



MEMORANDUM
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To	Software Limited China International Capital Corporation Hong Kong Securities Limited CITIC Securities (Hong Kong) Limited CLSA Limited GF Capital (Hong Kong) Limited GF Securities (Hong Kong) Brokerage Limited and each of the Hong Kong Underwriters named in the Hong Kong Underwriting Agreement (as defined below) and the International Underwriters named in the International Underwriting Agreement (as defined below)
Subject	International Sanctions Risk Exposure
From	Nate Bush, DLA Piper
Date	October 31, 2025

I. Introduction

1. DLA Piper Singapore Pte. Ltd. (“DLA Piper” or “we”) has been engaged to act as international sanctions counsel to Softcare Limited (together with its subsidiaries, “Softcare” 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” or the “Exchange”).
2. In connection with the Offering, the Company has entered into (i) an international underwriting agreement dated on or about November 6, 2025 entered into by, among others, the Company, the overall coordinators and the international underwriters named therein (the “International Underwriting Agreement”); and (ii) a Hong Kong underwriting agreement dated October 30, 2025 entered into by, among others, the Company, the overall coordinators and the Hong Kong underwriters named therein (the “Hong Kong Underwriting Agreement”).
3. This Memorandum (the “Memorandum”) assesses whether the Company would be deemed unsuitable for listing on the HKEX or would otherwise be subject to material international sanctions risks based on the standards set forth in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and/or the Guide for New Listing Applicants Chapter 4.4 Sanctions Risks (“Chapter 4.4 Sanction Guidance”)¹, effective from May 2024.

¹ Guide for New Listing Applicants Chapter 4.4 Sanctions Risks <https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules->

4. Specifically, this Memorandum assesses, for purposes of Chapter 4.4 Sanction Guidance, whether the Company: (1) has engaged in Primary Sanctioned Activity (as defined below) that violates applicable laws or regulations in the Relevant Jurisdiction(s) (as defined below) within the Track Record Period (the “TRP”); (2) has engaged in Secondary Sanctionable Activity (as defined below) during the TRP that would likely result in the imposition of any sanctions against the Relevant Persons; or (3) is a Sanctioned Target (as defined below), is located, incorporated, organized or resident in a Sanctioned Country (as defined below), or is a Sanctioned Trader (as defined below).
5. This Memorandum is structured as follows:
- This Section I introduces the scope of our engagement.
 - Section II defines the meaning of certain general terms and expressions for the purposes of this Memorandum.
 - Section III provides an executive summary.
 - Section IV summarizes the facts upon which this Memorandum relies.
 - Section V identifies the Relevant Jurisdictions for the purposes of this analysis.
 - Section VI assesses risks involving Primary Sanctioned Activity.
 - Section VII assesses risks involving Secondary Sanctionable Activity.
 - Section VIII assesses risks that the Company may qualify as a Sanctioned Target, be based in a Sanctioned Country, or qualify as a Sanctioned Trader.
 - Section IX provides our conclusion regarding the Company’s suitability for listing in light of its overall sanctions risks based on the standards set forth in the Chapter 4.4 Sanction Guidance.
 - Section X summarizes limitations and qualifications applicable to the entirety of this Memorandum.

II. Definitions

6. For the purposes of this Memorandum, unless otherwise stated, the following terms shall have the following meanings:
- “China” or “PRC” means the People’s Republic of China, but for the purposes of this Memorandum only and except where the context requires otherwise, references in this Memorandum to “China” or “PRC” do not include the Hong Kong Special Administrative Region (“Hong Kong S.A.R”), the Macau Special Administrative Region and Taiwan.
 - “The Company” or “Softcare” means “Softcare Limited” together with its subsidiaries, including those entities controlled through contractual arrangements.
 - “Sunda Group” means Sunda Enterprise Limited, Guangzhou Sunda Trading Co., Ltd., Softcare Limited and their respective subsidiaries from time to time.

- “IPO” means initial public offering.
- “SDN” means an individual or entity designated on the list of Specially Designated Nationals and Blocked Persons as published by the U.S. Department of Treasury.
- “TRP” means the period comprising the years ended December 31, 2022, 2023, and 2024, the four months ended April 30, 2025.
- “United States person” or “U.S. person” means any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.²
- “Certain Countries” means the sensitive countries identified by the Hong Kong Securities and Futures Commission (SFC) in the comments, including the Democratic Republic of the Congo, Burundi, Zimbabwe, Guinea, South Sudan, and Somalia.
- “Prospectus” means the prospectus dated October 31, 2025 prepared by the Company in connection with the Offering.

7. The Chapter 4.4 Sanction Guidance does not explicitly define the term “sanctions.” However, the introduction states that “[c]ertain overseas jurisdictions may from time to time impose trade or economic sanctions on specific countries, governments, entities or persons by restricting their nationals from making assets or services available, directly or indirectly, to them, dealing with their assets or otherwise conducting commercial transactions with them.”³

8. Accordingly, “International Sanctions” means, for the purpose of this Memorandum, any “measures enacted by jurisdictions as trade or economic sanctions against foreign countries, governments, entities or persons by restricting the enacting jurisdictions’ nationals from making assets or services available, directly or indirectly, to them, dealing with their assets or otherwise conducting commercial transactions with them.”

9. In addition, the following terms shall be defined in accordance with the Chapter 4.4 Sanction Guidance:⁴

- “Primary Sanctioned Activity” means any activity in a Sanctioned Country or (1) with; or (2) 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.
- “Relevant Jurisdiction” 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

² This definition conforms to the definition of “U.S. Person” for purposes of the U.S. Export Administration Regulations appearing in 15 CFR § 772.1, U.S. sanction programs administered by the OFAC (See e.g., 31 CFR § 560.314), and provisions pertaining to U.S. investments in certain national security technologies and products in countries of concern appearing in 31 CFR § 850.229.

³ See Chapter 4.4 Sanction Guidance, para. 2.

⁴ See Chapter 4.4 Sanction Guidance, para. 4.

the listing, trading, clearing and settlement of its shares, including the Exchange and related group companies.

- “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: (1) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (2) that is, or is owned or controlled by, a government of a Sanctioned Country; or (3) 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 (1) or (2).
- “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.
- “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.

III. Executive Summary

- ¹⁰. The Chapter 4.4 Sanction Guidance⁵ provides that an applicant is unlikely to be suitable for listing if “(a) any sanctions risks to or sanctions imposed on the applicant materially undermine its ability to continue its operations; (b) an applicant states that the funds are raised to finance Sanctioned Activities; or (c) its listing would cause a significant risk to the Relevant Persons or reputational risk to the Exchange.”
- ¹¹. The Chapter 4.4 Sanction Guidance identifies three categories of risks related to International Sanctions to be assessed when evaluating a listing applicant’s suitability for listing:
 - The risk that the “listing applicant has engaged in Primary Sanctioned Activity”;
 - The risk that the “listing applicant has engaged in Secondary Sanctionable Activity”; and
 - The risk that the listing applicant “is a Sanctioned Target, located, incorporated, organised, or resident in a Sanctioned Country, or a Sanctioned Trader.”⁶
- ¹². Based on the factual representations by the Company, and subject to the assumptions, qualifications, and limitations set forth in Section X and elsewhere herein, we have reached the following conclusions.

⁵ See Chapter 4.4 Sanction Guidance, para. 10.

⁶ See Chapter 4.4 Sanction Guidance, para. 5.

(A) Relevant Jurisdictions

13. Given the nature and geographic scope of the Company's commercial activities, for purposes of Chapter 4.4 Sanction Guidance, potentially Relevant Jurisdictions include the sanctions imposed by United Nations, the U.S., E.U., and U.K.
14. Because certain executives of the Company are citizens of an E.U. member state and the U.K., it is sufficient to bring the Company's operations subject to the jurisdiction of the relevant E.U. member states and the U.K. if these executives are involved in all routine businesses of the Company.
15. Australia does not qualify as a Relevant Jurisdiction.

(B) Three Risk Categories

(1) Primary Sanctioned Activity Risks

16. Although the Company conducted certain sales settled in U.S. dollars during the TRP that satisfy the jurisdiction requirement for U.S. Primary Sanctions, the Company does not sell products to any Sanctioned Countries or Sanctioned Targets under the U.S. regime.
17. The Company's contacts with the E.U. and the U.K., are limited to the citizenship of certain executives of the Company, being E.U. nationals and a U.K. national. None of the Company's direct customers or vendors was sanctioned by the E.U. and U.K. as of March 28, 2025, the date on which the screening work was performed. Therefore, the Company's business would not constitute Primary Sanctioned Activity under International Sanctions enacted by the E.U. and U.K. rules for purposes of the HKEX Sanctions Guidance.
18. None of the Company's direct customers or vendors was listed as a United Nations Sanctioned Target as of the date when the screening work was performed. The Company's sales in the countries subject to UN sanctions do not infringe the specific UN sanction measures against certain targets (asset freezes or travel bans).
19. The Company's business does not satisfy the substantive elements of a violation or infringement of the relevant International Sanctions in all Relevant Jurisdictions.
20. There have been no material changes to the principal International Sanctions laws, regulations, and orders relevant to matters discussed above in paragraphs 16 through 19 after the TRP and up to the Latest Practicable Date (as defined in the Prospectus), excluding changes to the scope and entries of relevant lists of Sanctioned Targets. Assuming that the Company's factual representations with respect to its activities during the TRP are accurate, complete, and not misleading, and are also representative of practices up to the Latest Practicable Date, including its representations with respect to compliance procedures and practices, then the conclusions set forth herein are likely applicable to the Company's activities between the TRP and the LPD.
21. As we did not screen the counterparties between the TRP and the LPD, we cannot exclude the possibility of undetected Sanctioned Targets, which may lead to potential violations.

(2) Secondary Sanctionable Activities Risks

22. Under current E.U. and U.K. law and practice, the E.U. and U.K. do not officially impose or claim "secondary sanctions." However, the E.U. and U.K. have each implemented measures that have similar effects as secondary sanctions with respect to their sanctions on Russia.
23. Under current Australian law and practice, Australia does not impose "secondary sanctions."

24. Under current U.S. law and practice, “Secondary Sanctionable Activity” involves material support for SDNs or significant involvement with specific regions or sectors in Sanctioned Countries.
25. During the TRP, the Company did not have transactions with any SDNs or specific regions or sectors in Sanctioned Countries.
26. The Company did not participate in any Secondary Sanctionable Activities.
27. There have been no material changes to the principal International Sanctions laws, regulations, and orders relevant to matters discussed above in paragraphs 22 through 26 after the TRP and up to the Latest Practicable Date (as defined in the Prospectus), excluding changes to the scope and entries of relevant lists of Sanctioned Targets. Assuming that the Company’s factual representations with respect to its activities during the TRP are accurate, complete, and not misleading, and are also representative of practices up to the Latest Practicable Date, including its representations with respect to compliance procedures and practices, then the conclusions set forth herein are likely applicable to the Company’s activities between the TRP and the LPD.
28. As we did not screen the counterparties between the TRP and the LPD, we cannot exclude the possibility of undetected Sanctioned Targets, which may lead to potential violations.

