

Memorandum

Privileged & Confidential

Date November 28, 2025
To Shanghai Able Digital & Tech Co., Ltd. ("Shanghai Able")
From King & Wood Mallesons
Subject Project Elite - Export Control Compliance Due Diligence Report

For purposes of this memorandum, King & Wood Mallesons ("KWM" or "we") acts as international trade sanctions counsel to Shanghai Able Digital Science & Tech Co., Ltd. ("Shanghai Able" or the "Company", together with its subsidiaries, the "Group"); and where the context herein permits, "Shanghai Able" may include member(s) of the Group) in connection with the application for listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKEX"). To identify whether the relevant business activities of the Company violate the *Export Administration Regulations* (15 CFR chapter VII, subchapter C, the "EAR") of the United States, we have reviewed the documents provided by Shanghai Able and interviewed key people in the Company, and further summarized and prepared this report based on our review and interviews.

In carrying out the foregoing work, KWM relied on the information and documents provided and representations made by Shanghai Able as well as interviews of key persons. We have not verified such information, documents or statements independently or separately, and we have relied solely on the information we obtained from the Company in rendering any conclusions herein.

I. Executive Summary

Based on our document review and interviews with personnel of the Company, we understand that the Company is a digital teaching and learning solution provider for higher education institutions in China, and primarily provides the following products and services to those Chinese institutions:

- Digital educational content services and products (such as digital course development, knowledge graph development, and virtual simulation development); and
- Digital teaching and learning environment services and products (such as setting up immersive classroom/panoramic teaching space and providing LiveCourse software).

According to Shanghai Able, as of the date of this report, the Company's customers are primarily domestic higher education institutions in China, some of which are listed on the *Entity List* as well as the *Unverified List* ("UVL") of the EAR, as maintained by the U.S. Department of Commerce, Bureau of Industry and Security ("BIS"). A summary of the business between the Company and Entity List designated customers is as follows:

- Providing digital educational content services to all Entity List designated customers (two of which have a Footnote 4 designation under the Entity List Foreign Direct Product Rule ("Footnote 4") and to the sole UVL listed customer; and
- Providing classroom hardware and software installation services to three Entity List customers.

For purposes of export control compliance due diligence, KWM has screened the customers (including end-users and intermediaries) who have done business with the Company since January 1, 2019 and identified that:

- Several higher education institutions are listed on the Entity List (with or without Footnote 4 designation),
- One higher education institution is listed on the UVL; and

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- No customers are listed on the Specially Designated Nationals And Blocked Persons List (maintained by the Department of Treasury, Office of Foreign Assets Control (OFAC)).

After completing the screening, KWM further reviewed the transaction documents related to the above-mentioned entities to determine whether the relevant transactions may have potentially violated the EAR. Based upon our document review and interview of relevant personnel of Shanghai Able, as of the date of this report, we are of the view that given the business nature, origin of products, identity of the customers, and services rendered by the Company at the current stage, the Company's ongoing business should not be subject to U.S. export control restrictions under the EAR since no item (including commodities, software, or technology) subject to the EAR has been transferred to Entity List designated customers or to the UVL listed customer.

II. Detailed Analysis

1. General Introduction of the EAR

We analyze below whether the transactions between the Company and the Entity List designated customers violate the EAR.

1) Items and Activities Subject to the EAR

According to § 734.3 of the EAR, the following items (including commodities, technology, and software) are deemed as items subject to the EAR, and the *export*, *re-export*, or *transfer in-country* of such items may be subject to the approval of BIS:

- a) 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;
- b) all U.S. origin items wherever located;
- c) foreign-made commodities that **incorporate controlled U.S.-origin commodities**, foreign-made commodities that are **'bundled' with controlled U.S.-origin software**, foreign-made software that is commingled with controlled U.S.-origin software, and foreign-made technology that is commingled with controlled U.S.-origin technology which exceeds certain threshold ("*De minimis Rule*");
- d) certain foreign-produced "direct products" of specified "technology" and "software" ("**Foreign Direct Product Rule**"); and
- e) certain foreign-produced products of a complete plant or any major component of a plant that is a "direct product" of specified "technology" or "software" ("**Foreign Direct Product Rule**").

2) *De Minimis Rule*:

According to § 734.4 and Supplement No. 2 to § 734 of the EAR, a foreign-produced item or non-U.S.-produced item is subject to the EAR if:

Foreign-produced Items	Non-U.S.-produced commodity 'incorporates' controlled U.S.-origin commodities;
	Non-U.S.-produced commodity is 'bundled' with controlled U.S.-origin software;
	Non-U.S.-produced software 'incorporates' controlled U.S.-origin software; or
	Non-U.S.-produced technology commingled with or drawn from <u>controlled U.S.-origin technology</u> ;

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AND the value of the incorporated¹ U.S.-origin controlled content (i.e., content requiring a license to be exported or reexported to the destination of the non-U.S.-made item and not eligible for License Exception GBS²):

0%	<p>Exceeds 0 % of total value of the non-U.S.-made item (no <i>de minimis</i> level):</p> <ul style="list-style-type: none"> • Certain high performance computers containing ECCN 3A001 semiconductors (other than memory circuits) or ECCN 4A994.j high speed interconnect devices destined for Cuba, Iran, North Korea, and Syria; • ECCN 5E002, encryption technology incorporating U.S. origin encryption technology; • Equipment meeting the parameters in ECCN 3B993.f.1, when the equipment is destined for use in the “development” or “production” of “advanced-node integrated circuits” and the “advanced-node integrated circuits”; • Hot section technology controlled under ECCN 9E003.a.1 through a.6, a.8, .h, .i, and .l; • Foreign-made “military commodities” incorporating one or more of the 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. • .a through .x of 9x515 or “600 series”³ items destined for Country Group D:5, • 9x515 or .y of “600 series” items destined for China, Belarus, Russia, or Country Group E:1 or E:2; • Under certain rules issued by the Office of Foreign Assets Control, certain exports from abroad by U.S.-owned or controlled entities may be prohibited notwithstanding the <i>de minimis</i> provisions of the EAR; • For items related to the SME FDP rule, commodity 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 the commodity is destined for Macau or a destination specified in Country Group D:5; • For items related to the Footnote 5 FDP rule, item 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) when the commodity 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, 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”; and • Certain encryption, cryptanalytic items or digital forensics items controlled under ECCNs 5A002, 5A004, 5B002, 5D002 that don’t meet specified requirements.
10%	<p>Exceeds 10% of the total value of the non-U.S.-made item, when destined for Country Group E:1 or E:2:</p> <ul style="list-style-type: none"> • Most or all of Commerce Control List (CCL) items; and • EAR99 items to Cuba, North Korea and Syria (e.g., <i>with some exceptions for food and medicine</i>).
25%	<p>Exceeds 25% of the total value of the non-U.S.-made item, when NOT going to Country Group E:1 or E:2 (Cuba, Iran, North Korea, and Syria)</p> <ul style="list-style-type: none"> • Many CCL items; and • EAR99 items to Crimea region of Ukraine (e.g., except food, medicines and certain software).

3) Foreign Direct Product Rule

According to § 734.9 of the EAR, foreign-produced items are subject to the EAR if they are determined to be a “direct product” of specified technology or software—i.e., an immediate product (including processes and devices) produced directly by the use of such technology or software, or are produced by a complete plant or “major component”⁴ of a plant that itself is a “direct product” of specified technology or software. Not all transactions involving foreign-produced items that are subject to the EAR require a license. A

¹ According to Note to paragraph (a)(1) of Supplement No. 2 to Part 734—Guidelines for *De Minimis* Rules: U.S.-origin controlled content is considered ‘incorporated’ for *de minimis* purposes if the U.S.-origin controlled item is: essential to the functioning of the foreign equipment; customarily included in sales of the foreign equipment; and re-exported with the foreign produced item.

