes; or
  - Integrated circuits designed for operation at or below 4.5 Kelvin;
  - Packages any integrated circuit using advanced packaging techniques;
- Develops, installs, sells, or produces any supercomputer enabled by advanced integrated circuits that can provide a theoretical compute capacity of 100 or more double-precision (64-bit) petaflops or 200 or more single-precision (32-bit) petaflops of processing power within a 41,600 cubic foot or smaller envelope.

Covered transactions in persons that engage in the following activities are subject to *notification requirements*: Designs, fabricates, packages any integrated circuits that is not described above.

1.3.2 Quantum Information Technologies

Covered transactions in persons that engage in the following activities are *prohibited*:

- Develops a quantum computer or produces any of the critical components required to produce a quantum computer such as a dilution refrigerator or two-stage pulse tube cryocooler;
- Develops or produces any quantum sensing platform designed for, or which the relevant covered foreign person intends to be used for, any military, government intelligence, or mass-surveillance end use;
- Develops or produces any quantum network or quantum communication system designed for, or which the relevant covered foreign person intends to be used for:
  - Networking to scale up the capabilities of quantum computers, such as for the purposes of breaking or compromising encryption;
  - Secure communications, such as quantum key distribution; or
  - Any other application that has any military, government intelligence, or mass-surveillance end use.

1.3.3 Artificial Intelligence

Covered transactions in persons that engage in the following activities are *prohibited*:

- Develops any AI system that is designed to be exclusively used for, or which the relevant covered foreign person intends to be used for, any:
  - Military end use (e.g., for weapons targeting, target identification, combat simulation, military vehicle or weapon control, military decision-making, weapons design (including chemical, biological, radiological, or nuclear weapons), or combat system logistics and maintenance); or
  - Government intelligence or mass-surveillance end use (e.g., through incorporation of features such as mining text, audio, or video; image recognition; location tracking; or surreptitious listening devices);
- Develops any AI system that is trained using a quantity of computing power greater than:
  - 10^25 computational operations (e.g., integer or floating-point operations); or
  - 10^24 computational operations (e.g., integer or floating-point operations) using primarily biological sequence data.

Covered transactions in persons that engage in the following activities are subject to *notification requirements*: Develops any AI system that is not described in above and that is:

- Designed to be used for any military end use (e.g., for weapons targeting, target identification, combat simulation, military vehicle or weapons control, military decision-making, weapons design (including chemical, biological, radiological, or nuclear weapons), or combat system logistics and maintenance); or government intelligence or mass-surveillance end use (e.g., through incorporation of features such as mining text, audio, or video; image recognition; location tracking; or surreptitious listening devices);
- Intended by the covered foreign person or joint venture to be used for any of the following:
  - Cybersecurity applications;
  - Digital forensics tools;
  - Penetration testing tools; or
  - The control of robotic systems; or
- Trained using a quantity of computing power greater than 10^23 computational operations (e.g., integer or floating-point operations).

1.3.4 Prohibitions related to Restricted Persons

If a person meets the following conditions and engage in any of the covered activities as set out in sections 3.1-3.3 above, covered transactions in such persons are prohibited:

- Persons included in the Entity List

- Persons included in the Military End User List,
- Persons meeting the definition of "Military Intelligence End-User" in section 744.22(f)(2) of the EAR;
- Persons included in the SDN List or persons owned, directly or indirectly, individually or in the aggregate, 50% or more by such persons,
- Persons included in the NS-CMIC List,
- Persons designated as a foreign terrorist organization by the U.S. Secretary of State under 8 U.S.C. 1189.

1.4 Excepted Transactions

Despite the restrictions as mentioned above, the following transactions conducted by U.S. persons in covered foreign persons are exempted:

- An investment by a U.S. person in a publicly traded security[7] denominated in any currency, and that trades on a securities exchange or through the method of trading that is commonly referred to as "over-the-counter," in any jurisdiction; or a security issued by a registered investment company, such as an index fund, mutual fund, or exchange traded fund, or issued by any company that has elected to be a business development company.
- A U.S. person's investment made as a limited partner or equivalent in a venture capital fund, private equity fund, fund of funds, or other pooled investment fund where:
    - The limited partner or equivalent's committed capital is not more than $2,000,000, aggregated across any investment and co-investment vehicles of the fund; or
    - The limited partner or equivalent has secured a binding contractual assurance that its capital in the fund will not be used to engage in a transaction that would be a prohibited transaction or notifiable transaction, as applicable, if engaged in by a U.S. person.
- A U.S. person's investment in certain derivative securities, so long as such derivative does not confer the right to acquire equity, any rights associated with equity, or any assets in or of a covered foreign person.
- A U.S. person's full buyout of all interests of any person of a country of concern in

[7] The term "***security***" is defined in section 3(a)(10) of the Securities Exchange Act of 1934, as amended, at 15 U.S.C. 78c(a)(10), means any note, stock, treasury stock, security future, security-based swap, **bond**, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.

an entity, such that the entity does not constitute a covered foreign person following the transaction.