(3) Sanctioned Target, Sanctioned Country, and Sanctioned Trader Risks

29. The Company is not a Sanctioned Target under the International Sanctions enacted by the Relevant Jurisdictions.
30. The Company is not located, incorporated, organized or resident in a Sanctioned Country.
31. Based on the definition of “Sanctioned Trader” set forth in the Chapter 4.4 Sanction Guidance and the Company’s sales activities for the entire TRP, the Company would not qualify as a Sanctioned Trader.
32. There have been no material changes to the principal International Sanctions laws, regulations, and orders relevant to matters discussed above in paragraphs 29 through 31 after the TRP and up to the Latest Practicable Date (as defined in the Prospectus), excluding changes to the scope and entries of relevant lists of Sanctioned Targets. Assuming that the Company’s factual representations with respect to its activities during the TRP are accurate, complete, and not misleading, and are also representative of practices up to the Latest Practicable Date, including its representations with respect to compliance procedures and practices, then the conclusions set forth herein are likely applicable to the Company’s activities between the TRP and the LPD.
33. As we did not screen the counterparties between the TRP and the LPD, we cannot exclude the possibility of undetected Sanctioned Targets, which may lead to potential violations.

(C) Suitability for Listing

34. The Company is not rendered unsuitable for listing under the conditions articulated in paragraph 3.8 of the Chapter 4.4 Sanction Guidance based on the exposure to International Sanctions Risks as discussed above.

IV. Statement of Facts

35. **This section summarizes the relevant factual representations made by the Company upon which the observations, analysis, and conclusions of DLA Piper set forth elsewhere in this Memorandum rely.**

36. The Company's factual representations include:
- written and verbal responses on behalf of the Company to requests for information;
 - documents and records maintained in the normal course of business, as provided by the Company;
 - information and statements available in the Prospectus, and
 - data provided by the Company summarizing such records.
37. The Company's factual representations also include statements of legal circumstances and conditions that are *assumed to be true* for purposes of the legal analysis set forth in subsequent sections.
38. The Company has expressly confirmed that statements of facts are accurate, complete, and not misleading.
39. However, these statements have not been independently or directly verified or confirmed by DLA Piper. Please refer to Section X for important qualifications and limitations applicable to the entirety of this Memorandum.

(A) Overview

40. **This sub-section summarizes the Company's general factual representations regarding its ownership, organization, products and operations.**

(1) Company Organization and Ownership

41. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 17, 2022. The Company's business was carried out through several subsidiaries during the TRP, which mainly include Sunmart Trading Dubai, Softcare Ghana, Softcare Kenya, Softcare Senegal, Softcare Tanzania, and Softcare Zambia.
42. As the Prospectus stated, the manufacturing entities of the Company are located in Ghana, Tanzania, Kenya, Senegal, Cameroon, Uganda, Zambia, and Benin.
43. Please see Annex 1 Corporate Structure Immediately After the Completion of the Reorganization and the Pre-IPO Investment for the detailed corporate structure.

(2) Business Model

44. The Company principally engaged in the development, manufacturing and sales of baby and feminine hygiene products, including baby diapers, baby pants, sanitary pads and wet wipes.
45. The business was started as an internal business segment of Sunda Group, which was founded by Mr. Shen Yanchang and Ms. Yang Yanjuan, and commenced the sales of fast-moving hygiene products through Guangzhou Sunda, a former holding company of Sunda Group.
46. The Company sells products through various sales channels, primarily consisting of wholesalers, distributors, supermarkets, and other retailers.
47. Africa is the core market for the Company during the TRP. As of April 30, 2025, the Company had eight production plants located in eight different countries in Africa, including Ghana, Kenya, Senegal, Tanzania, Zambia, Cameroon, Uganda and Benin.

(3) Procurement Activities

48. The raw materials used for the Company's production are mainly purchased from the U.S., Japan, South Korea, and China, and the relevant payments are usually settled in U.S. dollars or RMB.
49. During the TRP, the Company purchased one of the raw materials for its production, fluff pulp, directly from the U.S. The Company also purchased certain equipment and spare parts from companies that are ultimately owned or controlled by U.S. companies.
50. During the TRP, the Company purchased fluff pulp from companies in Italy and Belgium, which are E.U. member states.

(4) Third-Party Payments

51. As disclosed in the Prospectus, the Company settled payments with certain customers through third-party payors during the TRP. However, the Company did not proactively initiate the third-party payment arrangements or participate in other similar arrangements.
52. To the best knowledge of the Company, the third-party payment arrangement during the TRP was based on bona fide underlying transactions.
53. The Company also enhanced internal control measures to mitigate anti-corruption and anti-money laundering risks associated with third-party payment arrangements. The payments made by third-party payors failing to satisfy the compliance review were rejected.
54. As of April 30, 2025, the Company had principally ceased all third-party payment arrangements, save for certain customers who were unable to completely cease third-party payment due to practical difficulties. For example, some customers who are located in remote areas that may not have easy access to banking services in their vicinity. These customers would need to travel long distances to the nearest bank in order to settle payments through their own accounts. These customers consider it unduly burdensome, time-consuming, and unsafe, and as a result have requested the Company to accept payments through third-party payors.
55. For any customer who has genuine reasons to make payments through a third-party payor, according to the Company, it has require the customers to provide a designation letter jointly signed by the customers and their third-party payors to the Company confirming that (1) the identity of the third-party payors; (2) the third-party payors are authorized to make payment to the Company on the customer's behalf; (3) in the case of mobile payment, the mobile phone numbers or mobile application accounts of the third-party payors that were or will be used for such payments; (4) the customer assumes the primary liability of settling the payment arising from their purchase of goods from the Company; (5) that the third-party payors shall not and will not request the Company to refund the payments made and settled on behalf of the customer in connection with the third-party payment arrangement; and (6) the customer undertakes to indemnify the Company against all losses, payments, costs, expenses, liabilities and damages which the Company may suffer or incur arising out of or in connection with any failure, dispute or disagreement by the third-party payors to settle the payments arising from the customers' purchase of goods from the Company or any breach, failure, dispute or disagreement by the customers and/or the third-party payors to perform their obligations.
56. The Company has also required such customers to provide payment details, such as time, method, amount, and the third-party payor's account number, which enable the Company to confirm the identities of the underlying customers relating to such payments.

57. The Company confirmed that the customers included in the Direct Customer List provided are all real customers dealing directly with the Company instead of any third-party payors.

(5) No involvement of any Covered Activities

58. Based on the Company's response to our due diligence on March 24, 2025, during the TRP, the Company did not participate in any covered activities involving advanced semiconductors and microelectronics, quantum information technologies, and AI sector.

(B) Jurisdictional Contacts

59. According to the Company, the Company does not have any offices, subsidiaries, or representative offices in Australia, the U.K., any E.U. Member State, the US, or Canada.
60. According to the Company, the Company does not have any commercial sales, marketing functions, or business operations in Australia, the U.K., any E.U. Member State, the U.S., or Canada.
61. During the TRP, the Company did not have bank accounts with financial institutions based in Australia, the UK, any EU Member State, the US, or Canada, but it had bank accounts in foreign branches of the financial institutions of the U.S. and E.U. Member States.
62. Mr. Shen Yanchang and Ms. Yang Yanjuan, being co-founders and the non-executive directors of the Company, are citizens of Malta. Mr. Lung Shei Kei, being the chief financial officer and joint company secretary of the Company, is a citizen of the UK.
63. To the best of the Company's knowledge, the board members, senior management team, executives, subsidiaries, and affiliates do not include any US persons. As the date of March 19, 2025, the Company has received a pre-IPO investment from the International Finance Corporation (the "IFC").
64. During the IPO process, the Company may also receive other investments from potential investors who are US persons.

(C) Overseas Operations During the TRP

65. According to the Company, during the TRP, the Company did not sell or deliver products to any customer located in the U.S. Embargo Countries/Region (Crimea (including Sevastopol), Donetsk and Luhansk regions of Ukraine, Cuba, Iran, North Korea, and Syria). The Company did not have any transactions with customers or vendors located in the U.S. Embargo Countries/Region. The Company did not have manufacturing facilities in the U.S. Embargo Countries/Region.
66. According to the Company, during the TRP, the Company did not sell or deliver products to any customer located in Belarus, Russia, or Venezuela. The Company did not have transactions with customers or vendors located in Belarus, Russia, or Venezuela. The Company did not have manufacturing facilities in Belarus, Russia, or Venezuela.
67. During the TRP, the Company sold products to 35 overseas countries, including Kenya, the Democratic Republic of the Congo, Somalia, Senegal, etc. Please see Annex 2 List of Countries of Overseas Sales for the full list.
68. During the TRP, the Company purchased one of the raw materials for its production, fluff pulp, from the U.S. and E.U. member states as stated in Section IV. (A)(3).

(D) Current Trade Compliance Programs

- 69. The Company adopted the internal policy Measure for the Compliance Management of Anti-Money Laundering, Counter-Terrorist Financing, and Sanctions (the “**Measure**”), which has been effective since January 1, 2024.
- 70. The Measure explicitly states to comply with the laws and regulations related to export controls and sanctions applicable in a range of jurisdictions, including regulations managed by OFAC.
- 71. Considering the nature of the products, the Company does not prohibit its sales channels from reselling the products to their downstream sales channels or end-users and the Company does not maintain any control over them or request the identity of the end-users.
- 72. During the IPO preparation process, the Company has conducted a preliminary screening of customers in sensitive countries against the U.S., E.U., and the U.K. restricted party lists. The Company has confirmed that it did not sell products to the U.S. Embargo Countries/Regions. Based on the Company's internal screening procedures, none of the Company's customers are on the sanctions lists.

V. Relevant Jurisdictions

- 73. This section considers the likelihood that the U.S., U.K., E.U., and Australia may qualify as Relevant Jurisdictions with respect to the Company's operations.
- 74. Under the Chapter 4.4 Sanction Guidance, issuers are required to evaluate International Sanctions risks by reference to the sanctions laws of “Relevant Jurisdictions” which are defined both as being (1) “relevant to the listing applicant”; and (2) having enacted potentially applicable International Sanctions.

(A) E.U.