² License Exception GBS authorizes exports and reexports to Country Group B (as provided under Supplement No. 1 to part 740), except Sudan and Ukraine. See EAR § 740.4.

³ 9x515 ECCNs describe spacecraft-related items once subject to the International Traffic in Arms Regulations (ITAR), whereas “600 series” ECCNs describe military items previously controlled on the U.S. Munitions List or that are covered by the Wassenaar Arrangement Munitions List (WAML).

⁴ Major component means equipment that is essential to the production of an item, including testing equipment.

transaction involving a foreign-produced item incorporating certain U.S. controlled software or technology may require a license if it meets the product scope and end-user or country scope. Given the nature of the Company's business, we summarize the applicable rule related to the Company's business as follows:

Entity List FDP rule: <i>Footnote 4</i>	
Product Scope	A foreign-produced item meets the product scope of this rule if a foreign-produced item is 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 a foreign-produced item is produced by any plant or 'major component' of a plant when the plant or 'major component' of a plant, whether made in the U.S. or a foreign country, itself is a "direct product" of U.S.-origin "technology" or "software" that is 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.
End-User Scope	A foreign-produced item meets the end-user scope if there is "knowledge" that: (a) The foreign-produced 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; (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 foreign-produced item, e.g., as a "purchaser," "intermediate consignee," "ultimate consignee," or "end-user."

BIS has clarified that the EAR does not control services as such, except as described in § 744.6(a)(2) ("Restrictions on certain activities of U.S. persons")⁵ and § 736.2(b)(10) ("General Prohibition 10") of the EAR.⁶ See 81 FR 35586 at p. 35591.

2. Analysis of Whether the Transactions Are Subject to the EAR

To analyze whether the transactions between the Company and these Entity List designated higher education institutions violate the EAR, we summarize the key elements of these transactions as follows:

Name of University	Services Rendered by the Company	Category of Services and Products
Beijing Institute of Technology (Entity List)	Course Development	Digital educational content
	AI Course Graph Course Development Product	
	Virtual Simulation	
	Membership Service	
Beijing University of Aeronautics and Astronautics (Entity List)	AI Course Graph Course Development Product	Digital educational content
	Course Development	
	Virtual Simulation	
	Virtual Simulation Software	
	Membership Service	
	AI Course Graph Membership Platform	
	Classroom Hardware and Software Installation	Digital teaching and learning environment
Beijing University of Posts and Telecommunications	Course Development	Digital educational content

⁵ Section 744.6(a)(2) imposes licensing requirements on the performance by U.S. persons of any contract, service, or employment regarding various activities pertaining to missiles, biological weapons, and chemical weapons in various countries.

⁶ General Prohibition 10 prohibits, inter alia, servicing an item subject to the EAR with knowledge that a violation has occurred, is about to occur, or is intended to occur in connection with the item. Except for these provisions, the EAR regulates the export, reexport, and transfer (in-country) of commodities, technology, and software, regardless of whether such activities are in connection with a service.

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(Entity List)		
Harbin Engineering University (Entity List) ⁷	AI Course Graph Course Development Product	Digital educational content
	Course Development	
	Membership Service	
	AI Course Graph Membership Platform	
	Virtual Simulation	
	Classroom Hardware and Software Installation	Digital teaching and learning environment
Harbin Institute of Technology (Entity List with Footnote 4 designation)	Course Development	Digital educational content
	AI Course Graph Course Development Product	
	AI Course Graph Membership Platform	
	Membership Service	
	Virtual Simulation Software	
	Virtual Simulation	
Nanjing University of Aeronautics and Astronautics (Entity List)	Membership Service	Digital educational content
	AI Course Graph Course Development Product	
	Course Development	
	Virtual Simulation	
Nanjing University of Science and Technology (Entity List)	AI Course Graph Course Development Product	Digital educational content
	Course Development	
	Virtual Simulation	
	Membership Service	
National University of Defense Technology (Entity List) ⁸	Course Development	Digital educational content
	AI Course Graph Course Development Product	
	Membership Service	
	Virtual Simulation Software	
	Virtual Simulation	
Northwestern Polytechnical University (Entity List with Footnote 4 designation)	Course Development	Digital educational content
	AI Course Graph Course Development Product	
	AI Course Graph Membership Platform	
	Membership Service	
Sichuan University (Entity List) ⁹	Course Development	Digital educational content
	Virtual Simulation	
	AI Course Graph Course Development Product	
	AI Course Graph Membership Platform	
	Membership Service	
Tianjin University (Entity List)	Course Development	Digital educational content
	Membership Service	
	AI Course Graph Course Development Product	
	Micro-course	
	Micro-professional	
	Virtual Simulation Software	
	Virtual Simulation	
	Classroom Hardware and Software Installation	Digital teaching and learning environment
The University of Electronic Science and Technology of China (Entity List)	Course Development	Digital educational content
	AI Course Graph Course Development Product	

⁷ Including Harbin Engineering University, College of Shipbuilding Engineering (Part of Harbin Engineering University).

⁸ Including National University of Defense Technology, Experimental Training Base of College of Information and Communication and School of Electronic Science (Parts of National University of Defense Technology).

⁹ Including Sichuan University Trade Union (Trade union with independent legal personality).

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Xinjiang Police College (Entity List)	Course Development	Digital educational content
Sun Yat-Sen University (UVL)	Course Development	Digital educational content
	AI Course Graph Course Development Product	
	Virtual Simulation	
	Membership Service	
University of Science and Technology of China (Entity List)	Course Development	Digital educational content
	AI Course Graph Course Development Product	
	Virtual Simulation	
	Membership Service	

Based on our interviews of Company personnel, physical items and technology are not delivered when the Company provides digital educational content services and products to customers. However, certain physical items are provided by the Company to customers when the Company provides digital teaching and learning environment services and products, such as in the case of classroom or panoramic teaching hardware and software installation. After reviewing documents supplied by the Company, we noted that the Company only provided classroom hardware and software installation services to three Entity List designated institutions without a Footnote 4 designation. In other words, no physical items were delivered to any Entity List designated institutions with a Footnote 4 designation.

