



**Legal Analysis and Conclusions
Concerning Compliance by Shanghai Sunmi Technology Co., Ltd.
with Export Control and Sanctions Laws**

Sheppard, Mullin, Richter & Hampton LLP, Brussels

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This will summarize our legal analysis of the relevant facts and documentation provided to us by Shanghai Sunmi Technology Co., Ltd. (“the Company”) and explain our conclusions concerning the Company’s compliance with U.S. export control and sanctions laws.

Factual Background

The Company has reported to us that the facts are as described below. We have also reviewed documents of the Company as well as publicly available information about the Company, its products and its markets, and we have also asked the Company follow-up due diligence questions to verify to a reasonable degree of confidence that the facts as reported below are correct, and we believe them to be correct. Unless otherwise indicated, our inquiry extended back five years.

The Company is incorporated in China and its manufacturing facilities are in mainland China. The Company produces a range of consumer products and also equipment used in offline commercial settings in retail stores and restaurants. These include Android-based “internet-of-things” equipment such as handheld QR code and barcode scanners, smart cloud receipt printers, kitchen cloud printers and scan boxes (referred to as Xiaoshan). The Company has developed its own Operating System (“OS”) for these products using open source software freely available to the public in the Internet at no charge.

The Company has confirmed that none of its current shareholders are on any U.S. sanctions list (searchable at <https://www.trade.gov/data-visualization/csl-search>). The Company has also provided us a list of its board members and C-level executives. None of them are on any such sanctions list.

Name	Position	Nationality
Mr. Lin Zhe	Executive Director, Chairman, General Manager and CEO	Chinese (mainland China)
Mr. Chen Xiaojin	Executive Director and Secretary of the Board of Directors	Chinese (mainland China)
Mr. Zhang Jinpu	Executive Director, Deputy General Manager and CHO	Chinese (mainland China)
Mr. Chen Guihong	Executive Director	Chinese (mainland China)
Mr. Wang Huan	Non-Executive Director	Chinese (mainland China)
Ms. Zhang Yi	Non-Executive Director	Chinese (mainland China)
Mr. Li Shihong	Non-Executive Director	Chinese (mainland China)
Ms. Wang Xia	Non-Executive Director	Chinese (mainland China)
Mr. Poon Wing Shing, Anthony	Non-Executive Director	Chinese (HK)
Ms. Zeng Guirong	CFO	Chinese (mainland China)
Mr. Su Hongran	CMO	Chinese (mainland China)
Mr. Qi Guoliang	CTO	Chinese (mainland China)
Mr. Xu Xin	COO	Chinese (mainland China)

The Company has subsidiaries for sales purposes in Dubai, France, Holland, India, Indonesia, Japan, Mexico, Poland, Russia, Singapore, South Africa, the UK and the United States. The Company has confirmed that it never acted as exporter of record (the USPPI filing electronic export information) for any export from the United States. This is what we would expect given that the Company manufactures only in China and has only a sales subsidiary in the United States.

The Company has also provided us a list of all the countries where it sells its products. The Company has confirmed that it has made no sales in Cuba, Iran, North Korea or Syria. The Company has also reported that it does no business in any of these embargoed countries, and our review of the Company's information and publicly available information did not call this into question.

The Company purchases only a limited number of products from the United States, and it has tabulated these for us, including their Export Control Classification Numbers ("ECCNs"), which were provided by the U.S. manufacturers. The U.S. items the company purchases are manufactured by well-known and well-established U.S. companies known to have robust export compliance procedures. Their ECCNs are all EAR99, 3A991, 5A992.c, 5A991.g or 7A994. The Company purchases these from distributors in mainland China and Hong Kong. None of these ECCNs is subject to significant U.S. export control restrictions for sale to China. That said, 5A992.c and 7A994 are subject to a restriction on transfer to military end users or for military end uses in China, Russia or Venezuela under 15 C.F.R. section 744.21 (ecfr 2025) because they are listed in supplement 2 to 15 C.F.R. part 744. The products the Company sources from the United States in ECCNs other than EAR99 are also restricted for export, re-export or transfer to anyone in Russia under 15 C.F.R. section 746.8, subject to certain limited regulatory exceptions not relevant here.