- 75. Under E.U. practice, each jurisdiction-specific sanctions regime (e.g., Russia, Iran) is imposed via a separate E.U. Regulation.
- 76. E.U. sanctions generally apply: “within the territory of the E.U., including its airspace; on board any aircraft or vessel within the jurisdiction of a Member State; to any person inside or outside the territory of the E.U. who is a national of a Member State; to any legal person, entity, or body, inside or outside the territory of the E.U., which is incorporated or organized under the law of a Member State; or to any legal person, entity, or body in respect of any business done in whole or in part within the E.U.”⁷
- 77. Under current law and practice, the E.U. does not adopt and implement secondary sanctions.
- 78. As noted in the Statement of Facts, the Company does not have any entities or any commercial operations, or product sales in the E.U.
- 79. Mr. Shen Yanchang and Ms. Yang Yanjuan, being the non-executive directors of the Company, are citizens of Malta. As stated above, Mr. Shen Yanchang and Ms. Yang Yanjuan are also the founders and controlling shareholders of the Company.
- 80. Malta is an E.U. Member State and these two individuals are E.U. nationals, subject to E.U. jurisdictions. The Company itself is not a legal person established in the E.U. or under the law

⁷ Council Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the E.U. Common Foreign and Security Policy [2018] Doc. 15598/17 para. 88.

of an E.U. member state. However, it is sufficient to trigger E.U. jurisdictions if an E.U. national is involved.

81. The Company also has accounts in foreign branches of one E.U. financial institution and purchases E.U.-origin raw materials.

82. Accordingly, the E.U. would qualify as a Relevant Jurisdiction with respect to the Company's general operations considering the involvement of Mr. Shen Yanchang and Ms. Yang Yanjuan.

(B) U.K.

83. In respect of the U.K., the Sanctions and Anti-Money Laundering Act of 2018 provides the legislative framework for U.K. sanctions. Separate secondary / delegated legislative instruments implement jurisdiction-specific sanctions regimes (e.g., Russia, Iran).

84. U.K. sanctions measures apply to: "all persons within the territory and territorial sea of the UK and to all UK persons, wherever they are in the world."⁸ Therefore, (1) "[all] individuals and legal entities who are within or undertake activities within the UK's territory must comply with UK financial sanctions that are in force", and (2) [all] UK nationals and legal entities established under UK law, including their branches, must also comply with UK financial sanctions that are in force, irrespective of where their activities take place."⁹

85. As noted in the Statement of Facts, the Company does not have any entities or any commercial operations, or product sales in the U.K.

86. Mr. Lung Shei Kei, the chief financial officer and joint company secretary of the Company is a citizen of the U.K.

87. The Company itself is not a legal person established in the U.K. However, it is sufficient to trigger U.K. jurisdiction if a U.K. national is involved.

88. Accordingly, the U.K. would qualify as a Relevant Jurisdiction with respect to the Company's general operations.

(C) Australia

89. Australian sanctions laws apply to activities in Australia and to activities undertaken overseas by Australian citizens and Australian-registered bodies corporate. In this regard, Australian sanctions law has extraterritorial effect.

90. Accordingly, Australian sanctions apply¹⁰ (1) within the territory of Australia (which includes the Australian external Territories); (2) where the conduct¹¹ or a result of the conduct¹² occurs

⁸ Section 21 of Sanctions and Anti-Money Laundering Act 2018

⁹ Section 21 of Sanctions and Anti-Money Laundering Act 2018

¹⁰ Pursuant to Section 16 of the *Autonomous Sanctions Act 2011* (Cth) (the Act), an individual or a body corporate commits an offence if they engage in conduct that contravenes a sanction law or condition of authorisation (i.e., a licence or approval) under a sanction law. Part 3 of the *Autonomous Sanctions Regulations 2011* (Cth) (Regulations) contain the sanctions laws. Section 15.1 of the Criminal Code (contained in the Schedule to the *Criminal Code Act 1995* (Cth)) applies to an offence under Section 16 of the Act that relates to a contravention of Regulations 12, 12A, 13A, 14, 15 and 16. The effect of Section 15.1 is to give the offence extraterritorial operation: see Regulations 12(2), 13(2), 14(2), 15(2) and 16(2). Pursuant to Section 15.1 of the Criminal Code, a person may be guilty of committing an offence where they satisfy the requisite territorial or extraterritorial qualification i.e., where their conduct is committed outside Australia, but they are a citizen (Section 15.1(c)(i)).

¹¹ Section 15.1 (a)(ii) of the Criminal Code: conduct may be an offence where it occurs wholly or partly on board an Australian aircraft or ship. Regulation 12(3): a person will have engaged in a sanctioned supply where they use an Australian ship or aircraft to transport export sanctioned goods in the course of, or for the purpose of making, a sanctioned supply that is not an authorised supply.

¹² Section 15.1 (b)(ii) of the Criminal Code: conduct may be an offence where the conduct is performed wholly outside Australia and the result of the conduct occurs wholly or partly on board an Australian aircraft or ship.

on board or in connection with the use of any Australian aircraft or vessel; (3) to any person inside¹³ or outside the territory of Australia¹⁴ who is an Australian citizen; and (4) to any legal person, entity or a body corporate inside¹⁵ or outside the territory of Australia which is incorporated by or under a law of the Commonwealth or of a State or Territory.¹⁶

91. As noted in the Statement of Facts, the Company has no entities, commercial operations, or product sales in Australia. No Australian citizen is an employee of the Company. The Company itself is not a legal person established inside or outside the territory of Australia which is incorporated by or under a law of the Commonwealth or of a State or Territory.
92. Accordingly, Australia would not qualify as a Relevant Jurisdiction with respect to the Company's general operations.

(D) U.S.

93. According to the Statement of Facts, the Company does not have any entities or commercial operations within the U.S. None of the Company's board members, senior management team, or executives is a U.S. Citizen.
94. The Company does not make export sales to the U.S. However, the Company does use USD in connection with exports to other jurisdictions, has accounts in foreign branches of one U.S. financial institution, and purchases U.S.-origin raw materials.
95. Nevertheless, as explained in Sections VI and VII, certain International Sanctions measures enacted by the U.S. may apply extraterritorially based on limited or no contact with the U.S.
96. Based on the risks arising under U.S. sanctions and export controls despite the Company's limited contacts with the U.S., it is possible that the U.S. might be considered as a Relevant Jurisdiction with respect to certain activities of the Company.

VI. Risks of Primary Sanctioned Activities

97. **This section addresses the risks that the Company's activities during the TRP might include Primary Sanctioned Activities under the International Sanctions measures enacted by Relevant Jurisdictions.**
98. Each subsection below addresses the International Sanctions measures enacted or administered by various authorities.

(A) U.S. Economic Sanctions Administered by OFAC.

99. This sub-section addresses the Company's exposure to U.S. sanctions measures administered by OFAC, which may constitute International Sanctions for the purposes of the Chapter 4.4 Sanction Guidance.

¹³ Section 15.1(a)(i) of the Criminal Code.

¹⁴ Section 15.1(c)(i) of the Criminal Code.

¹⁵ Section 15.1(a)(i) of the Criminal Code.

¹⁶ Section 15.1(c)(ii) of the Criminal Code.

(1) Framework

(a) Overview of OFAC Economic Sanctions

100. U.S. economic sanctions are foreign policy measures intended to influence the conduct or capabilities of foreign governments, individuals, businesses, and non-state actors (“targets”) by restricting their international commercial and financial activities.
101. The U.S. sanctions policy is principally determined by the executive branch of the U.S. federal government under the direction of the President of the United States. The Office of Foreign Assets Control (“OFAC”) within the Treasury Department has primary responsibility for administering and enforcing U.S. economic sanctions.¹⁷
102. The legislative authority for U.S. economic sanctions derives from statutes adopted by the U.S. Congress authorizing (or mandating) the imposition of sanctions by the executive branch.
103. The International Emergency Economic Powers Act (“IEEPA”) is the primary legal authority for virtually all existing OFAC sanctions.¹⁸ The President has broad authority under IEEPA to direct OFAC to implement a wide range of economic measures to advance U.S. foreign policy and national security objectives.¹⁹
104. In addition, the U.S. Congress occasionally adopts additional legislation specifically authorizing or mandating the imposition of sanctions.²⁰
105. U.S. sanctions are implemented through Executive Orders issued by the President pursuant to IEEPA, other statutes, directives issued by the Secretary of the Treasury, in consultation with the Secretary of State, and/or designations of individuals and entities on sanctions lists by OFAC. Executive Orders may prescribe detailed measures against specific targets, or delegate implementation to OFAC.
106. U.S. sanctions can change with immediate effect through Executive Orders and amendments to OFAC regulations.

(b) Scope of OFAC Sanctions Programs

107. OFAC sanctions establish prohibitions: (a) of specific categories of activities, (b) involving specific categories of targets, and (c) meeting a required connection to the U.S. (“U.S.-nexus”).²¹ Each of these elements (scope of prohibited conduct, scope of sanctions target, and requisite U.S.-nexus) varies between U.S. sanctions programs.
108. Most OFAC sanctions are primary sanctions prohibiting U.S. persons from engaging in restricted activities involving sanctions targets identified based on their connection to conduct adverse to U.S. interests.

¹⁷ OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals. See OFAC, Dep’t Treas., Programs and Information, *available at* <https://home.treasury.gov/policy-issues/office-of-foreign-assets-control-sanctions-programs-and-information>.

¹⁸ See 50 U.S.C. § 1701 *et seq.* (1977).

¹⁹ See 50 U.S.C. § 1702(a).

²⁰ Specific legislation imposing sanctions include the Iran and Libya Sanctions Act, Public Law 104-172, 110 Stat. 1541; 50 U.S.C. § 1701 note (1996), and the Comprehensive Iran Sanctions, Accountability, and Divestment Act, Pub. Law No. 111-195, 124 Stat. 1312, 22 U.S.C. 8501 note (July 1, 2010).

²¹ See Basic Information on OFAC and Sanctions, OFAC Frequently Asked Question #1 *available at*, <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1501>.

109. OFAC publishes multiple lists of sanctions targets and descriptions of sanctions programs identifying the country, region, or activity on which each sanctions program focuses.
110. Because every sanctions program is unique, such lists essentially provide a first screen for determining if a transaction might involve sanctions risks. Once a counterparty is identified as a possible target, further investigation is still necessary to confirm which restrictions apply to each specific target.

(c) Covered Activities: Asset Controls & Transaction Controls

111. OFAC primary sanctions generally involve two types of restrictions: asset controls and transactions controls.
112. Asset controls restrict U.S. persons from freely dealing in property in which a sanctions target has an interest. U.S. persons (including the foreign branches of U.S. persons) must usually freeze such property when it comes into their possession or control.²² Such property will be considered as “blocked.” Under most sanctions programs, blocked property may not be “transferred, paid, exported, withdrawn, or otherwise dealt in” by U.S. persons.²³ U.S. persons are not permitted to simply reject the property or return it to the sanctioned party. Instead, U.S. persons are required to freeze and retain the blocked assets. “Property” is defined very broadly and includes “any property, real, personal, or mixed, tangible or intangible, or interest or interests therein, present, future or contingent.”²⁴ Indirect interests in assets are often sufficient to trigger the application of sanctions.²⁵
113. Transaction controls restrict U.S. persons from freely dealing with sanctioned persons. These restrictions range from a full embargo on all dealings between a U.S. person and a sanctioned country to restrictions on particular types of transactions (e.g., transactions with specific persons or industries, investments or transfers of sensitive U.S. goods and technology).
114. Exceptions to both asset controls and transaction controls may be authorized by OFAC through licenses.²⁶
115. In some cases, OFAC publishes general licenses authorizing broad categories of activities (e.g., sales of medicine) to sanctions targets. A general license authorizes a particular type of transaction by a particular class of persons that would otherwise be prohibited. If a transaction is authorized by a general license, then it is not necessary for parties to seek specific authorization from OFAC.
116. In other cases, parties may apply to OFAC for specific licenses to engage in specific transactions or courses of dealing with specific sanctions targets that would otherwise be prohibited.²⁷ Specific licenses only authorize the applicants’ participation in the transactions covered by the license.