- An intracompany transaction between a U.S. person and its controlled foreign entity to support operations that are not covered activities or to maintain ongoing operations with respect to covered activities that the controlled foreign entity was engaged in prior to January 2, 2025.
- Fulfillment of a U.S. person's binding, uncalled capital commitment entered into prior to January 2, 2025.
- The acquisition of a voting interest in a covered foreign person upon default or other condition involving a loan, where the loan was made by a lending syndicate and a U.S. person participates passively in the syndicate.
- A U.S. person's receipt of employment compensation in the form of an award or grant of equity or an option to purchase equity in covered foreign person, or the exercise of such option.
- Certain transactions involving a person of a country or territory outside of the United States may be excepted transactions where the Secretary of the Treasury determines that the country or territory is addressing national security concerns related to outbound investment and the transaction is of a type for which associated national security concerns are likely to be adequately addressed by the actions of that country or territory.

1.5 Penalties

Violations of the notification requirements or prohibitions set out in the Outbound Investment Rules may result in civil and criminal penalties:

- Civil Penalties: a person may be subject to a fine of $$377,700 per violation or twice the value of the transaction, whichever is greater. Further, the Department of Treasury may take actions to nullify, void, or otherwise compel the divestment of any prohibited transactions that take place in violation of the Rules.
- Criminal Penalties: a person who willfully commits, willfully attempts to commit, or willfully conspires to commit, or aids and abets in the commission of, a violation of the Rules may be fined for not more than $1,000,000; and in the case of the individual, may be imprisoned for not more than 20 years, or both.

2. Risks under the Outbound Investment Rules

Under the Rules, because the Company is registered and has its principal place of business in China, it is considered a person of a country of concern. However, based on the Company's responses to the due diligence questionnaire, it is not classified as a covered foreign person as it does not engage in the covered activities defined by the Rules:

1) The Company does not engage in the development or production of semiconductor fabrication/packaging equipment or electronic design automation software, nor does it design, fabricate, package semiconductors, or develop, install, sell, or produce supercomputers.

2) The Company does not engage in the development or production of quantum sensing platforms, or quantum network/communication systems.

3) The AI systems developed by the Company are neither designed nor intended to be used for military end uses, government intelligence/mass-surveillance end uses, or other restricted end uses and are not trained using computing power that meets the threshold established in the Rules.

Therefore, the Company is not a covered foreign person as defined under the Rules. Investments by U.S. persons, including equity purchases in the Company, are not subject to the restrictions imposed by the Rules. We understand that the Rules will have no impact on the Company and the Offering.

VII. Analysis of Suitability for Listing

According to the Sanctions Guidance, the following circumstances may render an applicant not suitable for listing:

- Any sanctions risks to or sanctions imposed on the applicant that materially undermine its ability to continue its operations;
- An applicant states that the funds are raised to finance Sanctioned Activities; or
- Its listing would pose a significant risk to the Relevant Persons or reputational risk to the Exchange.

Based on the analysis presented in the preceding sections of this Memorandum, the Company's operations do not present any material risks of violating the export control and sanctions laws and regulations of the U.S. Moreover, the Outbound Investment Rules are not applicable to the Company and will not have a negative impact on the Company's Offering. Accordingly, we are of the view that there is no sanctions risk that would materially undermine the Company's ability to continue its operations.

In the same vein, as the sanctions risks associated with the Company's operations are minimal, the Company's listing would not pose a significant risk to Relevant Persons or to the Exchange. In its response to our questionnaire, the Company confirmed that it will not use the funds raised through the Offering to finance Sanctioned Activities and will continue to enhance its compliance system to mitigate future risks.

In conclusion, we are of the view that the Company is not rendered unsuitable for listing under the conditions set out in paragraph 10 of the Sanctions Guidance.

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The conclusion reached in this Memorandum is based on our understanding of applicable export control, sanctions and outbound investment rules as of the date of issuance of this Memorandum. Given the significant level of discretion the relevant authorities have in interpreting and enforcing the applicable laws and regulations, we cannot guarantee that the BIS or OFAC will not take enforcement or sanctions actions that are contrary to the conclusions drawn in this Memorandum; and we assume no liability if the interpretations or understandings of such authorities are different from ours.

This Memorandum does not constitute a legal opinion. This Memorandum is prepared for the sole benefit of the Company and may only be relied on by the Company for the purpose of this Offering. It may be disclosed to the Sponsor, its legal counsels, the underwriter(s) of the Offering, the HKEX, the Securities and Futures Commission, the Companies Registry for the purpose of this Offering. No parties other than the Company may rely on this Memorandum.

Notwithstanding the above, this Memorandum may not be disclosed to any other person without our prior written consent for any purposes.

Yours faithfully

Jun He Law Offices LLC

Jun He Law Offices LLC