The Company also purchases some components manufactured outside the United States by subsidiaries of other well-known and well-established U.S. companies known to have robust export compliance procedures. These companies have reported to the Company that the components the Company purchases from them are not "subject to the EAR" as that term is used in part 734 of the U.S. Export Administration Regulations ("EAR"), which indicates that these companies have confirmed that the U.S. controlled content of the items is *de minimis* as used in EAR part 734 and that the products are not subject to the EAR Foreign Direct Product ("FDP") rule.

The Company reports that it has never received software or technical data subject to the EAR from parties in the United States, and our review of the Company's business structure gives us no reason to believe that the Company would have done so.

The Company has sold the following products to some parties subject to U.S. Entity List restrictions ("Entity Listed parties"):

智能云票据打印机, 后厨云打印机, 手持二维扫码器, 小闪-扫码盒, 智能金融终端,
智能台式终端

In English translation this is:

Smart Cloud Receipt Printer, Kitchen Cloud Printer, Handheld QR Code Scanner,
Xiaoshan-Scan Box, Smart Payment Terminal, Smart Desktop Terminal

The Company confirmed it used no components supplied by U.S. suppliers in manufacturing any of the above products sold to Entity Listed parties. We tested this by reviewing three randomly selected complete bills of materials of the Company for the above products, and we found no evidence of U.S. content having been used.

Because the Company reports that it has incorporated the 5A992.c and 7A994 items from one its U.S. suppliers noted above into some products it sells to other companies in China, we examined whether those Chinese products are "subject to the EAR". We found based upon the data provided by the Company that the overall percentage of controlled U.S. content in the Company's products

using these U.S. components was about 1%, and that the controlled U.S. software content in the Company's product was less than 10%. Given that the Company's third country suppliers of integrated circuits ("ICs") have confirmed that the ICs they sell to the Company are not subject to the FDP rule, we conclude that these products with 5A992.c and 7A994 content are not subject to the EAR, so further consideration of the restriction in EAR section 744.21 is not required.

Although the Company has a subsidiary in Russia that sells its products there, and some sales are also made to Belarus, the Company has not incorporated anything from the U.S. with an ECCN other than EAR99 in anything it has sold in Russia or Belarus during the last five years, and it has an ECCN-review procedure in place for Russian and Belarusian sales to ensure that this policy is always adhered to. We note that EAR section 746.8(a)(8) also restricts the following EAR99 U.S. software to Russia and Belarus:

Enterprise resource planning (ERP); customer relationship management (CRM); business intelligence (BI); supply chain management (SCM); enterprise data warehouse (EDW); computerized maintenance management system (CMMS); project management software, product lifecycle management (PLM); building information modelling (BIM); computer aided design (CAD); computer-aided manufacturing (CAM); engineering to order (ETO); and software for the operation of computer numerical control (CNC) machine tools.

Because the Company's products are consumer products and for POS use in the retail setting, we would not expect the Company's products to include any U.S. software of the above types, and the Company has confirmed that they do not.

We have reviewed the Company's revenue data for Russia and Belarus, and the data indicate the following very tiny amounts of the Company's global revenue:

2020	2021	2022	2023	2024	2025 (1 Jan to 30 Sept)
0.3%	0.7%	0.4%	0.4%	0.5%	0.2%

The Company reports that it does no business with parties listed as Specially Designated Nationals ("SDNs") by the U.S. Office of Foreign Assets Control ("OFAC"). The Company also reports that it screens all its customers using the U.S. lists searchable at <https://www.trade.gov/data-visualization/csl-search>. The Company further reports that it investigates ownership and management control of entities it is screening and also checks those parties against the above screening tool to confirm that listed parties are not involved in the Company's business.

In 2022 the Company sold a Hong Kong company bar code scanning boxes, bar code scanners and smart mobile terminals that the Company had manufactured in China. The Company's only sales to that company were in 2022, and the total revenue was RMB 1,588,422 (less than US\$ 250,000). That company was named an SDN on May 1, 2024 because it was found to be involved in supporting Russia's military-industrial base. Some of the products the Company sold that company contained a 3A991 IC produced by one of the U.S. manufacturers mentioned above, but that chip represented only 0.1% of the value of the Company's product, and there was no other U.S. controlled content in the products sold to the Hong Kong company. The Company has had no business with the Hong Kong company since it was named an SDN. Because the U.S. content of what the Company sold to the Hong Kong company was so tiny and the Hong Kong company was not listed as an SDN at the time, these 2022 sales did not violate U.S. sanctions.