²² Title to the blocked property remains with the target, but the exercise of powers and privileges normally associated with ownership is prohibited without authorization from OFAC. *See* Basic Information on OFAC and Sanctions, OFAC Frequently Asked Question #11, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1501>.

²³ *See e.g.*, 31 CFR § 560.211 (providing that all property and interests in property of the Government of Iran and any Iranian financial institution including the Central Bank of Iran, that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of any United States person, including any foreign branch, are blocked and may not be transferred, paid, exported, withdrawn, or otherwise dealt in).

²⁴ *See* 31 C.F.R. §§ 515.311, 560.325 (defining property and property interest to include real, personal, or mixed, tangible or intangible, or interest or interests therein, present, future, or contingent).

²⁵ *See* Basic Information on OFAC and Sanctions, OFAC Frequently Asked Question #1, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1501>.

²⁶ *See* Basic Information on OFAC and Sanctions, OFAC Frequently Asked Question #74, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1506>.

²⁷ OFAC accepts license applications through an online portal, requiring applicants to describe clearly and fully: the nature of the

(d) Scope of OFAC Sanctions Targets

117. Contemporary U.S. sanctions measures may be categorized as comprehensive sanctions, sectoral sanctions, or list-based sanctions.
118. OFAC sanctions programs have generally evolved from “comprehensive” sanctions broadly targeting an entire country to “smart” sanctions such as list-based sanctions.²⁸

(i) Comprehensive Sanctions & Sectoral Sanctions

119. Comprehensive sanctions broadly target countries or regions (“jurisdictions”) and generally prohibit almost all U.S.-nexus transactions with those jurisdictions.
120. Comprehensive sanctions generally prohibit U.S.-nexus transactions that directly or indirectly involve companies organised under the laws of a sanctioned jurisdiction, the governments of sanctioned jurisdictions, persons usually resident in sanctioned jurisdictions, and third-country entities or individuals (including so-called “front companies”) where the benefits of the transaction will flow to a sanctioned jurisdiction.
121. Sectoral sanctions generally prohibit specified U.S.-nexus dealings with broad categories of persons or entities, without specifically listing the targets. While narrower than comprehensive sanctions programs, in practice they affect broad industries or sectors within a country of concern under U.S. foreign policy. In the Russia/Ukraine sanctions programme, sectoral sanctions prohibit certain categories of activity with persons designated on the Sectoral Sanctions Identification (“SSI”) List from four sectors of the Russian economy (financial, energy, defence, and oil exploration/production).

(ii) List-Based Sanctions

122. List-based blocking sanctions generally prohibit U.S.-nexus transactions with designated persons (individuals, entities, vessels, aircraft, etc.).
123. Most sanctions programs currently include asset and transactions restrictions involving SDNs.
124. SDNs may be designated by OFAC under most sanctions programs. Consequently, different entities and individuals appearing on the consolidated SDN list are subject to different sanctions.
125. If an entity is controlled by an SDN, then OFAC will treat dealings with the controlled entity as dealings with the SDN. Under OFAC’s 50% Rule, if an entity such as a company or partnership comprises 50% or more of the equity, or an entity is owned by one or more parties on the SDN List, that entity is also treated as if it is on the SDN List and subject to blocking and asset freezes, even if it is not itself named on the SDN List.²⁹

proposed transaction; the specific grounds for believing the transaction may be prohibited; the identifies of all parties involved “directly or tangentially”; and all transactions and “associated money flows” at issue. *See* Basic Information on OFAC and Sanctions, OFAC Frequently Asked Question #74, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1506>.

²⁸ *See* Remarks of Secretary Lew on the Evolution of Sanctions and Lessons for the Future at the Carnegie Endowment for International Peace (noting that today’s sanctions are informed by financial intelligence, strategically designed, and implemented with our public and private partners to focus pressure on bad actors and create clear incentives to end malign behaviour whereas the old model consisted of a country-wide embargo) (March 30, 2016), *available at* <https://www.treasury.gov/press-center/press-releases/pages/jl0398.aspx>.

²⁹ *See* Basic Information on OFAC and Sanctions, OFAC Frequently Asked Question, Entities Owned By Blocked Person (50% Rule), *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1521>.

126. OFAC maintains a number of sanctions programs, including country-specific programs and programs targeting international narcotics trafficking, proliferation, malicious cyber activity, and other illicit activity.
127. OFAC has the authority to designate persons that satisfy a program's criteria and then add those persons to the SDN List.
128. OFAC also publishes several other sanctions lists.
- Foreign Sanctions Evaders ("FSE") List: OFAC may designate persons for violating, attempting to violate, conspiring to violate, or causing a violation of U.S. sanctions imposed on Syria or Iran, and such persons are placed on the FSE List.³⁰ This list also includes non-U.S. persons determined by OFAC to have facilitated deceptive transactions for or on behalf of sanctioned persons. U.S.-nexus transactions with persons on the FSE List are generally prohibited, but, unlike the SDN List, there are no blocking requirements.
 - SSI List: This list contains entities from four sectors of the Russian economy (financial, energy, defence, and oil exploration/production).³¹ Certain categories of U.S.-nexus dealings with entities on the SSI List are generally prohibited.
 - The Correspondent Account or Payable-Through Account Sanctions ("CAPTA") List: This list contains non-U.S. financial institutions for which the opening or maintaining of a correspondent account or a payable-through account in the United States is prohibited or is subject to one or more strict conditions, pursuant to Russia/Ukraine, North Korea, Iran, and Hizballah-related sanctions.³² The specific sanctions applying to each sanctioned entity are enumerated within the CAPTA List.

(iii) Sanctions Programs Targeting Certain Countries

129. For the sanctions program targeting the Democratic Republic of the Congo, Burundi, Zimbabwe, Guinea, South Sudan, and Somalia, the U.S. does not impose comprehensive sanctions or sectoral sanctions against these countries.
130. The sanctions were enacted by designating certain entities and individuals on the SDN List and blocking the property and property interests of designated entities and individuals. As a consequence, U.S. persons are prohibited from directly or indirectly entering into any transaction or dealing with the entity or individual listed on the SDN List.

(e) U.S. Nexus

131. In principle, the U.S. nexus establishes the factual basis for the assertion of U.S. jurisdiction over the relevant conduct.
132. A transaction can have a U.S. nexus if it involves a U.S. person or certain U.S.-origin products, software, or technology, or if it causes or involves activity within U.S. territory.

³⁰ OFAC, Dep't Treas., List of Foreign Sanctions Evaders Sanctioned Pursuant to Executive Order 13608 (May 11, 2021), available at <https://www.treasury.gov/ofac/downloads/fse/fselist.pdf>.

³¹ OFAC, Dep't Treas., Sectoral Sanctions Identifications List (March 12, 2020), available at <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>.

³² OFAC, Dep't Treas., List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions (March 14, 2019), available at <https://www.treasury.gov/ofac/downloads/capta/captalist.pdf>.

133. Significantly, it is also possible for non-U.S. companies and individuals to engage in conduct outside the U.S. that may nevertheless satisfy the U.S. nexus requirement, and thus violate U.S. primary sanctions.

(i) Involvement of U.S. Persons

134. The principle “U.S.-nexus” is the involvement of U.S. persons. U.S. sanctions are generally articulated as prohibitions addressed to U.S. persons from dealings with sanctions targets.
135. “U.S. persons” include U.S. entities and their non-U.S. branches (including non-U.S. branches of U.S. banks); U.S. branches and U.S. subsidiaries of non-U.S. parent companies; U.S. citizens or permanent residents (“green card” holders) wherever located; and non-U.S. directors, officers, and employees when present in the United States.³³
136. With respect to the Cuba and Iran sanctions programs, non-U.S. entities owned or controlled by United States persons are also considered to be “U.S. persons.”³⁴
137. A non-U.S. company may also face liability for violating U.S. sanctions if its dealings with the principal targets of sanctions involve “hidden” U.S. persons (e.g., green card holders) working for the company.

(ii) Conduct in U.S.

138. A non-U.S. company may face direct liability for violating U.S. sanctions if its dealings with sanctions targets involve conduct by its agents or personnel occurring within the United States.

(f) Indirect Nexus: “Causing” Violations

139. A non-U.S. company may also be penalized for “causing” a sanctions violation by a U.S. person or within U.S. territory, even if the non-U.S. company does not directly act within U.S. territory.
140. As explained below, charges against non-U.S. persons for “causing” sanctions violations arise most frequently from: (1) conduct of U.S. dollar-denominated transactions with sanctions targets, or (2) arranging the export or trans-shipment of U.S.-origin products to sanctions targets.
141. There are multiple sources of statutory authority for penalizing the “causing” of separate sanctions violations.
142. Section 1705 of IEEPA provides a statutory basis for action against non-U.S. persons for causing violations for most of the currently existing sanctions programs, as IEEPA is a principal source of authority for these programs.³⁵
143. Similarly, Section 560.203 of the Iranian Transactions and Sanctions Regulations (“ITSR”) prohibits any “transaction [that] causes a violation of ... any of the prohibitions set forth” in the ITSR.³⁶

³³ See Basic Information on OFAC and Sanctions, OFAC Frequently Asked Question, <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/11>.

³⁴ See 50 U.S.C. § 1705. Section 1705 of IEEPA provides that it is unlawful for a person to violate, attempt to violate, conspire to violate, or cause a violation of any license, order, regulation, or prohibition issued under this Chapter. Section 1705C provides that a person who wilfully commits, attempts to commit, conspires to commit, or aids or abets in the commission of an unlawful act described in subsection A shall be fined not more than \$1,000,000, be imprisoned for not more than 20 years, or both).

³⁶ See 31 C.F.R. § 560.203.

144. The “Countering America’s Adversaries Through Sanctions Act” (“CAATSA”) formulates the prohibition of “causing” sanctions violations differently.³⁷ Section 228 of CAATSA requires the imposition of sanctions on any “foreign person” that “knowingly” “materially violates, attempts to violate, conspires to violate, or causes a violation of” any U.S. sanctions on Russia.³⁸
145. The prohibition of “causing a violation” captures scenarios in which a non-U.S. person outside the U.S. engages in a course of conduct with U.S. persons resulting in a violation by a U.S. person.