1) Service Rendered Involving Delivery of Physical Items

As of the date of this report, physical items delivered to customers designated on the Entity List are listed below:

Item Name	Brand and Model	Country of Origin	ECCN ¹⁰
Laptop	DELL Ins 14-5410	China	5A992.c
Laptop	DELL XPS 13-9305	China	5A992.c
Monitor	DELL E2422H	China	EAR99
Monitor	DELL E2420H	China	EAR99
Monitor	DELL U2722DX	China	EAR99
Desktop	DELL OptiPlex7000	China	5A992.c
Workstation Desktop	DELL Precision 3650 Tower 001	China	5A992.c
Workstation Desktop	DELL Precision 3650 Tower 002	China	5A992.c
Workstation Desktop	DELL Precision 3650 Tower 012	China	5A992.c
Workstation Desktop	DELL Precision 3650 Tower 020	China	5A992.c
Desktop	DELL OptiPlex 3070MFF	China	5A992.c
Monitor	DELL U4919DW	China	EAR99
Monitor	DELL P2418HT	China	EAR99
Desktop	Dell Vostro 3690-R14N9	China	5A992.c
Workstation Desktop	DELL Precision 5820 Tower	China	5A992.c
Rack Server	DELL R750XS	China	5A992.c
Rack Server	DELL R540	China	5A992.c
Workstation	DELL T1700	China	5A992.c
Mini Desktop	HP MINI PC	China	EAR99
Power Amplifier	CROWN XLI 2500	China	EAR99
Speaker	JBL CBT50LA	China	EAR99
Power Amplifier	CROWN T3	China	EAR99
Power Amplifier	CROWN XLI-800	China	EAR99
Speaker	JBL Control25-1L	China	EAR99
Speaker	JBL CONTROL-26C	China	EAR99
Speaker	JBL CONTROL-28-1	China	EAR99
Mixing Console	Soundcraft EFX12	China	EAR99
Professional Audio Mixer	Soundcraft Signature-12	China	EAR99
Mixing Console	Yamaha MG10	China	EAR99
Amplifier	Wharfedale Pro XR-1500	China	EAR99

¹⁰ ECCNs are not provided by the Company. KWM identified ECCN numbers via public sources including the suppliers' official websites.

Full-Range Speaker	Wharfedale Pro GPL-8	China	EAR99
Passive Subwoofer	Wharfedale Pro GPL-28B	China	EAR99
Wireless Rack-mount Vocal System with SM58	SHURE BLX24R/SM58	China	EAR99
Wireless Rack-mount Presenter System with WL93	SHURE BLX14R/W93	China	EAR99
Antenna Distribution System	SHURE UA844+SWB/LC-C	China	EAR99
Antenna Distribution System	SHURE UA845	China	EAR99
Handheld Camcorder	SONY PXW-Z280V	China	EAR99
Handheld Camcorder	SONY PXW-Z190V	China	EAR99
PTZ Camera	SONY SRG-A12	China	EAR99
Camera	Panasonic AG-HPX298	China	EAR99
Projector	SONY VPL-EX450	China	EAR99
Television	Epson EH-LS500B	China	EAR99
Matrix Switch with Scaler	ATEN VM5808H	China	EAR99
Matrix Switch with Scaler	ATEN VM51616H	Taiwan	EAR99
Matrix Switch with Scaler	ATEN VM5404H	Taiwan	EAR99
Control Box	ATEN VK2100A	China	EAR99
Control System	ATEN VK108US	China	EAR99
Microphone	Audio-Technica PRO40Q	China	EAR99
Microphone with Transmitter	Audio-Technica PRO 49QL and ATW-1322	China	EAR99
Camcorder and accessory	Panasonic AJ-PX298MC and ABLETC-02b98	/	EAR99
CPU	Intel i9-10920X	China	5A992.c
CPU	Intel i7-8700K	China	5A992.c
CPU	Intl i7-8700E	China	5A992.c
Graphic Card	NVIDIA RTX A4000	China	EAR99

We analyze whether the above-listed items are subject to the EAR. Based on the documents provided by the Company and feedback from the Company's personnel, together with publicly available sources, we found that:

- no items are located in the U.S.;
- no items are of U.S. origin;
- the *De minimis* Rule is inapplicable as the non-U.S.-made items do not contain more than 25% U.S.-origin controlled content, and no U.S.-origin controlled commodities, software, or technology has been incorporated, bundled, or commingled with the above-listed foreign-made commodities; and
- The foreign direct product rule is inapplicable because the ECCNs of the upstream technology/software used, as well as the end-users and destinations, are not within the controlled scope of § 734.9 of the EAR.

Hence, KWM's understanding is that U.S. export control restrictions of the EAR do not apply to the transactions between the Company and those entities designated on the Entity List without a Footnote 4 designation.

2) Service Rendered without Delivery of Physical Items

While no physical items have been delivered to a customer with a footnote 4 designation on the Entity List (e.g., *Northwestern Polytechnical University and Harbin Institute of Technology*), an analysis must still be undertaken in regard to the services rendered for these customers.

According to the documents received from the Company, the Company provided the following services and products to these two Footnote 4 designated customers:

Name of University	Services Rendered by the Company	Subject Matter
Harbin Institute of Technology	Course Development	Service
	AI Course Graph Course Development Product	Service
	AI Course Graph Membership Platform	Service

7 KWM

Northwestern Polytechnical University	Membership Service	Service
	Virtual Simulation Software	Software
	Virtual Simulation	Service
	Course Development	Service
Northwestern Polytechnical University	AI Course Graph Course Development Product	Service
	AI Course Graph Membership Platform	Service
	Membership Service	Service

As mentioned above, as mere services (i.e., without delivery of items subject to the EAR) are beyond the scope of the EAR, the sole issue is whether the Virtual Simulation Software provided by the Company is subject to the Footnote 4 Entity List FDP Rule under the EAR.

According to § 734.9(e)(2) of the EAR, a foreign-produced item is subject to the EAR if both the product scope and end-user scope set forth below are satisfied:

Product Scope	<p>The product scope applies if a foreign-produced item meets the conditions of either:</p> <ul style="list-style-type: none"> The foreign-produced 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 The foreign-produced 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 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.
End-User Scope	<p>A foreign-produced item meets the end-user scope if there is “knowledge” that:</p> <ul style="list-style-type: none"> The foreign-produced 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 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 foreign-produced item, e.g., as a “purchaser,” “intermediate consignee,” “ultimate consignee,” or “end-user.”

Relying on feedback from the Company’s personnel, we understand that the virtual simulation software is developed using the below software:

Name of Software	Developer	ECCN
Unity3D	Unity Technologies	EAR99
3Ds Max	Autodesk	EAR99
Photoshop	Adobe	EAR99
Axure RP	Axure	EAR99
Unreal Engine 5	Epic Games	EAR99

Hence, as the virtual simulation software is developed by using EAR99 software, which does not satisfy the product scope requirement under § 734.9(e)(2) of the EAR, it is KWM’s understanding that the virtual simulation software provided to Harbin Institute of Technology is not subject to the EAR. We understand from the Company that the virtual simulation software is solely used as a teaching aid, and would not be used in any military application or otherwise be used for supercomputing, which end-use activities would raise export control concerns.

III. Conclusion

In summary, based upon our review of documents and statements provided by the Company, none of the transactions between the Company and Entity List designated higher education institutions (with or without Footnote 4 designation) violate the EAR.

If you have any questions or comments regarding this report, or would otherwise like to discuss our analysis, please contact us.

Yours sincerely,

King & Wood Mallesons

King & Wood Mallesons

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Disclaimer

The Company has represented that the information it provided KWM is true, accurate, and complete, without any misleading representations or omissions. The Company has agreed that it will timely notify KWM of any changes to the information provided. KWM relied on this information to undertake the analysis herein and has not independently verified this information. KWM does not assume any liability for the truthfulness, accuracy, or completeness of the information and documents the Company provided. This memorandum is based solely on the information and documents the Company provided. Any incorrect representation, facts or assumptions, information, and documents, whether in whole or in part, may negatively affect this memorandum and result in a different opinion, for which KWM undertakes no liability. Any third party relying on the opinions in this memorandum is hereby advised of the limited scope of due diligence undertaken for the purposes of the conclusions adopted herein.