The Company also has confirmed that it does not source anything from the United States, EU or UK that is subject to military export controls.

The Company reports that it does not manufacture any products specially designed or modified for use by the military, intelligence agencies, national guard, or police and has never sold products to customers in the military, intelligence agencies, national guard, or police, or for use by downstream customers in manufacturing articles for the military, intelligence agencies, national guard, or police.

In addition, in 2021, the Company brought to its Shanghai facility U.S. export control and sanctions specialists from a Silicon Valley-based consulting firm with bilingual Mandarin-English personnel, for the purpose of providing in-person compliance training and conducting a factual review and analysis of the Company's export compliance. The Company provided us evidence in the form of photographs from the training session and reports from this U.S. consultant concerning specific exports on which the Company sought the U.S. consultant's expert advice and also the final consultant's report recommendations following the compliance review at the Company's facility. Those recommendations were as follows:

四、企业合规管理建议

为有效防范、应对美国制裁和出口管制风险，企业应当建立内部合规制度，设立专门的风险合规管理部门、团队或指定专人来负责管理执行美国制裁和出口管制相关的合规业务和流程，在面对重大、难以判断的合规风险问题时应及时咨询外部专业顾问。

以下是对于商米在经营中的一些合规管理建议：

(1) 建立针对美国制裁及出口管制的动态合规体系

OFAC 曾发布了合规框架，鼓励企业通过建立制裁合规计划（SCP）来规避美国制裁风险，并列出了 SCP 的五个基本组成部分，包括管理层承诺、风险评估、内部控制、测试与审核、培训。BIS 也发布了如何建立出口合规计划（ECP）的指导文件，并同样列出了基本组成部分，包括管理层承诺、风险评估、出口许可、记录保存、培训、审计、处理出口违规行为并采取纠正措施、编制书面合规手册并定期维护更新。

在有条件的情况下，商米应建立上述合规计划并落实实施。建立合规计划不仅能使企业的合规流程更规范，若企业受到 OFAC 或 BIS 审查或处罚，OFAC 和 BIS 还可能因企业建立了全面的合规计划而降低处罚的标准。

企业编制书面合规手册，应注意手册中不但要包括相关法律法规要求，还应包括明确的、可执行的程序性指引，便于企业内不同部门员工遵照执行。合规手册需根据美国制裁法规的变化进行及时更新与调整。

In English:

IV. Recommendations for Enterprise Compliance Management

To effectively prevent and respond to risks associated with U.S. sanctions and export controls, enterprises should establish internal compliance systems, set up dedicated risk and compliance management departments, teams, or appoint specific personnel to manage and implement compliance-related operations and processes concerning U.S. sanctions and export controls. When facing significant or difficult-to-judge compliance risk issues, enterprises should promptly consult external professional advisors.

The following are some compliance management recommendations for Sunmi in its business operations:

(1) Establish a dynamic compliance system targeting U.S. sanctions and export controls

The Office of Foreign Assets Control (OFAC) has issued a compliance framework, encouraging enterprises to avoid U.S. sanctions risks by establishing a Sanctions Compliance Program (SCP), and has outlined five basic components of SCP, including management commitment, risk assessment, internal controls, testing and auditing, and training. The Bureau of Industry and Security (BIS) has also issued guidance documents on establishing an Export Compliance Program (ECP), which similarly lists basic components, including management commitment, risk assessment, export licensing, record keeping, training, auditing, handling export violations and taking corrective actions, and developing a written compliance manual with regular maintenance and updates.

Where conditions permit, Sunmi should establish and implement the aforementioned compliance programs. Establishing compliance programs will not only standardize the enterprise's compliance processes, but if the enterprise is subject to review or penalties by OFAC or BIS, OFAC and BIS may also reduce the penalty standards due to the enterprise having established a comprehensive compliance program.

When enterprises develop written compliance manuals, they should ensure that the manuals not only include relevant legal and regulatory requirements, but also contain clear and executable procedural guidelines to facilitate compliance by employees from different departments within the enterprise. The compliance manuals need to be promptly updated and adjusted in accordance with changes in U.S. sanctions regulations.