(i) U.S. Dollar Transactions

146. Conducting U.S.-dollar denominated transactions involving sanctions targets may also violate U.S. sanctions in many circumstances.³⁹
147. International transactions denominated in U.S. dollars are almost always routed through the U.S. financial system. Consequently, the use of U.S. dollars will almost always create a link between the U.S. and the transactions with sanctioned countries or individuals, thus creating a basis for U.S. jurisdiction.
148. Critically, international wire transfers denominated in U.S. dollars between banks almost invariably involve clearance with U.S. financial institutions through their domestic or foreign branches. The U.S. government takes the position that such clearance constitutes conduct within the U.S. for the purposes of U.S. jurisdiction.⁴⁰
149. Consequently, processing any U.S.-dollar denominated transactions in connection with the targets of U.S. sanctions constitutes an export or re-export of financial services from the U.S. to a sanctioned person.
150. As a result, any non-U.S. person arranging or inducing a U.S. financial institution to process such U.S.-dollar denominated transactions may be charged with causing a sanctions violation.
151. Significantly, OFAC enforcement practice extends beyond immediate transactions between U.S. financial institutions and sanctioned parties.
152. The U.S. government has also taken the position that non-U.S. persons violate OFAC sanctions by arranging transactions with U.S. financial institutions to transfer or provide USD funds to be used subsequently in separate transactions with non-U.S. financial institutions involving sanctioned countries or persons.⁴¹

³⁷ Public Law 115-44, 131 Stat. 886, 22 U.S.C. § 9401 (2017).

³⁸ Public Law 115-44, 131 Stat. 911, 22 U.S.C. § 8909 (2017).

³⁹ Standard Chartered Bank and UniCredit Bank AG, both non-U.S. banks, resolved civil and criminal charges that were brought under a theory of causing liability. *See* U.S. Dep’t of Justice press release, ‘UniCredit Bank Agrees to Plead Guilty for Illegally Processing Transactions in Violation of Iranian Sanctions,’ (April 15, 2019), *available at* <http://www.justice.gov/opa/pr/unicredit-bank-ag-agrees-plead-guilty-illegally-processing-transactions-violation-iranian>;

U.S. Dep’t of Justice press release, ‘Standard Chartered Bank Admits to Illegally Processing Transactions in Violation of Iranian Sanctions and Agrees to Pay More than \$1 Billion’ (April 9, 2019), *available at* <http://www.justice.gov/opa/pr/standard-chartered-bank-admits-illegally-processing-transactions-violation-iranian-sanctions>.

⁴⁰ *See also*, U.S. Dep’t of Treasury, ‘British Arab Commercial Bank plc Settles Potential Liability for Apparent Violations of the Sudanese Sanctions Regulations’ (Sept. 17, 2019), *available at* https://home.treasury.gov/system/files/126/20190917_bacb.pdf; U.S. Dep’t of Treasury, ‘CSE Global Limited and CSE TransTel Pte. Ltd. Settle Potential Civil Liability for Apparent Violations of the International Emergency Economic Powers Act and the Iranian Transactions and Sanctions Regulations’ (July 27, 2017), *available at*: <https://ofac.treasury.gov/media/11186/download?inline>

⁴¹ *See also*, U.S. Dep’t of Treasury, ‘British Arab Commercial Bank plc Settles Potential Liability for Apparent Violations of the Sudanese Sanctions Regulations’ (Sept. 17, 2019), *available at* https://home.treasury.gov/system/files/126/20190917_bacb.pdf. (even though USD transactions were processed via internal book transfer process involving a nostro account maintained at a non-U.S. bank that were not processed through the U.S. financial system, the method by which the USD nostro account was funded involved transactions

153. Moreover, the U.S. government has taken the position that non-U.S. persons violate OFAC sanctions by entering transactions involving sanctioned countries or persons and arranging for payment in USD to be made to accounts at U.S. financial institutions by third party payors (which are not sanctioned persons or in sanctioned countries, and thus are not blocked by screening software).
154. To be clear, the mere use of USD in international transactions alone does not suffice to establish liability for “causing” a U.S. person (a U.S. financial institution) to provide financial services in connect with sanctions violations. For example, it would be technically possible for a non-U.S. financial institution outside the U.S. with no regulated U.S. presence to allow its own account holders to make USD payments between one another without directly involving any U.S. financial institutions. Such internal clearances between accounts alone would not infringe OFAC primary sanctions, because no financial institution was “caused” to take any action in connection with the USD transaction.
155. Nevertheless, even in the event of such transfers between accounts at the same non-U.S. bank, there is still the risk of liability arising from prior steps in the overall transaction that did involve U.S. financial institutions. For example, if a non-U.S. person conducts a transaction with a U.S. financial institution to transfer USD to an account with non-U.S. financial institution and then uses the USD funds to make a payment to another account holder in connection with a transaction with a sanctioned party, then OFAC may take the position that all of the steps constitute a single transaction in violation of OFAC sanctions.
156. Consequently, whenever a party to a transaction with a sanctioned party receives a wire transfer of USD, there is an inherent risk of related transactions establishing OFAC jurisdiction.

(g) Shipment or Trans-shipment from the U.S.

157. Conduct of non-U.S. persons in ordering products to be shipped or exported from U.S. locations has been treated by OFAC as conduct within the U.S. in certain circumstances.⁴²

(2) Analysis

(a) Jurisdictional Considerations

158. Based on the information provided by the Company, the Company’s overall exposure to the jurisdiction of U.S. Primary Sanctions administered by OFAC is limited.
159. The Company is not a U.S. person (as such term defined in para. II).
160. The Company has no U.S. operations.
161. The Company has no subsidiaries, branches, or personnel in the U.S.
162. The Company confirmed that it has no U.S. person employees (*i.e.*, U.S. citizens or permanent resident aliens).
163. The Company does not have any bank accounts in the United States, but the Company has bank accounts with foreign branches of one U.S. financial institution.

processed through U.S. financial institutions).

⁴² On October 20, 2020, OFAC announced a settlement with Berkshire Hathaway related to alleged violations of U.S. sanctions on Iran committed by Berkshire’s Turkish subsidiary. According to OFAC, Berkshire’s Turkish subsidiary made 144 shipments of cutting tools and related products to Turkish distributors with knowledge that the goods would be shipped on to Iran, *available at* https://home.treasury.gov/system/files/126/20201020_berkshire_settlement.pdf.

164. However, transactions settled in U.S. dollars (or otherwise passing through U.S. financial institutions) or procurement of U.S.-origin raw materials will meet the “U.S. Nexus” requirement.

(b) Screening of Counterparties – Relationships with Sanctioned Targets and Sanctioned Regions under U.S. Law

(i) Screening Methodology

165. The Company provided a full direct customer list for the period of TRP on March 19, 2025. The direct customer list includes the customer names, the country of the business place, and the destination country of the delivery. For customers who pick up the purchased products themselves at the Company’s warehouses or factories and the Company did not arrange delivery, the Company did not have the information of delivery address.
166. On March 27, 2025, 8,858 customer entries on the direct customer list were screened against the Consolidated Sanctions Lists (defined below) using a third-party Descartes trade compliance software.
167. On March 20, 2025, we asked the Company to further provide detailed addresses of customers located in high-risk sanction countries. Please see Annex 3 for the list of high-risk sanction countries.
168. On March 24, 2025, the Company further provided a detailed customer list for the period of TRP for the customers located in the high-risk sanction countries. The list of customers in high-risk countries included the detailed business address of the customers.
169. On March 27, 2025, 110 customer entries (names and addresses) on the list of customers in high-risk countries, were screened against the Consolidated Sanctions Lists using a third-party Descartes trade compliance software.
170. On March 28, 2025, 1,598 foreign vendors (names and addresses) on the vendor list provided on March 23, 2025, were screened against the Consolidated Sanctions Lists using a third-party Descartes trade compliance software.
171. On March 28, 2025, 1,104 PRC (including mainland China, Hong Kong, and Taiwan) vendors (names) on the vendor list provided on March 23, 2025, were screened against the Consolidated Sanctions Lists using a third-party Descartes trade compliance software.
172. None of the 8,858 direct customers was listed as an SDN as of the date when the screening work was performed.
- The initial screening came with a result of 52 direct customers with a match score higher than 80. We identified 47 of them as false matches and then asked the Company to provide further identification information for 5 direct customers.
 - The Company provided the entity’s registration numbers or individual ID, detailed business address, and detailed delivery addresses of those 5 potential hits on March 30, 2025.
 - Based on the review of supplemental information provided and cross-checked the ID identification and business addressed with the sanctioned entities/individuals, we conclude that all the hits are false matches.

173. None of the 110 direct customers in high-risk countries had a business address in a Sanctioned Country.
- The screening indicated that none of the direct customers with a match score higher than 80.
174. None of the 1,598 foreign vendors was listed as an SDN as of the date when the screening work was performed.
- The initial screening came with a result of 12 direct foreign vendors with a match score higher than 80. We identified 8 of them as false matches and then asked the Company to provide further identification information for 3 foreign vendors, including 2 individuals and 1 entity.
 - The Company provided the individuals' full names, individual ID numbers (if applicable), and contact addresses of those 2 individual hits on April 5, 2025.
 - The Company also provided the address of the entity named Alpha Trading and confirmed that it is not affiliated with Alpha Trading Investments Limited, which is a Hong Kong entity on the SDN list.
 - Based on the review of supplemental information/confirmation provided by the Company together with cross-checking of the ID numbers and business addresses of the sanctioned entities/individuals, we concluded that all the hits were false matches.
175. None of the 1,104 PRC vendors was listed as an SDN as of the date when the screening work was performed.
- The screening indicated that none of the PRC vendors with a match score higher than 80.
176. Subsequently, on June 27, 2025, the Company provided a list of direct customers and a list of vendors for the period comprising four months ended April 30, 2025. The direct customer list included certain customers identified as "others." As disclosed in the Prospectus and confirmed by the Company, these customers categorized as "others" represent one-off local purchasers who occasionally purchased from the Company in small quantities for which the Company had not established long-term business relationships or executed formal sales contracts. As disclosed in the Prospectus, "other" customers accounted for 4.0%, 1.5%, 0.5% and 0.3% of the Company's total revenues in 2022, 2023, 2024, and the four months ended April 30, 2025 respectively.
177. On July 9, 2025, 3,015 customer entries (names) on the list of customers for the period comprising four months ended April 30, 2025 were screened against the Consolidated Sanctions Lists using a third-party Descartes trade compliance software.
178. On July 9, 2025, 1,063 vendor entries (names) on the list of vendors for the period comprising four months ended April 30, 2025 were screened against the Consolidated Sanctions Lists using a third-party Descartes trade compliance software.
179. There are 48 customer entries (names) and 8 vendor entries (names) are not in English, and thus cannot be screened. The Company further provided the English names for those entities on July 23, 2025. On July 23, 2025, these entities were screened against the Consolidated Sanctions Lists using a third-party Descartes trade compliance software.