Memorandum

Privileged & Confidential

Date November 28, 2025
To Shanghai Able Digital & Tech Co., Ltd. ("Shanghai Able")
From King & Wood Mallesons
Subject Project Elite - Memorandum *in re* U.S. Outbound Investment Reviews and Tariffs Analysis

King & Wood Mallesons ("KWM" or "we") have acted as the international compliance legal counsel to Shanghai Able Digital & Tech Co., Ltd. in connection with its proposed initial public offering (the "Offering") and listing of shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKEX") of the Company.

To identify whether the relevant business activities of the Group 1) as well as the Offering trigger the U.S. outbound investment review, and 2) might be subject to certain tariffs imposed by the U.S. government, we have reviewed the requested documents provided by the Company, conducted due diligence on the Group and its counterparties (including customers and suppliers), interviewed key personnel of the Company, and further summarized and prepared this memorandum based on our review and interviews.

In carrying out the foregoing work, as to factual matters, KWM has relied on the information provided and representations made by the Company as well as interviews of key personnel of the Company. Unless otherwise stated, we have not verified such information, documents or statements independently or separately, and we have relied on the factual information we obtained from the Company in rendering any conclusions herein. This memorandum is based on the understanding and assumptions detailed herein. KWM relies on the completeness and accuracy of the factual information given to it by the Company. If any of the assumptions is incorrect, or any changes occur in or correction to the factual information provided, the Company is recommended to inform us so that we can confirm the content of our analysis.

Business Overview and Executive Summary

Based on our document review and interviews with personnel of the Company, we understand that the Company is a digital teaching and learning solution provider for higher education institutions in China, and primarily provides the following products and services to those Chinese institutions:

1. From the U.S. outbound investment review perspective:

The U.S. outbound investment review mechanism in force is narrowly targeted at certain types of investments in the country and typically the restrictions target sensitive technologies and products critical for military, intelligence, mass-surveillance, or cyber-enabled capabilities. If no covered activity (as described below) is involved in the transaction, then the transaction is not within the jurisdictional scope of the U.S. outbound investment review.

Based on the Group's responses to our sanction due diligence questionnaire and publicly available information, the Group's business involves providing digital teaching and learning solution. We understand that the Group's activities have no relation to any covered activities.

Therefore, the Group's business does not fall into the prohibited scope nor the notifiable scope under the Final Rule. We are of the view that the Final Rule shall be inapplicable to the Group and the Offering.

2. *From the U.S. tariffs perspective*

Based on the information provided by the Group, the Group has not exported directly or indirectly relevant products to the U.S from 2022 to September 2025, and the Group's customers and the end-users of the Group's products are all located in China. As such, the Group and its customers are not directly or indirectly affected by tariffs imposed by the U.S. on imports from China. Further, because the Group also does not import goods from the U.S., the Group's suppliers and their suppliers in related to the Group's products are all located in China, and the Group believes that none of its suppliers has currently been indirectly affected by tariffs, we are of the view that the Group is also not directly or indirectly affected by PRC counter-tariff policies on imports from the U.S.

In sum, based on the information provided by the Group, we are of the view that there has been no material impact on the Group's business operations, financial condition, or results of operations as a result of tariffs.

Please see the detailed analysis as follows.

Part I: Outbound Investment Review Analysis

I. Overview of the U.S. Outbound Investment Regulations

On October 28, 2024, the U.S. Department of Treasury (the “**Treasury**”) issued final regulations (the “**Final Rule**”, regulated in 31 CFR 850) implementing Executive Order 14105 (“**E.O.14105**”) which addresses U.S. investments in certain national security technologies and products in countries of concern. The Final Rule, which came into effect on January 2, 2025, aims to restrict *U.S. persons* (as defined below) *knowingly or knowingly directing their controlled foreign entities* (as defined below) from *investing in* (“covered transactions”, as defined below) concerning *activities related to the semiconductor, quantum computing, and artificial intelligence* (i.e. covered activities) industries *in the PRC (including Hong Kong SAR and Macau SAR) and other specified countries or regions* (“person of country of concern”, as defined below), and to impose different investment restrictions (i.e., “Prohibited Transactions” and “Notifiable Transactions”) depending on the nature, purpose and advanced level of the underlying activity. Therefore, key elements of the jurisdictional scope of the Final Rule are as follows:

- **Requirements on U.S. persons:** The Final Rule places obligations on U.S. persons, including the prohibition of certain transactions and a notification requirement for certain other transactions. In addition, U.S. persons are required to take all reasonable steps to prohibit and prevent a controlled foreign entity from engaging in a prohibited transaction; and are obligated to file a notification with respect to a notifiable transaction undertaken by a controlled foreign entity no later than 30 calendar days after the completion date of the regulated transaction.
- **Specific categories of covered transactions:** The Final Rule applies to certain transactions by U.S. persons, including the acquisition of an equity interest or contingent equity interest; certain debt financing that affords certain rights to the lender; the conversion of a contingent equity interest; a greenfield investment or other corporate expansion; entrance into a joint venture; and certain investments as a limited partner or equivalent in a non-U.S. person pooled investment fund. Activities that do not meet the definition of a covered transaction are not subject to the program except where they are undertaken to evade or avoid the Final Rule.
- **Knowledge standard:** The obligations of a U.S. person under the Final Rule apply if such person has knowledge of relevant facts or circumstances related to a transaction.
- **Investment target should be a covered foreign person:** The Final Rule applies to certain transactions by a U.S. person that involve a covered foreign person—that is, a person of a country of concern that is engaged in a covered activity related to defined sub-sets of technologies and products or 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.
- **Transactions are not excepted:** The Final Rule excepts certain types of transactions from the rule’s coverage, provided that such transactions do not afford a U.S. person certain rights that are not standard minority shareholder protections. If there is no applicable exception, the transaction may still fall into the jurisdictional scope of the Final Rule.

If any of the above elements is not satisfied, then the transaction shall not be subject to review under the Final Rule, and investors do not need to notify the Treasury.

1. Definition

Under 31 CFR Part 850, key concepts of the Final Rule are defined as follows:

U.S. Person
Under 31 CFR Part 850.229, “U.S. person” means any of the following:
- 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 (regardless of nationality).

Controlled Foreign Entities

Under 31 CFR Part 850.206, "Controlled foreign entities" means any entity incorporated in, or otherwise organized under the laws of, a country other than the United States of which a U.S. person is a parent¹.

For purposes of this term, the following rules shall apply in determining whether an entity is a parent of another entity in a tiered ownership structure:

- Where the relationship between an entity and another entity is that of parent and subsidiary, the holdings of voting interest or voting power of the board, as applicable, of a subsidiary shall be fully attributed to the parent;
- Where the relationship between an entity and another entity is not that of parent and subsidiary (i.e., because the holdings of voting interest or voting power of the board, as applicable, of the first entity in the second entity is 50 percent or less), then the indirect downstream holdings of voting interest or voting power of the board, as applicable, attributed to the first entity shall be determined proportionately;
- Where the circumstances in the above 2 paragraphs apply (i.e., because a U.S. person holds both direct and indirect downstream holdings in the same entity), any holdings of voting interest shall be aggregated for the purposes of applying this definition, and any holdings of voting power of the board shall be aggregated for the purposes of applying this definition. Voting interest shall not be aggregated with voting power of the board for the purposes of applying this definition.

