

通商律師事務所

COMMERCE & FINANCE LAW OFFICES

45 Rockefeller Plaza Suite 2000 New York, NY 10111

Tel: +1 212 332 3487

Email: newyork@tongshang.com Web: www.tongshang.com

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To:	CIG Shanghai Co., Ltd. 5/F, Building 8, 2388 Chenhang Road Minhang District Shanghai 201114 China Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
From:	Commerce & Finance Law Offices LLP Yipin Zhang, Esq. Email: zhangyipin@tongshang.com
Date:	October 20, 2025
Topic:	Regulatory Risks under the U.S. Tariff Policies

1. Introduction

1.1 Background

Commerce and Finance Law Offices LLP (“C&F,” “we,” “us” or “our”) has been retained by CIG Shanghai Co., Ltd. (“CIG” or the “Company,” together with its subsidiaries, the “Group”) as legal adviser in connection with the Company’s contemplated listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “H-Share Listing”), pursuant to the terms of our engagement letter.

This memorandum has been prepared at the request of CIG to assess the U.S. tariff implications of importing into the United States telecommunications hardware classified under HTS 8517.62.0090, which the Company manufactures in both China and Malaysia (using certain Chinese-origin inputs). The central questions addressed herein are: (i) what tariffs apply to the Company’s data-transmission modules when manufactured in China, and (ii) whether the Company’s Malaysia-origin goods remain exempt from (a) the Section 301 tariffs applicable to goods of the People’s Republic of China (“PRC”) and (b) the reciprocal tariff regime introduced by Executive Order 14257 on April 5, 2025.

Our analysis is based on applicable provisions of U.S. customs law, relevant executive and administrative notices, PRC Custom records, and the U.S. Customs and Border Protection (“CBP”) entry records that identify Malaysia as the country of origin, classify the goods under HTS 8517.62.0090.

1.2 Methodology and Review Procedure

To assess potential risks under the 2025 U.S. Tariff Policies, we designed and issued a targeted due diligence questionnaire and reviewed responses and supporting materials provided by the Group. Our review covered:

- (1) **Data Collection:** We collected data and documents through a Due Diligence Questionnaire regarding the impacts of 2025 U.S. Tariff Policies. This included collecting information of the Group, concerning the U.S.-bound export operations, measures adopted to mitigate tariff impacts, etc.
- (2) **Background Search:** We conducted a background search into the Group’s progress in and plans for overseas expansion, through publicly available information.
- (3) **Data Review and Analysis:** We reviewed and analyzed the data and documentation received to determine the impact and potential risks of the 2025 U.S. tariff policy changes on the Company’s U.S. export business and overall operations.

Our review was concluded on October 14, 2025 (the “Cut-Off Date”), and this memorandum reflects information and analysis as of the Cut-Off Date.

1.3 Assumptions and Qualifications

The Report is confidential to and has been prepared solely for the purpose of assisting with the proposed initial public offering of the Company's shares. It is provided pursuant to and subject to the terms of the engagement agreement between us and the Company.

This Report may not be relied upon by any third party (except for the sole sponsor, the overall coordinators and the members of the underwriting syndicate of the H Share listing) for any purpose, nor may it be reproduced, disseminated, quoted, or referred to, in whole or in part, without our prior written consent. We accept no responsibility or liability whatsoever to any third party in connection with this Report or its contents.

We have relied on the facts, materials and information provided by the Group in response to our questions focusing on areas related to the scope of this memorandum. In addition, where necessary, we conducted targeted due diligence focusing on key potential exposures. While we have no reasons to doubt the facts, materials or information provided by the Group, our analysis and conclusions might be affected if any of the underlying facts, materials or information provided by the Group are found to be incomplete or incorrect.

Our analysis in this memorandum is based on the 2025 U.S. Tariff Policies that are applicable to the Group as of the date of this Report, which may be subject to change. Our conclusion may change if the underlying facts, laws, and regulations change. In that event, the risk assessment and conclusions in this memorandum shall be revisited accordingly.

2. Executive Summary

Based on the current regulatory scope and the Company's representations, the Group's U.S.-bound export business has been subject to evolving U.S. tariff policies since 2025. Such changes could adversely affect this segment by dampening U.S. demand. That said, given the Group's global manufacturing footprint and a well-diversified revenue base across overseas markets and the PRC, the impact of the 2025 U.S. tariff measures is not expected to impair the Company's suitability for listing or to materially affect the Group's overall operations or financial performance. The Group should continue to monitor prospective changes in China-U.S. trade policy and proactively evaluate implications for its business, financial condition, and results of operations.