180. None of the 3063 customers and 1071 vendors was listed as an SDN or otherwise sanctioned as of the date when the screening work was performed.

- The screening conducted on July 9, 2025 came with a result of 22 direct customers with a match score higher than 80. We identified all of them as false matches with cross-checking of the full names, business addresses and delivery addresses.
- The screening conducted on July 9, 2025 came with a result of 5 vendors with a match score higher than 80. We identified all of them as false matches with cross-checking of the full names and business addressees.
- The screening conducted on July 23, 2025 came with a result of 2 customers with a match score higher than 80. We identified both of them as false matches with cross-checking of the full names and country of residence.

181. The Consolidated Sanctions Lists include:

- The Specially Designated Nationals and Blocked Persons List (“SDN List”) and other sanctions lists administered by OFAC, including the Foreign Sanctions Evaders List, the SSI List, the List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions, the Non-SDN Palestinian Legislative Council List, the Non-SDN Menu-Based Sanctions List, and the Non-SDN Communist Chinese Military Companies List.
- The Entity List and other sanctions lists administered by BIS, including the Denied Persons List, the Unverified List, and the Military End User (“MEU”) List.
- Other sanction list administered by Department of State, including the Nonproliferation Sanctions List, and the AECA Debarred List.

182. *(To the extent that such lists are administered by authorities other than OFAC, the relevant results are discussed in the respective subsections below).*

(ii) Screening Methodology Limitations

183. Our screening methodology is subject to several limitations.

184. First, because the Company does not routinely collect information about the identities of the upstream owners of customers or other counterparties, screening work was not performed on any of the customers and counterparties’ owners/controllers. It is therefore possible that the ultimate legal and/or beneficial owner(s) of certain customers are in fact sanctioned under any U.S. sanctioned programs, in which case OFAC’s 50% Rule will, by extension, cause the sanction measures imposed against the sanctioned persons to likewise apply to the relevant customer.

185. Second, the screening of the names of counterparties provided the Company using the Descartes screening software compares the entered name against relevant lists and returns potential matches. The system does not have the capability to identify ownership relationships and other affiliations linking the entered counterparty to direct or indirect shareholders, subsidiaries, or affiliates that may be Sanctioned Targets. In some instances, affiliations with Sanctioned Targets were detected though near-matches with the names of Sanctioned Targets indicated obvious affiliations. In other cases, such affiliations were detected based on general commercial awareness. However, our methodology does not methodically detect affiliations with Sanctioned Targets other than direct matches or near-matches to the entered names.

186. Third, screening was conducted as of the date of screening as indicated at paragraphs 160 through 174 above. Accordingly, this methodology would not detect scenarios in which an entity was designated at the time of the relevant transactions, but subsequently de-listed and thus not included on the Consolidated Sanctions Lists at the time of screening. For the same reasons, this methodology would not detect scenarios in which a party was designated after the screening date, or in which the specific restrictions and licensing requirements applicable to a party were changed after the screening date.
187. Fourth, for the entities categorized as “others” as stated above, as the Company did not maintain any identification information (delivery address, identification, name, or bank account) of those entities, we cannot conduct the screening against those entities.
188. Consequently, our opinion does not address, and cannot exclude, the possibility of International Sanctions risks arising from any of these scenarios.

(c) Potential Primary Sanctions Risks

(i) Business Operations and Direct customers

189. As discussed above, except for the comprehensive sanctions and sectoral sanctions, most sanction programs (including the Democratic Republic of the Congo, Burundi, Zimbabwe, Guinea, South Sudan, and Somalia) regulated by OFAC are list-based sanctions programs.
190. As defined by HKEX, any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation is a Sanctioned Country. If any countries are not subject to a general and comprehensive export, import, financial or investment embargo, the list-based sanction measures targeting on separate individuals or entities will not make a country satisfy the definition of Sanctioned Country for purposes of the Chapter 4.4 Sanction Guidance.
191. For the transactions settling in U.S. dollars, the transactions are subject to the U.S. Primary Sanction jurisdictions. The analysis of the potential risks is set below.
192. The Company does not have any business operations or transactions in Sanctioned Countries. Thus, the Company’s sales to the above-mentioned countries do not infringe the U.S. sanctions unless any entities or individuals on the SDN list are involved.
193. As the screening results indicate that none of the Company’s direct customers or vendors are on the SDN list, the transactions with direct customers do not infringe the Primary Sanctions.
194. The direct customers primarily consist of distributors, wholesalers, retailers, and supermarkets. However, due to the nature of the business, the Company did not verify the identification of end users of the products when the products were resold. Thus, we did not obtain any information about end-users, nor did we conduct any screening against them.
195. Considering the products are personal hygiene products, which are not military or dual-use related, the risks related to the end-users are also remote.

(ii) Third-party Payor Risks

196. OFAC generally views third-party payments as suspicious. OFAC has taken the position that non-U.S. persons violate OFAC sanctions by entering transactions involving sanctioned countries or persons and arranging for payment in USD to be made to accounts at U.S. financial institutions by third party payors (which are not sanctioned persons or in sanctioned countries).

197. As confirmed by the Company, we have screened all the actual customers dealing with the Company.
198. Based on information provided by the Company, third-party payors that the Company transacted with fall broadly into 3 categories: (1) payments made by an employee or a relative, (2) payments made by the beneficial owner, and (3) payments made by an affiliated entity. These transactions involving third-party payors also do not involve sanctioned countries or sanctioned persons.
199. The Company further confirms that to the best of its knowledge, none of its customers utilized third-party payment for the purpose of sanctions evasion. For the customers who continue to settle payments through third-party payment arrangements, the Company regularly makes inquiries with them and pays visits to their business places in order to understand business practices and their relationship with their designated third-party payors. The Company believes that it can ensure the use of the third-party payment arrangement is supported by genuine reasons.
200. Thus, we understand the risks associated with third-party payments for sanction evasions are remote.
201. It is recommended that the Company cease all the third-party payments in the future business to eliminate the relevant risks. In the event it is not possible to cease the use of third-party payors for customers without access to banking facilities, the Company is recommended to implement internal control measures such as on-site visits to verify the relation between customers and third-party payors and verify the genuine reasons to ensure that no sanctions evasion is taking place.

(B) U.S. Export Controls Administered by BIS – Entity List, Denied Persons List, Unverified List, Military End Users

202. This sub-section addresses the Company’s exposure to U.S. export control measures, which may constitute International Sanctions for purposes of the Chapter 4.4 Sanction Guidance.

(1) Overview of U.S. Export Controls

203. The U.S. export control regime regulates the export, transfer or disclosure of U.S. products, software, and technology to non-U.S. jurisdictions and non-U.S. persons based on the nature of the product or technology, as well as the destination, transferee, or end-use of a specific export or transfer.
204. U.S. export controls are implemented through a system of categorical restrictions and licensing procedures for specific exporters, customers, and transactions.
205. The EAR, 15 C.F.R. § 730, et seq., establish the substantive and procedural rules for administering U.S. export controls with respect to “dual use” items and certain military items.⁴³ “Dual use” commonly refers to any item that has both civilian applications and applications in connection with military, terrorism, or weapons of mass destruction activities.⁴⁴ The Bureau of Industry Security (“BIS”) of the Department of Commerce administers the EAR.⁴⁵
206. Technically, the EAR governs the export of any products or technology that are not separately and exclusively regulated by another U.S. government agency. Most notably, the export of

⁴³ See 15 C.F.R. 730 et seq.

⁴⁴ See 15 C.F.R. § 730.3.

⁴⁵ See The U.S. Department of Commerce, International Trade Administration, U.S. Export Controls, available at <https://www.trade.gov/us-export-controls>.

certain military-use items is regulated exclusively by a licensing system administered by the U.S. Department of State pursuant to the International Traffic in Arms Regulations (“ITAR”).⁴⁶

207. The EAR also include certain restrictions on the conduct of U.S. persons applicable regardless of the involvement of any items subject to the EAR. (Such measures are thus similar to economic sanctions administered by OFAC.)
208. The U.S. jurisdiction applies to goods, software and technology that are subject to the EAR and located anywhere in the world.⁴⁷
209. The EAR applies to all items (i.e., commodities, software, and technology) “subject to the EAR,” which includes not just U.S.-made items or items physically in the United States, but also to certain foreign-made commodities.⁴⁸ Under the “de minimis” rules, non-U.S. products incorporating more than a specified percentage of controlled U.S. content are still considered subject to the EAR.⁴⁹ Under the foreign direct product rule, non-U.S. products made with certain U.S. origin plant and technology (such as certain U.S. semiconductor manufacturing equipment) are also subject to the EAR.⁵⁰
210. Therefore, U.S. persons and foreign persons (including foreign companies) must determine if their items are subject to the EAR.
211. The EAR applies to a broad range of “items” including tangible commodities, technology, and software manufactured in the U.S. (as well as non-U.S. products within U.S. territory).⁵¹ The EAR covers not only sensitive products and technology (to be controlled due to the intrinsic sensitivity), but also most non-sensitive products and technology (to be controlled with respect to transfers to sensitive destinations, end-users, or end-uses). Intrinsically sensitive or strategic goods or technology are typically designated by an Export Control Classification Number (“ECCN”), while non-sensitive products subject to the EAR are generally designated as EAR-99.⁵²
212. Depending on the destination country, end-user, and the item’s ECCN, exporting or re-exporting an item subject to the EAR may require a U.S. export license unless a license exception was available.⁵³ License applications would be subject to review under varying policies (e.g., presumption of approval, presumption of denial, or a case-by-case review) as further described in the EAR.

(2) BIS Entity Designations Involving Products Subject to EAR

213. The BIS publishes multiple lists of entities and individuals subject to licensing requirements and other restrictions on transactions involving products subject to the EAR.
214. The Entity List is a catalogue of individuals and entities subject to specific licensing requirements for the export, re-export, or transfer of certain products and technology subject to

⁴⁶ See 22 C.F.R. 120 *et seq.*

⁴⁷ See 15 C.F.R. § 734.3.

⁴⁸ Non-U.S. made items are subject to the EAR if they meet the “direct product” rule or “de minimis” rule. The direct product rule looks at whether a non-U.S. made item is subject to the EAR because it is a direct product of certain U.S. origin software or technology, or is produced by a plant or major component of a plant located outside the United States that is a direct product of certain U.S.-origin software or technology. The de minimis rule examines whether a particular item is subject to the EAR because there is physically incorporated “controlled” U.S.-origin content in excess of a de minimis percentage. See 15 C.F.R. §734.3(a)(3)-(5).

⁴⁹ See 15 C.F.R. § 734.4(a).

⁵⁰ See 15 C.F.R. § 736.2(b).