In response to the U.S. consultant's recommendations, the Company implemented a sanctions and export compliance process by means of a procedural flowchart for screening, ECCN and U.S. content *de minimis* analysis and other elements for its business that is appropriately structured to ensure that the necessary technical and legal reviews occur at each step before the business can proceed. The Company's screening uses the consolidated U.S. screening list noted above, which is what the U.S. government expects for sanctions and export control compliance.

In its contracts, the Company requires its counterparties to agree "that they will not cause the company to violate relevant export controls or other trade sanctions". The Company also provides the ECCN of products it sells when necessary.

The Company reports that it has never received any inquiry from any government agency (U.S. or otherwise) or any intergovernmental organization such as the United Nations raising a question about its compliance with export controls or sanctions.

The Company reports that it has no personnel working in China who are U.S. citizens or have U.S. permanent residence status.

The Company reports that it does not buy any products from Xinjiang for use in products to be sold to the U.S. market and is not aware of any Xinjiang content at earlier stages of the supply chain that ends up being incorporated into products sold to the U.S. market. The Company also has confirmed that it does not source any materials or components for its products from companies on the UFLPA

Entity List (<https://www.dhs.gov/uflpa-entity-list>) or the Withhold Release Orders List (<https://www.cbp.gov/trade/forced-labor/withhold-release-orders-and-findings>).

Legal Analysis

The U.S. Department of Commerce's Bureau of Industry and Security ("BIS") controls the export, reexport, and transfer (in-country) of commodities, software and technical data (technology) (collectively, "Items") that are subject to the EAR. Items subject to the EAR include the following:

- (i) All items in the United States, including in a U.S. Foreign Trade Zone or moving in transit through the United States from one foreign country to another;
- (ii) All U.S. origin items wherever located;
- (iii) Non-U.S.-made commodities that incorporate controlled U.S.-origin commodities, non-U.S.-made commodities that are 'bundled' with controlled U.S.-origin software, non-U.S.-made software that is commingled with controlled U.S.-origin software, and non-U.S.-made technology that is commingled with controlled U.S.-origin technology which exceeds a certain threshold (the "de minimis" rule); and
- (iv) Certain non-U.S.-produced "direct products" of specified "technology" and "software"; and certain non-U.S.-produced products of a complete plant or any major component of a plant that is a "direct product" of specified "technology" or "software" (the Foreign Direct Product Rule, or "FDPR").

For items subject to the EAR under different circumstances, the scope of control corresponding to the end-user, end-use, destination, etc., may be different and need to be judged on a case-by-case basis. If certain transactions or actions are controlled under the EAR, a license or license exception will be necessary.

Because the Company has sourced some ICs from the United States, it is important to review carefully the nature and extent of the recent U.S. restrictions affecting the export control of ICs to China.

On October 7, 2022, the BIS released an interim final rule ("2022 IFR") aimed to restrict the PRC's ability to both purchase and manufacture certain high-end chips used in military applications and build on prior policies, company-specific actions, and less public regulatory, legal, and enforcement actions taken by the BIS. The 2022 IFR addressed U.S. national security and foreign policy concerns in two key areas. The rule imposed restrictive export controls on certain advanced computing semiconductor chips, transactions for supercomputer end-uses, and transactions involving certain entities on the Entity List. Second, the 2022 IFR imposed new controls on certain semiconductor manufacturing items and on transactions for certain integrated circuit ("IC") end uses.

Specifically, the 2022 IFR:

- Added certain advanced and high-performance computing chips and computer commodities that contain such chips in new Export Control Classification Numbers ("ECCNs") on the Commerce Control List ("CCL");

- Added new license requirements for items destined for a supercomputer or semiconductor development or production end use in the PRC;
- Expanded the scope of the EAR over certain foreign-produced advanced computing items and foreign produced items for supercomputer end uses;
- Expanded the scope of foreign-produced items subject to license requirements to twenty-eight existing entities on the Entity List that are located in the PRC;
- Added certain semiconductor manufacturing equipment and related items in new ECCNs on the CCL;
- Added new license requirements for items destined to a semiconductor fabrication “facility” in the PRC that fabricates ICs meeting specified (licenses for facilities owned by Chinese entities would face a “presumption of denial,” and facilities owned by multinationals will be decided on a case-by-case basis);
- Restricted the ability of U.S. persons to support the development, or production of ICs at certain PRC-located semiconductor fabrication “facilities” without a license;
- Added new license requirements to export items to develop or produce semiconductor manufacturing equipment and related items; and
- Established a Temporary General License (“TGL”) to minimize the short-term impact on the semiconductor supply chain by allowing specific, limited manufacturing activities related to items destined for use outside the PRC.