Covered Foreign Person

Under 31 CFR Part 850.209, "Covered foreign person" means:

- A person of a country of concern that engages in a covered activity;
- 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 individually, or as aggregated across such persons from each of which it derives at least \$50,000 (or equivalent) of its revenue, on an annual basis;
 - Derives more than 50 percent of its net income individually, or as aggregated across such persons from each of which it derives at least \$50,000 (or equivalent) of its net income, on an annual basis;

¹ According to 31 CFR 850.219, The term parent means, with respect to an entity:

(a) A person who or which directly or indirectly holds more than 50 percent of:

(1) The outstanding voting interest in the entity; or

(2) The voting power of the board of the entity;

(b) The general partner, managing member, or equivalent of the entity; or

(c) The investment adviser to any entity that is a pooled investment fund, with "investment adviser" as defined in the Investment Advisers Act of 1940 (15 U.S.C. 80b-2(a)(11)).

- Incurs more than 50 percent of its capital expenditure individually, or as aggregated across such persons from each of which it incurs at least \$50,000 (or equivalent) of its capital expenditure, on an annual basis; or
- Incurs more than 50 percent of its operating expenses individually, or as aggregated across such persons from each of which it incurs at least \$50,000 (or equivalent) of its operating expenses, on an annual basis.

Person of Country of Concern

Under 31 CFR Part 850.221, "Person of country of concern" means:

- a) 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;
- b) 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;
- c) The government of a country of concern, including any political subdivision, political party, agency, or instrumentality thereof; any person acting for or on behalf of the government of a country of concern; or any entity with respect to which the government of a country of concern holds individually or in the aggregate, directly or indirectly, 50 percent or more of the entity's outstanding voting interest, voting power of the board, or equity interest, or otherwise possesses the power to direct or cause the direction of the management and policies of such entity (whether through the ownership of voting securities, by contract, or otherwise);
- d) Any entity in which one or more persons identified in paragraph (a), (b), or (c) of this section, 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; or
- e) Any entity in which one or more persons identified in paragraph (d) of this section, 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.

At present, the country of concern includes the PRC (including Hong Kong SAR and Macau SAR).

Covered Transaction

Under 31 CFR Part 850.210, "Covered transaction" means a U.S. person's direct or indirect:

- **Equity and contingent equity:** 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;
- **Debt financing:** 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 contingent equity interests:** 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;
- **Greenfield and brownfield investments:** 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.

2. Restrictive Measures Imposing on Certain Activities

The Final Rule defines prohibited and notifiable transactions with reference to whether a Covered Foreign Person engages in a covered activity; in addition, a notifiable transaction would be escalated to prohibit in the event that the Covered Foreign Person is included on one of several U.S. government lists maintained by several governmental departments.

1) Scope of Covered Activities

At present, covered activities under the Final Rule cover three sectors:

- (1) Semiconductors and Microelectronics,
- (2) Quantum Information Technologies, and
- (3) Artificial Intelligence ("AI").

Each of these is divided into two categories: "Prohibited Transaction" and "Notifiable Transaction". Specifications of the covered activities are set out as follows:

Semiconductors and Microelectronics	
Prohibited Transaction	<p>Develop or produce any electronic design automated software for the design of integrated circuits ("ICs") or advanced packaging;</p> <p>Develop or produce (1) front-end semiconductor fabrication equipment designed for performing volume fabrication of ICs; (2) equipment for performing volume advanced packaging; or (3) commodity, material, software or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment;</p> <p>Design IC that meets or exceeds the performance parameters in Export</p>

	<p>Control Classification Number 3A090.a in supplement No. 1 to 15 CFR part 774, or integrated circuits designed for operation at or below 4.5 Kelvin;</p> <p>Fabricate any of the following:</p> <ul style="list-style-type: none"> - 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 <p>Package any integrated circuit using advanced packaging techniques.</p> <p>Develop, install, sell, or produce 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.</p>
Notifiable Transaction	Design, fabricate or package any IC that does not meet the prohibited transaction parameters.
Quantum Information Technologies	
Prohibited Transaction	<p>Develop quantum computers or the critical components required to produce quantum computers, such as dilution refrigerators or two-stage pulse tube cryocoolers;</p> <p>Develop or produce quantum sensing platforms designed for, or intended to be used for, military, government intelligence, or mass-surveillance end uses; or</p> <p>Develop or produce quantum networks or communication systems designed for, or intended to be used for, networking to scale up capabilities of quantum computers, secure communications, or any other application that has any military, government intelligence, or mass-surveillance end use.</p>
Notifiable Transaction	None
Artificial Intelligence ("AI")	
Prohibited Transaction	<p>Develop any AI system that is designed to be exclusively used for, or which the relevant covered foreign person intends to be used for, any:</p> <ul style="list-style-type: none"> - 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

	<p>incorporation of features such as mining text, audio, or video; image recognition; location tracking; or surreptitious listening devices).</p> <p>Develop any AI system that is trained using a quantity of computing power greater than:</p> <ul style="list-style-type: none"> - 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.
Notifiable Transaction	<p>Develop any AI system that is not described in prohibited transactions and that is:</p> <ul style="list-style-type: none"> - designed for military, government intelligence, or mass surveillance end uses (but not exclusively); - intended to be used for cybersecurity applications, digital forensics tools, penetration testing tools, or the control of robotics systems; or - trained using a specified quantity of computing power greater than 10^{23} computational operations (i.e., at a threshold lower than that for prohibited transactions).

2) Scope of Prohibited End-Users

In addition to the above, if a covered foreign person is included on one of the following lists maintained by the U.S. government, a notifiable transaction would be escalated to prohibited transaction:

- (1) included on the BIS's Entity List (15 CFR part 744, supplement No. 4);
- (2) included on BIS's MEU List (15 CFR part 744, supplement no. 7);
- (3) meets the definition of MIEU by BIS in 15 CFR 744.22(f)(2);
- (4) included on the Treasury's SDN List, or is an entity in which one or more individuals or entities included on the SDN List, individually or in the aggregate, directly or indirectly, own a 50 percent or greater interest;
- (5) included on the NS-CMIC List; or
- (6) designated as a foreign terrorist organization by the Secretary of State under 8 U.S.C. 1189.

If a transaction does not satisfy any of the above criteria, then the transaction shall not be subject to the jurisdiction of the Final Rule.

3. Standard of knowledge

In determining whether a U.S. person violated the Final Rule, the Treasury will assess whether the U.S. person has or had knowledge of the relevant facts and circumstances with respect to a covered transaction. Under 31 CFR 850.216, "knowledge" means:

- Actual knowledge that a fact or circumstance exists or is substantially certain to occur;
- An awareness of a high probability of a fact or circumstance's existence or future

occurrence; or

- Reason to know of a fact or circumstance's existence.

In other words, under the Final Rule, a U.S. person shall be deemed to have knowledge if the U.S. person possesses actual knowledge that a fact or circumstance exists or is substantially certain to occur, if the U.S. person possesses an awareness of a high probability of a fact or circumstance's existence or future occurrence, or if the U.S. person could have possessed such information through a reasonable and diligent inquiry.