⁵¹ See 15 C.F.R. §730.5.

⁵² See The U.S. Department of Commerce, International Trade Administration, (ECCN) and Export Administration Regulation (EAR99), available at <https://www.trade.gov/eccn-and-export-administration-regulation-ear99>.

⁵³ See 15 C.F.R. §730.7.

the EAR.⁵⁴ The Entity List identifies the specific licensing requirements. The BIS licensing policy for many entities is a presumption of denial of any licensing request.

215. Entities may be added to the Entity List when there “is reasonable cause to believe, based on specific and articulable facts, that the entity has been involved, is involved, or poses a significant risk of being or becoming involved in activities that are contrary to the national security or foreign policy interests of the United States and those acting on behalf of such entities may be added to the Entity List pursuant to this section[.]”⁵⁵
216. In recent years, the BIS has added multiple Chinese entities to the Entity List for a variety of reasons, including foreign policy, defense policy and security.⁵⁶
217. The BIS also publishes the Denied Persons List (individuals and entities that have been denied export privileges)⁵⁷ and the Unverified List (a list of foreign parties whose identities the BIS has been unable to verify in the past, triggering additional documentation requirements for exports).⁵⁸ These lists are relevant to exports, re-exports and transfers of products subject to the EAR.
218. Similarly, the BIS publishes the Military End User List.⁵⁹ Exports of certain products subject to the EAR without a BIS license are prohibited where exporters have reason to believe that the products may be diverted to a military end use in China, Russia, Venezuela, or Myanmar. The Military End User List is a non-exhaustive list of such entities, although exporters must still conduct appropriate diligence on other customers. The MEU List restrictions apply to exports, reexports and transfers of products subject to the EAR.

(3) Analysis

219. Based on the information provided by the Company regarding its incorporation and organization,⁶⁰ the Company does not meet the definition of a U.S. person for purposes of the EAR.
220. Accordingly, provisions of the EAR applicable only to U.S. persons would not apply to the Company.
221. During the TRP, the Company purchased one of the raw materials for its production, fluff pulp, directly from the U.S. to its subsidiaries in Africa. The U.S.-origin fluff pulps are subject to the EAR, however, considering the nature of the fluff pulps, they are not controlled or restricted to export to countries in Africa. The baby and feminine hygiene products are not the enforcement focus by the BIS.
222. In addition, the Company did not sell products to any sanctioned list regulated by BIS (such as Entity List).

⁵⁴ See 15 C.F.R. Supplement No. 4 to Part 744.

⁵⁵ See 15 C.F.R. §744.11(b).

⁵⁶ Examples of recent additions of Chinese parties to the entity list include: Bureau of Industry and Security, Dep’t Commerce, *Addition of Entities to the Entity List*, 84 Fed. Reg. 22,961 (May 16, 2019) (adding entities based on involvement in U.S. sanctions violations); Bureau of Industry and Security, Dep’t Commerce, *Addition of Certain Entities to the Entity List*, 84 Fed. Reg. 54,002 (Oct. 9, 2019) (adding entities based on involvement with government activities in Xinjiang); Bureau of Industry and Security, Dep’t Commerce, *Addition of Entities to the Entity List and Revision of Entries on the Entity List*, 85 Fed. Reg. 52,898 (Aug. 27, 2020) (adding entities based on involvement with government activities in South China Sea).

⁵⁷ See Dep’t Commerce, International Trade Administration, The Denied Persons List, *available at* <https://www.bis.doc.gov/index.php/the-denied-persons-list>.

⁵⁸ See 15 C.F.R. Supplement No. 6 to Part 744.

⁵⁹ See 15 C.F.R. Supplement No. 7 to Part 744.

⁶⁰ See Statement of Facts.

223. Considering all the factors above, we understand the risks under the U.S. export controls are very remote.

(C) U.S. Outbound Investment Rule

(1) Framework

224. On October 28, 2024, the U.S. Department of the Treasury (“Treasury”) Office of Investment Security published a final rule (“U.S. Outbound Investment Rule” or “OIR”) establishing new regulatory controls on certain technology-related investments by U.S. persons in or related to the People’s Republic of China, Hong Kong and Macau (“countries of concern”).⁶¹
225. The OIR, which became effective on January 2, 2025, implements Executive Order 14105 (“The Outbound Investment Order”) “Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern” (August 9, 2023).⁶²
226. The OIR applies to U.S. persons engaging in a “covered transaction” involving a “covered foreign person.” A covered foreign person is a “person of a country of concern” that engages in certain “covered activities.” Depending on the nature of the “covered activity,” a covered transaction may be prohibited (prohibited transactions) or require notification to Treasury (notifiable transactions).
227. Covered activity includes activities referred to in the definition of “prohibited transactions” and “notifiable transactions” and includes research, development, or manufacturing involving “covered national security technologies and products,” which are sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies, and AI sectors that have military, intelligence, surveillance, or cyber-enabled capabilities.
228. Generally, activities and technology that are deemed to present the most acute national security concerns are prohibited, while other designated activities are subject to notification requirements.
229. The OIR also defines “excepted transactions” which are excluded from the scope of “covered transactions” and provides for a mechanism for the Secretary of Treasury to exempt certain covered transactions from the Rule on a case-by-case basis.

(2) Analysis

230. Under the OIR, U.S. persons are either 1) prohibited from engaging in certain equity, financing, leasing, and investment transactions with a PRC entity if the PRC entity engages in certain categories of “covered activities” involving advanced semiconductors and microelectronics, quantum information technologies, and AI sectors; or 2) required to submit a notification to the U.S. Department of the Treasury regarding prohibited from engaging in certain equity, financing, leasing, and investment transactions with a PRC entity if the PRC entity engages in certain other categories of “covered activities” involving the same sectors.
231. Based on the Company’s response to our due diligence on March 24, 2025, the Company has its principal place of business in Hong Kong for the purpose of IPO; two subsidiaries incorporated in Hong Kong; and three subsidiaries incorporated in mainland China. These subsidiaries are regarded as in the “Country of Concern”.

⁶¹ 31 C.F.R. pt. 850 (2024).

⁶² Exec. Order No. 14,105, 88 Fed. Reg. 54867 (2023).

232. During the TRP, the Company did not participate in any covered activities involving advanced semiconductors and microelectronics, quantum information technologies, and AI sector.
233. Accordingly, the Company does not engage in any “Covered Activities”, or is otherwise a “Covered Foreign Person” under the OIR, and the participation or investments by U.S. persons in the Company’s business would not be prohibited or subject to notification requirements under the OIR.
234. None of the Company’s current shareholders, investors, or any entities involved in the ongoing Listing process is a U.S. person under the OIR. Thus the OIR does not impact the Company’s current business, its Listing proceeding, financial performance or fund raising capability.
235. Furthermore, investments in publicly traded securities on both U.S. and non-U.S. exchanges are typically considered excepted transactions. That means, even if the Company participates in covered activities in the future, U.S. investors would not be prohibited or restricted from investing in the publicly traded securities of the Company after being listed on the Stock Exchange.
236. However, according to the America First Investment Policy⁶³ issued by President of the United States, Donald Trump, on February 21, 2025, the U.S. administration will consider new or expanded restrictions on U.S. outbound investment restrictions, including applying restrictions on investments in publicly traded securities.

(D) Sanctions Enacted by the United Nations

237. The United Nations (“UN”) Security Council has now 14 ongoing sanctions regimes that focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. The sanction regimes include the Democratic Republic of the Congo, South Sudan, Guinea-Bissau, Yemen, Iraq, Sudan, Libya, etc.
238. Each regime is administered by a sanctions committee chaired by a non-permanent member of the Security Council.
239. The EU Security Council sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.
240. During the TRP, the Company does have sales into the countries that currently have UN sanction regimes. The products sold to the countries are all consumer products, including baby diapers, baby pants, sanitary pads, and wet wipes. The Company’s sales in those countries do not infringe the UN arms embargoes.
241. None of the Company’s direct customers or vendors was listed as a United Nations Sanctioned Target as of the date when the screening work was performed. The Company’s sales in those countries do not infringe the UN sanction measures against certain targets (asset freezes or travel bans).

(E) Measures Enacted by E.U., U.K., and Australia

242. This sub-section addresses the Company’s exposure to sanctions measures administered by the E.U., U.K., and Australia.

⁶³ See <https://www.whitehouse.gov/presidential-actions/2025/02/america-first-investment-policy/>

243. Based on the information provided by the Company, Australia does not satisfy as the Relevant Jurisdictions with respect to the Company's operations. Hence, we do not elaborate on the measures enacted by Australia.
244. As discussed above, the Company's contacts with the U.K., are limited to the involvement of certain executives, being a U.K. national, of the Company.
245. As discussed above, the Company's contacts with the E.U. include certain executives of the Company being E.U. nationals, part of fluff pulp purchased from E.U. member states, and bank accounts in foreign branches of E.U. financial institutions.
246. The Company has no operations or sales activities in any jurisdiction subject to comprehensive sanctions by the E.U. and U.K.
247. None of the Company's direct customers or vendors was sanctioned by the E.U. and U.K. as of the date when the screening work was performed.
248. Thus, based on the information provided by the Company, the Company's business would not constitute Primary Sanctioned Activity under International Sanctions enacted by the E.U. and U.K. rules for purposes of the HKEX Sanctions Guidance.

VII. Exposure to U.S. Secondary Economic Sanctions

249. This section assesses the risks that the Company's activities during the TRP constitute Secondary Sanctionable Activity under U.S. law.
250. As stated in Section III (B) (2), the only potential Secondary Sanctions risk under the E.U. and U.K. laws is related to sanctions against Russia. According to the Company, during the TRP, the Company did not have any business or dealings related to Russia. Thus, we would not elaborate on the E.U. and U.K. measures here.
251. Under current Australian law and practice, Australia does not impose "secondary sanctions."

(A) Framework

252. Under the Chapter 4.4 Sanction Guidance, "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.
253. Several U.S. sanctions programs specifically authorize secondary sanctions on third-country entities in connection with Iran, North Korea, Syria, Cuba, Russia, and Hong Kong S.A.R. Implementing authorities may select from a "menu" of penalties to be imposed on the target (or its government).
254. In addition, most U.S. sanctions programs allow parties providing material or significant assistance to SDNs to be designated as SDNs.

255. In published guidance, OFAC has identified the following factors in determining whether assistance may be considered significant for purposes of imposing secondary sanctions on financial institutions:⁶⁴

- the size, number, and frequency of the transactions, financial services, or financial transactions;
- the nature of the transactions, financial services, or financial transactions, including their type, complexity, and commercial purpose;
- the level of awareness of management and whether the transactions are part of a pattern of conduct;
- the nexus of the transactions, financial services, and financial transactions and blocked persons;
- the impact of the transactions, financial services, and financial transactions on statutory objectives;
- whether the transactions, financial services, and financial transactions involve deceptive practices; and
- other relevant factors that the Secretary of the Treasury deems relevant.