On October 17, 2023, the BIS published two interim final rules (“2023 IFR”) designed to update export controls on advanced computing semiconductors and semiconductor manufacturing equipment, as well as items that support supercomputing applications and end-uses, to arms embargoed countries, including the PRC, and to place additional related entities in the PRC on the Entity List. The 2023 IFR reinforced the 2022 IFR controls to restrict the PRC’s ability to both purchase and manufacture certain high-end chips critical for military advantage. The 2023 IFR is summarized briefly below:

Advanced Computing Chips Rule (“AC/S IFR”):

The AC/S IFR retained the stringent the PRC-wide licensing requirements imposed in the 2022 IFR and made two categories of updates:

- (1) Part 1, adjusting the parameters that determine whether an advanced computing chip is restricted; and
- (2) Part 2, imposing new measures to address risks of circumvention of the controls.

Part 1: Parameter Changes:

The AC/S IFR removed “interconnect bandwidth” as a parameter for identifying restricted chips. 2023 IFR also:

- Restricted the export of chips if they exceed either of two parameters:

(a) The preexisting performance threshold set in the 2022 IFR; or
 (b) A new “performance density threshold,” which is designed to preempt future workarounds.

- Required a notification for the export of certain additional chips with performance just below the restricted threshold. Under new “License Exception Notified Advanced Computing (NAC),” following receipt of notification for exports and reexport to Macau and destinations identified as subject to a U.S. arms embargo (including the PRC), the U.S. government would determine within 25 days whether the transaction may proceed under the license exception or instead require a license.

Part 2: Circumvention Prevention:

- Established a worldwide licensing requirement for export of controlled chips to any company that is headquartered in any destination subject to a U.S. arms embargo (including the PRC) or Macau, or whose ultimate parent company is headquartered in those countries, to prevent firms from countries of concern from securing controlled chips through their foreign subsidiaries and branches.
- Created new red flags and additional due diligence requirements to help foundries identify restricted chip designs from countries of concern.
- Expanded licensing requirements for export of advanced chips, with a presumption of denial, to all 22 countries to which the United States maintains an arms embargo (including the PRC) and Macau.
- Imposed license requirements for export of advanced chips, with a presumption of approval, to these same additional countries, in response to reporting that countries of concern have used third countries to divert or access restricted items.
- Created a notification requirement for a small number of high-end gaming chips to increase visibility into shipments and prevent their misuse to undermine U.S. national security.
- Included a request for public comments on multiple topics, including risks associated with infrastructure as a service (IaaS) providers, the application of controls on deemed exports and deemed reexports, additional compliance guidance that could be provided to foundries receiving chip designs, and how to more precisely define key terms and parameters in the regulation.

Expansion of Export Controls on Semiconductor Manufacturing Items Interim Final Rule (“SME IFR”):

Key changes made from the 2022 IFR in the SME IFR include:

- Imposed controls on additional types of semiconductor manufacturing equipment.
- Refined and better focused the U.S. persons restrictions while codifying previously existing agency guidance, to ensure U.S. companies cannot provide support to

advanced Chinese semiconductor manufacturing while avoiding unintended impacts.

- Expanded license requirements for semiconductor manufacturing equipment to apply to additional countries beyond the PRC, to 21 other countries for which the U.S. maintains an arms embargo.