Under 31 CFR 850.104, the Treasury will consider the totality of the relevant facts and circumstances in assessing whether a US person undertook a reasonable and diligent inquiry, including the following:

- (1) The inquiry a U.S. person has made regarding an investment target or other relevant transaction counterparty (such as a joint venture partner), including questions asked of the investment target or relevant counterparty, as of the time of the transaction;
- (2) The contractual representations or warranties the U.S. person has obtained or attempted to obtain from the investment target or other relevant transaction counterparty (such as a joint venture partner) with respect to the determination of a transaction's status as a covered transaction and status of an investment target or other relevant transaction counterparty (such as a joint venture partner) as a covered foreign person;
- (3) The efforts by the U.S. person as of the time of the transaction to obtain and consider available non-public information relevant to the determination of a transaction's status as a covered transaction and the status of an investment target or other relevant transaction counterparty (such as a joint venture partner) as a covered foreign person;
- (4) Available public information, the efforts undertaken by the U.S. person to obtain and consider such information, and the degree to which other information available to the U.S. person as of the time of the transaction is consistent or inconsistent with such publicly available information;
- (5) Whether the U.S. person purposefully avoided learning or seeking relevant information;
- (6) The presence or absence of warning signs, which may include evasive responses or non-responses from an investment target or other relevant transaction counterparty (such as a joint venture partner) to questions or a refusal to provide information, contractual representations, or warranties; and
- (7) The use of available public and commercial databases to identify and verify relevant information of an investment target or other relevant transaction counterparty (such as a joint venture partner).

Besides, the Final Rule also prohibits U.S. persons from knowingly directing a non-U.S. person to engage in a prohibited transaction. Under 31 CFR 850.303, a U.S. person "knowingly directs" a transaction when such person:

- (1) has the authority, individually or as part of a group, to make or substantially participate in the decisions of a non-US person, and
- (2) exercises that authority to direct, order, decide upon, or approve a transaction. An officer, director, and a person who otherwise possesses executive responsibilities is deemed to have such authority.

However, a U.S. person who has the authority described above and recuses themselves from each of the following activities will not be considered to have exercised their authority to direct, order, decide upon, or approve a transaction:

- (1) Participating in formal approval and decision-making processes related to the transaction, including making a recommendation;
- (2) Reviewing, editing, commenting on, approving, and signing relevant transaction documents; and
- (3) Engaging in negotiations with the investment target (or, as applicable, the relevant transaction counterparty, such as a joint venture partner).

4. Excepted Transactions

Certain types of transactions are excepted from the rule's coverage, and therefore not covered transactions under the Final Rule, reasoning that such excepted transactions do not afford a U.S. person certain rights that are not standard minority shareholder protections. Under 31 CFR 850.501, excepted transactions include the following:

- (1) **Publicly traded securities:** An investment by a U.S. person in a publicly traded security² 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.
- (2) **Certain limited partner investments:** 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.
- (3) **Derivatives:** 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.
- (4) **Buyouts of country of concern ownership:** A U.S. person's full buyout of all interests of any person of a country of concern in an entity, such that the entity does not constitute a covered foreign person following the transaction.
- (5) **Intracompany transactions:** 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.

² 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.

- (6) **Certain pre-Final Rule binding commitments:** Fulfillment of a U.S. person's binding, uncalled capital commitment entered into prior to January 2, 2025.
- (7) **Certain syndicated debt financings:** 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.
- (8) **Equity-based compensation:** 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.
- (9) **Third-country measures:** 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.

In addition to the above, the Final Rule allows a U.S. person to seek an exemption from the application of the prohibition or notification requirement on the basis that a transaction is in the national interest of the U.S.

5. Legal Consequences of Non-compliance

A violation of the above outbound investment regulations would have been subject to civil and criminal penalties as set forth in *the International Emergency Economic Powers Act of 1977* ("IEEPA"):

- **Civil penalties:** a civil penalty that does not exceed the greater of \$377,700 or twice the amount of the transaction may be imposed on any person who violates, attempts to violate, conspires to violate, or causes a violation of the above outbound investment;
- **Criminal penalties:** a person who willfully commits, willfully attempts to commit, willfully conspires to commit, or aids or abets in the commission of a violation, attempt to violate, conspiracy to violate, or causing of a violation of the above outbound investment regulations shall, upon conviction, be fined not more than \$1,000,000, or if a natural person, be imprisoned for not more than 20 years, or both.

Other than the above, the Secretary of the Treasury can take any action authorized under IEEPA to nullify, void, or otherwise require divestment of any prohibited transaction.

However, despite U.S. persons are prohibited from undertaking certain transactions and are required to notify the Treasury of certain other transactions, there will not be a case-by-case review of transactions. The relevant U.S. person undertaking a transaction has an obligation to determine whether the given transaction is prohibited, permissible but subject to notification, or not covered by the Final Rule because either it is an excepted transaction or it is not within the jurisdiction set forth under the Final Rule.

6. Notification Requirements

A U.S. person subject to the notification requirement is required to file a notification form with the Treasury that includes information related to the transaction, such as details about the U.S. person, the covered foreign person, the covered transaction, and the relevant national security technologies and products. The Final Rule requires that a notification be filed no later than 30 days after the relevant covered transaction is completed or, where a U.S. person acquires actual knowledge after the completion date of a transaction that the transaction would have been a covered transaction if such knowledge had been possessed at the time of the transaction, no later than 30 days after the U.S. person's acquisition of such knowledge. Notifications are required to be submitted via electronic filing.

II. Analysis of the Applicability of the Final Rule to the Group

As discussed above, the Final Rule does not prohibit all investment activity in countries of concern. Instead, the Final Rule is narrowly targeted at certain types of investments in countries of concern and related to sensitive technologies and products critical for military, intelligence, mass-surveillance, or cyber-enabled capabilities.³ If no covered activity is involved in the transaction, then the transaction shall fall outside the jurisdictional scope of the Final Rule.

In addition, an investment by a U.S. person in publicly traded securities is excepted by the Final Rule, regardless of whether the Group is a person of a country of concern, or whether the underlying activities undertaken by the Group are covered activities. In other words, once the stocks issued by the Company become publicly traded, restrictions set out by the Final Rule are inapplicable to investments in relation to such publicly traded securities.

Based on the Group's response to our sanction due diligence questionnaire and publicly available information, the Group is digital teaching and learning solution provider for higher education institutions principally engaged in the development and sale of commodities and software relating to education. We understand that the Group's business does not fall within any definition of semiconductor and microelectronics, quantum information technologies, or artificial intelligence. Specifically, though the Group engages in activities involving development of certain AI systems, the Final Rule only regulates AI development activities exceeding specific parameters or involving specific uses (such as military applications). Because none of these AI systems developed by the Group meet the criteria of prohibited and notifiable activities set forth in the Final Rule, we are of the view that the Group's business will not be affected by the Final Rule. Accordingly, none of the Group's entities is a "covered foreign person" and the Group's business is unrelated to any covered activities. No Group entity, directly or indirectly, holds a board seat on, have a voting or equity interest in, or have any contractual power to direct or cause the direction of the management or policies of, any person or persons that engage, or plan to engage, in any covered activity.

Therefore, the Group's business does not fall into the prohibited scope nor the notifiable scope under the Final Rule. We are of the view that the Final Rule shall be inapplicable to the Group and the Offering, hence the Offering is not a "covered transaction" and does not constitute a "covered activity" and it is not required to be notified to the Treasury under the Final Rule. The Sponsor's engagement with the Group in connection with the Offering and the subsequent underwriting does not and will not constitute a "covered transaction" as defined in the Final Rule.

³ See Office of Investment Security's "Additional Information on Final Regulations Implementing Outbound Investment Executive Order (E.O. 14105)", https://home.treasury.gov/system/files/206/TreasuryOutboundFinalRuleAdditionalInformation_0.pdf

Part II: U.S. Tariffs Analysis

I. Overview of Section 301 Tariffs

Section 301 of the Trade Act of 1974 ((Pub. L. 93-618, 19 U.S.C. § 2411) authorizes the USTR to take all appropriate action (including tariff-based and non-tariff-based retaliation) to obtain the removal of any act, policy, or practice of a foreign government that 1) violates an international trade agreement or 2) is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce (including goods, services, and foreign direct investment by U.S. persons with implications for trade in goods or services).