3. Impact Assessment of the 2025 U.S. Tariff Policies

3.1 Overview of the 2025 U.S. Tariff Policies

In early 2025, trade tensions between China and the United States resulted in a series of significant and targeted tariff measures. These measures initially heightened uncertainty for exporters across Asia, including both the Group's China-and Malaysia-based manufacturing operations. Since mid-2025, however, the tariff dispute has shown gradual signs of de-escalation pursuant to the "Joint Statement on

U.S.–China Economic and Trade Meeting in Geneva” (“Geneva Joint Statement”) dated May 12, 2025¹ and the “Joint Statement on U.S.–China Economic and Trade Meeting in Stockholm” (“Stockholm Joint Statement”) dated August 12, 2025². Under these arrangements, certain reciprocal and fentanyl-related tariffs were temporarily suspended or reduced, providing modest relief for PRC-origin goods, while concurrently leaving in place exemptions that continued to benefit Malaysia-origin exports such as the Group’s telecommunication modules classified under HTS 8517.62.0090. The following section summarizes the principal U.S. tariff measures that have materially affected exports of Chinese-origin products and the treatment accorded to Malaysian-origin products since 2025.

- On February 1, 2025, pursuant to Executive Order (E.O.) 14195, the U.S. government implemented a 10% additional ad valorem duty on imports from China on or after 12:01 a.m. eastern time on February 4, 2025, citing the threat posed by illegal aliens and drugs, including deadly fentanyl, under the International Emergency Economic Powers Act (“IEEPA”).³
- On March 3, 2025, pursuant to E.O. 14228, the U.S. government announced an amendment to E.O. 14195 regarding additional tariffs on goods originating from PRC, raising the additional tariffs rate from 10% to 20%.⁴
- On April 2, 2025, the U.S. government imposed reciprocal tariffs on all trading partners under E.O. 14257, with a reciprocal tariff rate of 34% applied to China.⁵ Malaysia was assigned a country rate of 24% in Annex I. The order took effect 7 days after issuance (i.e., entries for consumption on or after April 9, 2025, subject to the EO’s transit exceptions).
- On April 8, 2025, the U.S. government increased the reciprocal tariff rate on China from 34% to 84% under E.O. 14259.⁶
- On April 9, 2025, following the implementation of Chinese countermeasures, the U.S. government raised the reciprocal tariff rate on China to 125% under E.O. 14266.⁷

¹<https://www.whitehouse.gov/briefings-statements/2025/05/joint-statement-on-u-s-china-economic-and-trade-meeting-in-geneva/>; https://www.gov.cn/yaowen/liebiao/202505/content_7023399.htm

²<https://www.whitehouse.gov/briefings-statements/2025/08/joint-statement-on-u-s-china-economic-and-trade-meeting-in-stockholm/>; https://www.gov.cn/yaowen/liebiao/202508/content_7036093.htm

³<https://www.whitehouse.gov/presidential-actions/2025/02/imposing-duties-to-address-the-synthetic-opioid-supply-chain-in-the-peoples-republic-of-china/>;

<https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-imposes-tariffs-on-imports-from-canada-mexico-and-china/>

⁴<https://www.govinfo.gov/content/pkg/FR-2025-03-07/pdf/2025-03775.pdf>;

<https://www.whitehouse.gov/presidential-actions/2025/03/further-amendment-to-duties-addressing-the-synthetic-opioid-supply-chain-in-the-peoples-republic-of-china/>

⁵<https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/>;

<https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-I.pdf>

⁶<https://www.whitehouse.gov/presidential-actions/2025/04/amendment-to-reciprocal-tariffs-and-updated-duties-as-applied-to-low-value-imports-from-the-peoples-republic-of-china/>

⁷<https://www.federalregister.gov/documents/2025/04/15/2025-06462/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment>.