(B) Potentially Relevant Secondary Sanctions Measures

256. Non-U.S. persons (such as the Company) risk being subject to U.S. secondary sanctions under sanctions programs administered by OFAC based on certain activities involving Sanctioned Targets and Sanctioned Countries.

257. As stated in the Statement of Facts and the screening results, the Company did not have any direct transactions with Sanctioned Targets or any direct customers located in Sanctioned Countries.

258. Under most OFAC sanctions programs, OFAC may impose sanctions on non-U.S. persons for facilitating a “significant” and/or “material” transaction for or on behalf of SDNs. However, none of the Company’s direct customers or vendors are designated on the SDN List. Accordingly, the risk of such “material support” designations is limited.

259. Similarly, non-U.S. persons can also risk U.S. secondary sanctions liability by operating in certain economic sectors (e.g., certain economic sectors in Iran, Russia, and Venezuela). However, the Company does not have any business operations or sales in the jurisdictions subject to sectoral sanctions. Accordingly, the risk of such “sectoral sanctions” is also very limited.

260. Under these facts, the Company’s operations have minimal exposure to U.S. secondary sanctions.

VIII. Sanctioned Status

261. This section discusses whether the listing applicant is (1) a Sanctioned Target; (2) located, incorporated, organized, or resident in a Sanctioned Country; or (3) a Sanctioned Trader.

⁶⁴ In multiple OFAC’s guidance provided in Frequently Asked Questions relating to Iran sanctions, these factors are considered when interpreting a transaction “significant”. For example: <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/289>

262. The Chapter 4.4 Sanction Guidance explains the risks arising if the “Applicant is a Sanctioned Target, is located, incorporated, organised or resident in a Sanctioned Country or is a Sanctions Trader” as follows: “Depending on the facts and circumstances, the Exchange may determine that such a listing applicant is not suitable for listing due to reputational risk or impose other restrictions (e.g. the listing applicant might be required to ensure that its shares are not offered to nationals of the Relevant Jurisdictions).”⁶⁵

(A) Sanctioned Target

263. “Sanctioned Target” is defined in the Chapter 4.4 Sanction Guidance as “any person or entity (1) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (2) that is, or is owned or controlled by, a government of a Sanctioned Country; or (3) 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 (1) or (2).”

264. To the extent that the U.S. is considered a Relevant Jurisdiction, Sanctioned Targets would include entities designated on the various sanctions lists maintained by OFAC and BIS.

265. Pursuant to the 50% rule, Sanctioned Targets would also include persons 50% or more owned by one or more SDNs.

266. We conducted screenings on the 54 affiliated entities and individuals (inclusive of the Company) listed in the Annex 1 Corporate Structure Immediately After the Completion of the Reorganization and the Pre-IPO Investment using the U.S. government’s Consolidated Screening List Search engine, the Consolidated Financial Sanctions List published by European Union,⁶⁶ the Consolidated List published by the government of Australia,⁶⁷ and the OFSI Consolidated List Search engine maintained by the Office of Financial Sanctions Implementation of the government of the U.K.⁶⁸ As of April 7, 2025, none of the above affiliated entities is a Sanctioned Target.

267. Accordingly, the Company does not qualify as a Sanctioned Target for purposes of the Chapter 4.4 Sanction Guidance.

(B) Sanctioned Country

268. Softcare Limited is incorporated in the Cayman Islands. Cayman Islands is not currently a Sanctioned Country for purposes of the Chapter 4.4 Sanction Guidance.

269. None of the entities and individuals listed in Annex 1 Corporate Structure Immediately After the Completion of the Reorganization and the Pre-IPO Investment is located, incorporated, organized, nor resident in a Sanctioned Country.

270. The Company is, therefore, not located, incorporated, organized, nor resident in a Sanctioned Country.

⁶⁵ See Chapter 4.4 Sanction Guidance, para. 5.

⁶⁶ The E.U.’s Consolidated Financial Sanctions list is available at: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>

⁶⁷ The Consolidated List published by the government of Australia is available at: <https://www.dfat.gov.au/international-relations/security/sanctions/consolidated-list>

⁶⁸ The OFSI Consolidated List Search engine maintained by the U.K. government is available at: <https://sanctionssearchapp.ofsi.hmtreasury.gov.uk/>

(C) Sanctioned Trader

271. The Chapter 4.4 Sanction Guidance defines a “Sanctioned Trader” to mean any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Sanctioned Country entities or persons.

272. According to the Company, during the TRP, the Company does not have business with Sanctioned Targets or Sanctioned Countries.

- The Company did not conduct business with any Sanctioned Targets in Certain Countries.
- The Company did not conduct **business with other countries** that are subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction.

273. The screening results set forth in Section VI (A)(2)(b) also confirmed the above statement.

274. Accordingly, the Company does not qualify as a Sanctioned Trader for purposes of the Chapter 4.4 Sanction Guidance.

IX. Suitability for Listing

275. This section assesses the Company’s suitability for listing in accordance with the Listing Rules and Chapter 4.4 Sanction Guidance.

276. The Chapter 4.4 Sanction Guidance identifies three categories of risks related to International Sanctions to be evaluated when evaluating a listing applicant’s suitability for listing:

- risk that the listing applicant has engaged in Primary Sanctioned Activity;
- risk that the listing applicant has engaged in Secondary Sanctionable Activity; and
- risk that the listing applicant is: (1) a Sanctioned Target; (2) located, incorporated, organized, or resident in a Sanctioned Country; or (3) a Sanctioned Trader.

277. The Chapter 4.4 Sanction Guidance (paragraph 10) further provides that an applicant is unlikely to be suitable for listing if: “(a) any sanctions risks to or sanctions imposed on the applicant materially undermine its ability to continue its operations; (b) an applicant states that the funds are raised to finance Sanctioned Activities; or (c) its listing would cause a significant risk to the Relevant Persons or reputational risk to the Exchange.”

278. As explained below, these conditions are not satisfied in this case.

(A) Any sanctions risk to or sanctions imposed on the applicant materially undermine its ability to continue its operations

279. The Company: (1) is not a Sanctioned Target; (2) is not located, incorporated, organized, or resident in a Sanctioned Country; and (3) does not qualify as a Sanctioned Trader.

280. For these reasons, the sanctions risks to the Company with respect to International Sanctions currently in force would not materially undermine its ability to continue its operations.

281. Please note that this Memorandum does not opine on the relative likelihood and relative materiality of any possible risks to the Company under future International Sanctions.

282. However, it is necessary to acknowledge the inherent risks of future changes in International Sanctions in connection with the Company's operations.

(B) The funds are raised to finance Sanctioned Activities - Not Satisfied.

283. The Company hereby undertakes that:

- It will not use the proceeds from the Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate any activities or business, directly or indirectly, relating to or with any Sanctioned Person (i.e., person(s) and entity(ies) listed on restricted parties lists maintained by the U.S., the European Union, the U.K. Overseas Territory Order or Australia) or any other person or entity that is a target of any International Sanctions;
- It will not undertake any sanctionable transactions that would expose the Company, or any person or entity, including the Company's or its subsidiaries' investors, the Stock Exchange, the listing sub-committee of the board of directors of the Stock Exchange, Hong Kong Securities Clearing Company Limited ("HKSCC") and HKSCC Nominees Limited, to the risk of being sanctioned;
- It will disclose on the respective websites of the Hong Kong Exchanges and Clearing Limited and the Company if it believes that any transaction the Company has entered into in the Sanctioned Countries or with Sanctioned Persons would expose the Listco or its shareholders, or any other person involved in the Offering, to any risk of being sanctioned, and in its annual reports or interim reports its efforts on monitoring its business exposure to sanctions risk and its business intention relating to the Sanctioned Countries and with Sanctioned Persons.

(C) Its listing would cause a significant risk to the Relevant Persons or reputational risk to the HKEX – Not Satisfied.

284. Based on the information provided by the Company, its listing would not cause a significant risk to the Relevant Persons or reputational risk to the HKEX in connection with the International Sanctions.

285. For the reasons discussed above, the sanctions risks to the Company under current International Sanctions are not significant.

286. Pursuant to such prospective undertakings, (1) the Company would not be subject to the conditions articulated in paragraph 3.8 of the Chapter 4.4 Sanction Guidance that may render a listing applicant unsuitable for listing and (2) the risk from exposure to International Sanctions currently in force to the Company, its investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Company's shares (including the Stock Exchange, its listing committee and related group companies) as a result of such involvement is low.

(D) Disclosure

287. The statements set forth in the Prospectus dated October 31, 2025, the Preliminary Offering Circular dated October 31, 2025 and the Final Offering Circular dated on or about November 6, 2025, each 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 economic sanctions, U.S. export controls, and the U.S. OIR or our legal conclusions with respect thereto are true and accurate in all material respects and not misleading.

X. Limitations

288. This section summarizes important limitations on the scope of the analysis and conclusions set forth in this Memorandum.
289. This Memorandum is based *exclusively* on factual information provided by the Company, except where the text refers specifically to the results of inquiries conduct by DLA Piper using online corporate registry databases and lists of Sanctioned Persons published by governmental authorities.
290. The inclusion of phrases attributing specific statements to the Company in specific sentences does not imply that other factual statements may be attributed to other sources.
291. We have not audited or otherwise verified any of the factual information provided by the Company.
292. We have relied on the Company to accurately search and review the Company's own records and access factual information known to the Company's personnel when responding to our requests for information and providing information to us. We have not reviewed, approved, supervised, or otherwise opined on the methodologies or thoroughness of such searches and reviews by the Company.
293. Before the finalization of this Memorandum, the Company has reviewed the Memorandum, including all statements of fact, and confirmed that the factual statements herein are accurate, complete, and not misleading.
294. Accordingly, this Memorandum has relied upon and assumed the accuracy and completeness of all factual information provided by the Company.
295. To the extent that any information provided by the Company is in any way inaccurate, incomplete, or misleading, the accuracy of our analysis and conclusions may be affected.
296. In addition, this Memorandum is subject to limitations in the screening methodology, as discussed above. Our analysis and conclusions exclude any risks that are not detected through the screening methodology used in this case.
297. This Memorandum is limited to International Sanctions in force as of the date hereof; this Memorandum provides no opinion on the possibility or risks of any future changes in International Sanctions.
298. This Memorandum is delivered by DLA Piper as International Sanctions Legal Advisors to the Company. This Memorandum is provided for the purpose of the Offering (including, without limitation, any provision, disclosure, extraction and other use for the purpose of the Offering as required by the Company and /or the sponsor of the Offering) only.

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SIGNATURE PAGE FOLLOWS.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Nathan Bush', with a long horizontal flourish extending to the right.

For and on behalf of

DLA PIPER SINGAPORE PTE. LTD.

NATHAN BUSH

Partner

nathan.bush@dlapiper.com