On December 2, 2024, the BIS published a new interim final rule named as Foreign-Produced Direct Product Rule Additions, and Refinements to Controls for Advanced Computing and Semiconductor Manufacturing Items (“2024 IFR”) to further impair the PRC’s capability to produce advanced-node semiconductors that can be used in the next generation of advanced weapon systems and in artificial intelligence (AI) and advanced computing, which have significant military applications. The rules included new controls on 24 types of semiconductor manufacturing equipment and 3 types of software tools for developing or producing semiconductors; new controls on high bandwidth memory (“HBM”); new red flag guidance to address compliance and diversion concerns; 140 Entity List additions and 14 modifications spanning Chinese tool manufacturers, semiconductor fabs, and investment companies involved in advancing the PRC government’s military modernization; and several critical regulatory changes to enhance the effectiveness of previous controls. In line with these objectives, the BIS was implementing several regulatory measures, including but not limited to:

- New controls on semiconductor manufacturing equipment needed to produce advanced-node integrated circuits, including certain etch, deposition, lithography, ion implantation, annealing, metrology and inspection, and cleaning tools.
- New controls on software tools for developing or producing advanced-node integrated circuits, including certain software that increases the productivity of advanced machines or allows less-advanced machines to produce advanced chips.
- New controls on HBM. HBM is critical to both AI training and inference at scale and is a key component of advanced computing ICs. The new controls apply to U.S.-origin HBM as well as foreign-produced HBM subject to the EAR under the advanced computing FDP rule. Certain HBM will be eligible for authorization under new License Exception HBM.
- Addition of 140 entities to the Entity List, in addition to 14 modifications, including semiconductor fabs, tool companies, and investment companies that are acting at the behest of the PRC to further the PRC’s advanced chip goals which pose a risk to U.S. and allied national security.
- Establishment of two new FDP rules and corresponding de minimis provisions:
 - Semiconductor Manufacturing Equipment (SME) FDP: Extended jurisdiction over specified foreign-produced SME and related items if there is “knowledge” that the foreign-produced commodity is destined to Macau or a destination in Country Group D:5, including the PRC.
 - Footnote 5 (FN5) FDP: Extended jurisdiction over specified foreign-produced SME and related items if there is “knowledge” of certain involvement by an entity on or added to the Entity List with a FN5 designation.

– De minimis: Extended jurisdiction over specified foreign-produced SME and related items described in the above FDP rules that contain any amount of U.S.-origin integrated circuits.

- New software and technology controls, including restrictions on Electronic Computer Aided Design (ECAD) and Technology Computer Aided Design (TCAD) software and technology when there is “knowledge” that such items will be used for the design of advanced-node integrated circuits to be produced in Macau or a destination in Country Group D:5.

- Clarification to the EAR regarding existing controls on software keys. Export controls now apply to the export, reexport, or transfer (in-country) of software keys that allow access to the use of specific hardware or software or renewal of existing software and hardware use licenses. In addition to the restrictions introduced by the IFRs, the BIS maintains lists of persons or entities that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons or entities on which certain trade restrictions are imposed, including business, research institutions, government and private organizations, individuals and other types of legal persons. The United States in recent years has placed an increasing number of entities, including a number of entities in the PRC, on the Entity List and other restricted or prohibited parties lists.

In the spring of 2025, BIS also sent letters to various U.S. IC manufacturers giving them notice that certain exports of their products to China would thereafter be considered prohibited under the EAR, but following the U.S.-China trade understanding reached in Geneva on June 24, 2025, various recipients of these letters have confirmed that BIS rescinded the additional restrictions imposed by these notices.

In addition, the U.S. Secretary of Commerce announced on July 15, 2025 that BIS was resuming the approval of licenses for NVIDIA to sell its “fourth best” AI chip, the H20, to companies in China.

The U.S. law referred to as the Uyghur Forced Labor Prevention Act (“UFLPA”), Pub. L. 117–78 (Dec. 23, 2021), as currently in force, subjects goods entering the United States with content from Xinjiang to a presumption that the goods have content that is the product of forced labor. The U.S. government has placed certain companies on the UFLPA Entity List [UFLPA Entity List | Homeland Security](#) because it has concluded that their products have content that is the result of forced labor. In addition, the U.S. government has placed some products from China on a “priority list” for enforcement under the UFLPA. These include apparel, cotton, silica-based products (including polysilicon), tomatoes, aluminum, polyvinyl chloride (PVC) and seafood. The products that The Company produces are not among those the U.S. government has identified at this time for priority examination under the UFLPA.