- On May 12, 2025, under the Geneva Joint Statement, the U.S. government lowered the reciprocal tariff rate on China from 125% to 34%, by (i) suspending 24 percentage points of that rate for an initial period of 90 days, and (ii) the retention of the remaining ad valorem rate of 10 percent on those articles pursuant to the terms of E.O. 14357; (iii) removing the modified additional ad valorem rates of duty on those articles imposed by E.O. 14259 and E.O. 14266.⁸
- On July 31, 2025, the United States issued “Further Modifying the Reciprocal Tariff Rates,” which replaced prior settings for certain partners. In Annex I to that order, Malaysia’s reciprocal tariff rate was reduced to 19%. Per Section 2(a), the Annex II HTSUS modifications—and thus the updated partner-specific rates—were effective for entries on or after 12:01 a.m. Eastern Daylight Time 7 days after July 31, 2025 (i.e., August 7, 2025), with specific in-transit exceptions spelled out in Section 2(a).⁹
- On August 12, 2025, under the Stockholm Joint Statement, the U.S. government continued to modify the application of the additional ad valorem rate of duty on articles of China set forth in E.O. 14257, by suspending 24 percentage points of that rate for an additional period of 90 days, starting on August 12, 2025, while retaining the remaining ad valorem rate of 10 percent on those articles pursuant to the terms of said Order.¹⁰
- On September 5, 2025, the White House announced further scope adjustments (a modified Annex II) that changed which goods were covered by the reciprocal tariff program; this action did not alter Malaysia’s 19% country rate that had been set in the July 31 order, but it affected product coverage (e.g., some items removed from Annex II became subject to reciprocal tariffs). The modifications took effect on September 8, 2025.¹¹

While China and the U.S. have reached a certain degree of consensus on tariff issues so far, matters like the fentanyl issue, remain unresolved. **Given the ongoing discussions between the United States and its trading partners (including China), significant uncertainty remains as to whether the U.S. will further adjust the scope, magnitude, and interpretation of its tariff measures.** To be noted, On August 29, the Court of Appeals for the Federal Circuit (i) affirmed the Court of International Trade’s (“CIT”) decision to set aside five Executive Orders that imposed tariffs of unlimited duration, holding that IEEPA’s grant of presidential authority to “regulate” imports does not authorize the “fentanyl” and reciprocal tariffs imposed by the Executive Orders Nos. 14195, 14257, and 14266; (ii) affirmed the CIT’s grant of declaratory relief that the orders are “invalid as contrary to law” and (iii) vacated the

⁸<https://www.whitehouse.gov/briefings-statements/2025/05/joint-statement-on-u-s-china-economic-and-trade-meeting-in-geneva/>

⁹ <https://www.whitehouse.gov/presidential-actions/2025/07/further-modifying-the-reciprocal-tariff-rates/>

¹⁰<https://www.whitehouse.gov/briefings-statements/2025/08/joint-statement-on-u-s-china-economic-and-trade-meeting-in-stockholm/>

¹¹<https://www.whitehouse.gov/fact-sheets/2025/09/fact-sheet-president-donald-j-trump-modifies-the-scope-of-reciprocal-tariffs-and-establishes-procedures-for-implementing-trade-deals/>

CIT's permanent injunction that universally enjoined the tariffs' enforcement, remanding for the CIT to further evaluate the propriety and scope of injunctive relief in light of the Supreme Court's decision in *Trump v. CASA, Inc.*, 145 S. Ct. 2540 (2025).¹² Despite this judicial outcome, the U.S. government has continued negotiations with its major trading partners, including China and Malaysia, to recalibrate tariff policies under the evolving reciprocal-tariff framework. In view of this fluid environment, we recommend that the Group continuously monitor further regulatory developments—including tariff adjustments, retaliatory measures, and trade-agreement revisions—that could impact the pricing, competitiveness, or compliance obligations with its PRC and Malaysia supply chains.

3.2 The Group is Exposed to Limited and Manageable U.S. Tariff Risks

3.2.1 CIG's U.S.-bound Products Originating in Malaysia Are Likely Subject to a 0% U.S. Tariff

Since April 2025, most U.S.-bound products have been manufactured at the Group's Malaysia facilities, where Chinese-origin raw materials and components undergo surface-mount technology (SMT) assembly, integration, calibration, and functional testing before export. Based on the Group's manufacturing records and process descriptions, these operations appear to constitute material and value-adding transformations of the imported inputs.