1. Initiation of Section 301 Investigations

The following types of foreign government conduct may be subject to Section 301 investigations, including:

- (1) a violation that denies U.S. rights under a trade agreement;
- (2) an “unjustifiable” action that “burdens or restricts” U.S. commerce, or
- (3) an “unreasonable” or “discriminatory” action that “burdens or restricts” U.S. commerce.

Section 301 investigations can be self-initiated by the USTR or as the result of a petition filed by an “interested party”.⁴ Upon initiating an investigation, the USTR must request consultations with the targeted foreign government regarding the issues raised, and will generally also solicit public comments and hold a hearing as part of its investigation.⁵

For cases involving trade agreements, the USTR is required to request formal dispute proceedings as provided by the trade agreements:

- (1) that the rights of the United States under any trade agreement are being denied;
- (2) that an act, policy, or practice of a foreign country violates, is inconsistent with, or otherwise denies the United States the benefits of any trade agreement; or
- (3) that an act, policy, or practice of a foreign country is unjustifiable and burdens or restricts U.S. commerce.

If no mutually acceptable resolution is reached under the investigation involving a trade agreement, the USTR must request formal dispute settlement proceedings under the governing trade agreement. However, the Trade Act of 1974 does not require that the U.S. government should wait until it receives authorization from the World Trade Organization (“WTO”).

2. Implementation and Retaliatory Action

Once the USTR determines that the alleged conduct is unfair or violates U.S. rights under trade agreements, then it may decide what action to take. Actions to be taken by the USTR can be divided into mandatory and discretionary categories. Mandatory action is required if the USTR concludes that there is a trade agreement violation or that an act, policy, or practice of a foreign government is “unjustifiable” and “burdens or restricts” U.S. commerce. Section 301 authorizes the USTR to:

- (1) withdraw or suspend trade agreement concessions;
- (2) impose duties or other import restrictions; or

⁴ 19 U.S.C. 2412.

⁵ 19 U.S.C. 2413.

- (3) enter into a binding agreement with the foreign government to either eliminate the conduct in question (or the burden to U.S. commerce) or compensate the U.S. with satisfactory trade benefits.

The USTR must give preference to tariffs if action is taken in the form of import restrictions. The level of mandatory action under Section 301 should “affect goods or services of the foreign country in an amount equivalent in value to the burden or restriction being imposed by that country on” U.S. commerce. Once imposed, Section 301 tariffs must be terminated after four years unless an extension is requested.

II. IEEPA Tariffs of the U.S.

1. Tariffs Related to Fentanyl

On February 1, 2025, President Trump placed 25 percent tariffs on products from Mexico and Canada (10 percent on Canadian “energy resources”) and 10 percent on all products from China through the IEEPA “because of the major threat of illegal aliens and deadly drugs killing our Citizens, including fentanyl.” On March 3, President Trump further increased the IEEPA tariffs from 10 percent to 20 percent on all products from China (including Hong Kong), which became effective on March 4, 2025. However, on October 30, 2025, based on the announcement by the China and U.S. government after the Sino-U.S. talk, the tariffs related to fentanyl of 10% will be cancelled⁶.

IEEPA grants the president broad authority to regulate various financial transactions upon declaring a national emergency. Since its enactment, IEEPA has become an important tool to impose economic sanctions, justify export controls, and restrict certain transactions and outbound investments. Under the IEEPA, the president can take a wide variety of economic actions “to deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy or economy” of the country.

Previously, no president of the U.S. has used IEEPA to place tariffs on imported products from a specific country or on products imported to the U.S. in general.⁷ During his first term, President Trump has placed tariffs on designated (not all) products from China via Section 301 and Section 232 investigations. On May 30, 2019, President Trump announced his intention to use IEEPA to impose and gradually increase a five percent tariff on all goods imported from Mexico until “the illegal migration crisis is alleviated through effective actions taken by Mexico.”⁸ The tariffs were scheduled to be implemented on June 10, 2019, with five percent increases to take effect at the beginning of each subsequent month. On June 7, 2019, President Trump announced that the tariffs scheduled to be implemented by the U.S. on June 10, against Mexico, were indefinitely suspended.⁹

However, unlike Section 301 or Section 232 tariffs, as no investigation is required, IEEPA authorities can be invoked at any time in response to a national emergency based on an “unusual and extraordinary threat, which has its source in whole or substantial part outside the United States.”¹⁰

2. Retaliatory Tariffs of the U.S.

⁶ https://www.mofcom.gov.cn/syxwfb/art/2025/art_e8453c07ce374814ba65bdb6ff5813c4.html

⁷ <https://crsreports.congress.gov/product/pdf/R/R45618/8>

⁸ Statement from the President Regarding Emergency Measures to Address the Border Crisis, May 30, 2019, available at <https://www.whitehouse.gov/briefings-statements/statement-president-regarding-emergency-measures-address-border-crisis/>.

⁹ President Donald J. Trump, Twitter Post, June 7, 2018, 5:31 p.m.,

<https://twitter.com/realdonaldtrump/status/1137155056044826626>. The suspension preceded the release of a U.S. Mexico Joint Declaration on migration. Department of State, Office of the Spokesperson, U.S.-Mexico Joint Declaration, June 7, 2019, available at <https://www.state.gov/u-s-mexico-joint-declaration/>.

¹⁰ See *The International Emergency Economic Powers Act: Origins, Evolution, and Use*, Congressional Research Service, R45618, updated on January 30, 2024.

On April 2, 2025, President Trump announced his “reciprocal tariff” strategy and unveiled a two-tier tariff structure under IEEPA: a baseline 10% tariff applied universally to imports from all countries with the exception of Canada and Mexico, and additional country-specific “reciprocal” tariffs based on what the administration deemed unfair trade practices by approximately 60 individual nations. The 10% baseline tariff would begin at 12:01 a.m. EDT on April 5, 2025 (04:01 UTC), while the higher country-specific rates would commence at 12:01 a.m. EDT on April 9, 2025. During the event, President Trump also signed Executive Order 14257 “Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits” (“E.O.14257”), which outlined extensive global tariff policies which he described as the “declaration of economic independence” of the U.S. Over the next few days, President Trump kept raising tariffs on Chinese goods. After several rounds of adjustments, currently according to the Executive Order “Modifying Reciprocal Tariff Rates to Reflect Discussions with the People’s Republic of China”, the reciprocal tariff rate of U.S. duty on goods from China has been retained as 10%, and additional 24 percentage points of that rate has been suspended for an initial period of 90 days starting at 12:01 a.m. EDT on May 14, 2025. On August 11, the U.S. government further issued Executive Order to extend the above period till November 10, 2025. However, also based on the above-mentioned announcement by the China and U.S. government after the Sino-U.S. talk, the reciprocal tariffs of 24% will further be suspended for a year.