Sanctions and Export Control Compliance Conclusions

As detailed in the summary of facts and documentation that we gathered from the Company, the Company is well aware of the rules in the EAR that are relevant to its business. Our fact-gathering established that the Company does not export from the United States, that it has an overarching trade compliance process accompanied by specific procedures including screening of suppliers and customers, obtaining ECCNs and performing *de minimis* calculations, all of which are appropriately designed to safeguard against violations of the EAR and OFAC sanctions. Furthermore, the very

extensive restrictions that BIS has imposed on China with respect to specific ICs (as detailed in the above legal summary) have only very limited applicability to the Company because the Company sources very few types chips whose use could be affected by the restrictions on Entity Listed parties, and the Company takes care to avoid using such chips or other U.S. companies' products in items it sells to Entity Listed parties (as confirmed also by our review of actual bills of materials), and the Company also has a specific procedure to ensure that its products sold to Russia are not "subject to the EAR" because U.S. controlled content is *de minimis* and not otherwise subject to the EAR under EAR part 734.

Given the above and the Company's consumer and POS retail business focus which does not call for advanced ICs, the Company's lack of business related to the military, intelligence agencies, national guard or police, its lack of U.S. origin technical data or source code, and its lack of any enforcement investigations or alleged violations, taken together, we believe that the Company has a low risk of violating U.S. export controls, and our review has found nothing to suggest that the Company has committed any such violations. The compliance procedures reported to us by the Company concerning its business with Entity Listed parties indicate to us that the Company has appropriate safeguards and processes in place to ensure that only items that are not subject to the EAR are sold to such parties.

We likewise found, as explained in the factual summary above, that the Company has implemented policies and procedures designed to ensure compliance by its directors, officers, employees, representatives, consultants, agents and business partners with economic sanctions laws and requires its independent distributors and customers by contract not to cause violations of sanctions laws. The Company does not manufacture any products in the United States, and our review disclosed no evidence that the Company has made sales or transfers to end-users or destinations prohibited under economic sanctions regulations. The Company also has a compliance program that includes screening against the U.S. government consolidated sanctions screening list and has sought the advice of U.S. consultants on export controls and economic sanctions both for training and to review and advise about specific sales as appropriate. The compliance procedures reported to us by the Company concerning its business indicate to us that the Company has appropriate safeguards and processes in place to ensure that it complies with applicable economic sanctions rules.

Furthermore, in our experience it would be highly unusual for BIS or OFAC to add a company such as the Company to its Entity List, SDN list or other restricted lists because the Company is a manufacturer of consumer items and POS devices used in retail shops, is not sourcing advanced ICs from the United States or third countries for its manufacturing, does no business with the military, intelligence agencies, national guard or police, requires export control and sanctions compliance by its customers and is taking care to ensure that it is complying with U.S. laws to the extent they apply to the Company.

The information the Company has provided to us concerning its sourcing for the U.S. market indicates that it does not source anything directly or indirectly that it is aware has any Xinjiang content and avoids sourcing from companies on the UFLPA Entity List or Withhold Release Order list. Based upon the facts reported by the Company concerning its materials sourcing, our conclusion is that U.S. law does not prohibit the Company from selling its products to the U.S. market in the manner it is currently doing, nor does U.S. law mandate that the Company take additional steps at this time concerning investigation of its supply chain. The risk raised by the UFLPA is that CBP might decide to detain a shipment of the Company's products from China under the UFLPA, which in turn would require the U.S. importer to gather and present detailed proof that the products do not have content from Xinjiang or that any such content was not the result of forced labor. Because the products of the kind the Company produces and sells into the U.S. market have not been the subject

of priority examination by U.S. Customs and Border Protection (“CBP”) and there is no indication that such products are attracting the attention of politicians in Washington, DC, with respect to the UFLPA, we consider the financial risk to the Company associated with the UFLPA to be quite small.

In light of all the above, we found nothing to suggest that the Company is engaged in any primary or secondary sanctioned activities as referred to in Hong Kong rules.

In closing, we note that our analysis and conclusions are based upon the facts and documentation provided to us, supplemented by our own research of publicly available information about the Company, its products, global operations and markets, as well as the U.S. export control and sanctions regulations as they are in force as of the date of this memorandum. We have not conducted an audit on the premises of the Company or its subsidiaries. If the applicable U.S. statutes or regulations were to change, or if the facts detailed in the statement of facts were to change, that could lead to a different legal analysis and potentially different conclusions.

We trust that this answers the questions you have asked us. Please do not hesitate to contact me if you have any questions or require additional information.

Sheppard, Mullin, Richter & Hampton LLP

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