Under 19 C.F.R. § 134.1(b), the country of origin for U.S. tariff purposes is the place where the article underwent its last "substantial transformation," defined as the point at which it became a new and different article of commerce with a distinct name, character, or use. The Court of International Trade's decision in *National Hand Tool Corp. v. United States*, 16 C.I.T. 308 (1992) and its progeny, assembly operations that meaningfully alter a product's name, character, or use (i.e. effect a substantial transformation) can suffice to confer a new origin, but simple or routine assemblies that leave the essential identity intact generally do not. The substantial transformation inquiry is heavily fact-dependent and considers the totality of evidence (including whether use was predetermined, how much value/skill is added, whether parts lose discrete identity, etc.). Although the Malaysia operations involve complex SMT assembly, electrical integration, optical alignment, calibration, and functional testing that appear to convert discrete Chinese-origin parts into market-ready optical transceivers with distinct commercial functions, the final determination of origin rests with CBP, which may interpret the facts differently in a future audit or ruling. On the basis of the information currently available, it is reasonable to preliminarily conclude that the Malaysia processes could be considered as satisfying the substantial-transformation standard and therefore confer Malaysian origin for U.S. tariff purposes.

It is likely that the the origin shifts to Malaysia as a result of substantial

¹² https://www.cafc.uscourts.gov/opinions-orders/25-1812.OPINION.8-29-2025_2566151.pdf

transformation, the Section 301 tariffs and fentanyl-related tariffs applicable to Chinese-origin goods do not apply. The tariff treatment of Malaysian-origin products is instead governed by the HTSUS schedule applicable to Malaysia as a World Trade Organization (“WTO”) member country enjoying Most-Favored-Nation treatment. Under the general column of the HTSUS, products classified under subheading 8517.62.0090 carry a 0% general duty rate, as of the Latest Practicable Date. In addition, Executive Order 14257’s reciprocal tariff regime, as implemented by CBP’s Cargo Systems Messaging Service (CSMS) bulletin of April 18, 2025, expressly lists 8517.62.00 under the “Exclusion List” (Annex II) from reciprocal tariffs. To claim this exclusion, importers must declare the secondary Chapter 99 code 9903.01.32 on the entry summary. The Company’s CBP filings show consistent use of this secondary classification and were liquidated at a 0% duty rate, confirming that U.S. Customs recognized both the Malaysian origin and the exclusion from reciprocal tariffs.

In summary, the available facts support a high likelihood that the Group’s Malaysia manufacturing processes—including SMT assembly, integration, calibration, and functional testing—constitute a substantial transformation and that its U.S.-bound optical transceivers are appropriately treated as Malaysia-origin for tariff purposes. Nevertheless, because CBP’s determination is fact-dependent and subject to change upon review, the Company should maintain comprehensive records of its production process and be prepared to seek a formal origin ruling if required. Under the current regime, such imports are assessed at a 0 percent general rate, with no Section 301, fentanyl-related, or reciprocal tariffs applicable, as of the Latest Practicable Date.

As of the Latest Practicable Date, relocating U.S.-bound manufacturing to Malaysia has insulated the Group from 2025 tariff measures. The Company has not experienced material disruptions, cancellations, or revenue losses attributable to China–U.S. tariff volatility, and the tariff regime in force is not expected to impair the Group’s financial performance or its suitability for listing.

3.2.2 The Remaining U.S.-bound Products Originating in China Are Subject to a 27.5% U.S. Tariff

Based on the Company’s questionnaire responses and the Declaration Forms for Exported Goods of the Customs of the PRC provided, the Company only exports limited optical transceivers to the U.S., with the Customs Commodity Codes being “8517.62.2990” (Other devices for optical communication)¹³. Upon review of the official websites of the U.S. International Trade Commission (USITC)¹⁴ and the Office of the United States Trade Representative (USTR)¹⁵, we have concluded that the corresponding 8-digit the Harmonized Tariff Schedule of the United States (HTSUS) Subheading for this commodity is “8517.62.00” (Machines for the reception,

¹³ <https://www.hsbianma.com/Code/8517622990.html>

¹⁴ <https://hts.usitc.gov/search?query=8517620090>

¹⁵ <https://ustr.gov/issue-areas/enforcement/section-301-investigations/search>

conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus), with the stat suffix being “90” (Other). The tariff classification is detailed below:

Heading/ Subheading	Stat Suffix	Article Description
8517		<i>Telephone sets, including smartphones and other telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network (such as a local or wide area network), other than transmission or reception apparatus of heading 8443, 8525, 8527 or 8528; parts thereof:</i>
		<i>Other apparatus for transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network (such as a local or wide area network):</i>
8517.62.00		<i>Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus</i>
	10	<i>Modems, of a kind used with data processing machines of heading 8471</i>
	20	<i>Switching and routing apparatus</i>
	90	<i>Other</i>

The cumulative U.S. duty rate of **27.5%** currently applicable to imports of products classified under the HTSUS code 8517.62.0090 from China is as follows:

- 0% (Free): the General rate (i.e., the standard tariff rate applicable to all WTO Most-Favored-Nation (MFN) members, including China);
- 7.5%: the Section 301-Tariff rate in List 4 (Modification), dated September 1, 2019;
- 20%: the “fentanyl” tariff rates under E.O. 14195 and E.O. 14228; and
- 0% (Exempted under Annex II of Executive Order 14257 of 2 April 2025, as amended¹⁶): the reciprocal tariff rate under E.O. 14257.

Therefore, the most likely future tariff fluctuations will stem from changes to the U.S. “fentanyl-related tariffs” (imposed at a rate of 20%) and reciprocal tariffs exclusion. Such changes are subject to unpredictable and complex bilateral trade relations and negotiations between China and the U.S. However, the vast majority of the Group’s products exported to the U.S. are manufactured at facilities in Malaysia, for which the applicable U.S. tariff rate is 0%. The Group has also stated that since April, 2025, the Group has relocated production for all U.S.-bound products to its Malaysia facilities, with negligible effect on gross margins incurred. As of the Latest Practicable Date, the Group have not observed any material order cancellations, revenue shortfalls, or

¹⁶ <https://www.whitehouse.gov/wp-content/uploads/2025/09/ANNEX-II.pdf>

project delays that are directly attributable to Sino-U.S. tariff fluctuations. As shipments from China constitute only a minimal share of U.S.-bound exports, and most related freight and tariff costs are borne by the customers, according to the Company, we believe the overall impact of the 2025 U.S. Tariff Policies on the Group is limited and manageable.

In conclusion, it is reasonable to determine that the 2025 U.S. tariff policies are not expected to impair the Company’s suitability for listing, nor to materially affect the Group’s overall business operations or financial performance.

3.3 Future Policy Changes Are Unpredictable; Ongoing Monitoring Should Be Formalized

Given that the information and communications technology (“ICT”) industry is closely linked to the global macroeconomic situation, fluctuations in the macroeconomy will affect the supply-demand dynamics the market, which in turn may impact the demand for the Company’s products. Shifts in geopolitical relations, trade barriers or the escalation of trade disputes, consequently could have adverse effects to the Company’s business, financial condition and results of operation.

The U.S. tariff policies are subject to continuous evolution, driven by evolving geopolitical dynamics, economic priorities, and regulatory agendas. Such policies may be amended, expanded, or replaced with little or no advance notice. These developments underscore a strategic recalibration of U.S. trade policy, which emphasizes increasing leverage in international trade. The Company should therefore maintain close monitoring of potential changes in international trade policies and assess the potential impacts of these and other trade policy adjustments on its business operations and financial performance.

4. Conclusion

Currently, **the 2025 U.S. Tariff Policies have limited and manageable impacts on the Group’s U.S.-bound export business of optical transceivers, and are not expected to adversely affect the Company’s suitability for listing.** Nonetheless, certain residual risks warrant attention: (i) uncertainty persists regarding the potential expansion or escalation of U.S. tariffs as trade negotiations continue; and (ii) demand for the Company’s products remains linked to the broader ICT industry, which is susceptible to macroeconomic and geopolitical shifts. Consequently, we recommend that the Group implement ongoing monitoring of these developments.

(No Text Below)

Yours faithfully,

For and on behalf of
Commerce & Finance Law Offices LLP

A handwritten signature in blue ink, reading "Yipin Zhang". The signature is written in a cursive, flowing style. The first name "Yipin" is written in a more compact, rounded script, while the last name "Zhang" is written in a more elongated, angular script. The signature is positioned above a horizontal line.

Name: Yipin Zhang

Title: Partner