As of the date of the memorandum, the reciprocal tariff rates are as follows:

Country	Reciprocal Tariff
Afghanistan	15%
Algeria	30%
Angola	15%
Bangladesh	20%
Bolivia	15%
Bosnia and Herzegovina	30%
Botswana	15%
Brazil	10%
Brunei	25%
Cambodia	19%
Cameroon	15%
Chad	15%
Costa Rica	15%
Côte d'Ivoire	15%
Democratic Republic of the Congo	15%
Ecuador	15%
Equatorial Guinea	15%
European Union: Goods with Column 1 Duty Rate ¹¹ > 15%	0%
European Union: Goods with Column 1 Duty Rate < 15%	15% minus Column 1 Duty Rate
Falkland Islands	10%
Fiji	15%
Ghana	15%
Guyana	15%
Iceland	15%
India	25%
Indonesia	19%
Iraq	35%
Israel	15%
Japan	15%
Jordan	15%

¹¹ For purposes of this Executive Order and its Annexes, “Column 1 Duty Rate” means the ad valorem (or ad valorem equivalent) rate of duty under column 1-General of the Harmonized Tariff Schedule of the United States (HTSUS).

Kazakhstan	25%
Laos	40%
Lesotho	15%
Libya	30%
Liechtenstein	15%
Madagascar	15%
Malawi	15%
Malaysia	19%
Mauritius	15%
Moldova	25%
Mozambique	15%
Myanmar (Burma)	40%
Namibia	15%
Nauru	15%
New Zealand	15%
Nicaragua	18%
Nigeria	15%
North Macedonia	15%
Norway	15%
Pakistan	19%
Papua New Guinea	15%
Philippines	19%
Serbia	35%
South Africa	30%
South Korea	15%
Sri Lanka	20%
Switzerland	39%
Syria	41%
Taiwan	20%
Thailand	19%
Trinidad and Tobago	15%
Tunisia	25%
Turkey	15%
Uganda	15%
United Kingdom	10%
Vanuatu	15%
Venezuela	15%
Vietnam	20%
Zambia	15%
Zimbabwe	15%

Furthermore, apart from the exemptions listed in the E.O.14257, the U.S. Customs and Border Protection also issued a guidance¹² on its Cargo Systems Messaging Service on April 5, 2025 to exclude specified products from the Reciprocal Tariffs. According to the guidance, products that are properly classified under the following headings and subheadings would be excluded: 8471, 8473.30, 8486, 8517.13.00, 8517.62.00, 8523.51.00, 8524, 8528.52.00, 8541.10.00, 8541.21.00, 8541.29.00, 8541.30.00, 8541.49.10, 8541.49.70, 8541.49.80, 8541.49.95, 8541.51.00, 8541.59.00, 8541.90.00, 8542.

We summarize the calculation formula for the U.S. tariff rate as follows:

Level	Import Tariff Rate for the Product	Depends on the HTSUS of the products
1		

+

¹² See: <https://content.govdelivery.com/accounts/USDHSCBP/bulletins/3db9e55>

Level 2	Section 301 Tariffs (if applicable)	Varies from 7.5% to 100%
+		
Level 3	Section 232 Tariffs (if applicable)	Different tax rates for different products
+		
Level 4	Anti-dumping Duties and Countervailing Duties (if applicable)	Different tax rates for different products
+		
Level 5	IEEPA Tariffs - Tariffs related to Fentanyl	10% (certain products under Chapter 98 of HTSUS are exempted)
+		
Level 6	IEEPA Tariffs - Reciprocal Tariffs	10% (unless exempted, additional 24% has been suspended for an initial period of 90 days starting at 12:01 a.m. EDT on May 14, 2025)

However, the volatility and uncertainty of the Trump administration's policies makes it difficult to assess the direction of the U.S. tariff policy. On May 28, 2025, the United States Court of International Trade issued the ruling¹³ (Court No. 25-00066 and Court No. 25-00077) and held that IEEPA does not authorize any of the Worldwide, Retaliatory, or Trafficking Tariff Orders. Thus, the challenged Tariff Orders will be vacated and their operation permanently enjoined. However, the Trump administration lodged an appeal within minutes of the ruling. On May 29, 2025, the U.S. Court of Appeals for the Federal Circuit ("CAFC") said in a brief order¹⁴ that it would grant the Trump administration's request for an immediate administrative stay "to the extent that the judgments and the permanent injunctions entered by the Court of International Trade in these cases are temporarily stayed" for now. On June 10, 2025, the CAFC issued an order to grant the motions for a stay pending appeal and to hold oral argument on July 31, 2025. As of the date of the memorandum, the U.S. Court of Appeals for the Federal Circuit ruled that the IEEPA tariffs (including the tariffs related to fentanyl and the reciprocal tariffs) are illegal on August 29, 2025. However, the court allowed the existing tariffs to remain in effect until October 14, 2025, to give the Trump administration time to appeal to the U.S. Supreme Court. Therefore, the reciprocal tariffs and the tariffs related to fentanyl are still in effect.

III. Impact of U.S. Tariffs on the Business of the Group

Based on the information provided by the Group, the Group has not exported directly or indirectly relevant products to the U.S from 2022 to September 2025, and the Group's customers and the end-users of the Group's products are all located in China. As such, the Group and its customers are not directly or indirectly affected by tariffs imposed by the U.S. on imports from China. Further, because the Group also does not import goods from the U.S., the Group's suppliers and their suppliers in related to the Group's products are all located in China, and the Group believes that none of its suppliers has currently been indirectly affected by tariffs, we are of the view that the Group is also not directly or indirectly affected by PRC counter-tariff policies on imports from the U.S.

In sum, we believe that as of the date of the memorandum, the U.S. tariffs have not resulted and will not result in material adverse impact on the Group's business operations. Nevertheless, we still remind that policy changes on tariffs are currently more frequent and do not rule out the possibility of further policy changes in the future.

¹³ See: https://www.govinfo.gov/content/pkg/USCOURTS-cit-1_25-cv-00066/pdf/USCOURTS-cit-1_25-cv-00066-0.pdf

¹⁴ See: https://www.cafc.uscourts.gov/opinions-orders/25-1812.ORDER.5-29-2025_2522636.pdf

*****End*****

If you have any questions or comments regarding this memorandum, or would otherwise like to discuss our analysis herein, please contact feel free to contact us.

Yours sincerely,

King & Wood Mallesons

King & Wood Mallesons

Disclosure

The statements set forth in the Prospectus prepared by the Company in connection with the Offering, under the headings “Summary”, “Definitions”, “Risk Factors”, “Regulatory Overview” and “Business”, to the extent such statements relate to matters of U.S. export controls, outbound investment regulations, and tariffs or our legal conclusions with respect thereto are fairly summarized and are true and accurate in all material respects and not misleading.

This Memorandum may be disclosed for the following purposes:

- (i) disclosure to affiliates and legal advisers of the Addressees and other professional parties involved in the Offering;
- (ii) disclosure to the extent required by law or regulation of Hong Kong and any other applicable jurisdiction;
- (iii) in relation to any disputes or claims in connection with the Offering;
- (iv) disclosure for the purpose of seeking to establish any defence in any legal or regulatory proceeding or investigation; and
- (v) disclosure and submission to the HKEX, the Securities and Futures Commission of Hong Kong and other regulatory authorities in connection with the Offering.

Disclaimer

The Company agrees to represent the information it provided KWM is true, accurate, and complete, without misleading representation; and should timely notify KWM of any changes to the information provided. KWM relied on the afore-said information to provide services, and will not verify, or undertake any verification liabilities for the truthfulness, accuracy, and completeness of the information and documents the Company provided. This memorandum is based on the information and documents the Company provided. Any incorrect representation, facts or assumptions, information, and documents, whether in whole or in part, may negatively affect this memorandum or lead to different opinions, to which KWM undertakes no liabilities. The Company should make a judgment and decide to take appropriate action independently and undertake the consequence arising therefrom. KWM will not undertake any liabilities for the Company's decisions or actions.