



MEMORANDUM

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Cc ABCI Capital Limited ("**ABCI Capital**")
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(CMB International Capital Limited, ABCI
Capital, ABCI Securities, BOCI, CEBI, China
Galaxy and Quam are collectively known as
“**Joint Bookrunners**”; CMB International
Capital Limited, ABCI Capital, ABCI
Securities, BOCI, CEBI, China Galaxy, Quam,
Eddid, Futu, Tiger, Patrons and Ruibang are
collectively known as the “**Joint Lead
Managers**” and the “**Capital Market
Intermediaries**”)

FROM Hogan Lovells
DATE May 20, 2024
SUBJECT Advice on the impact of the Tariff Exemption

Thank you for instructing Hogan Lovells to act for EDA Group Holdings Limited (the “**Company**”) to provide advice on the impact of the de minimis exemption in the US Section 321 of the Tariff Act of 1930 codified at 19 U.S.C. § 1321(a)(2)(C) (the “**Tariff Exemption**”) on the Company’s

operations for the purpose of the proposed listing of the Company (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**SEHK**"). Unless otherwise specified, defined terms used herein have the same meaning as those defined in the prospectus of the Company dated May 20, 2024.

1. Tariff Exemption

Currently, goods of Chinese origins being exported into the U.S. are subject to a duty ranging from 7.5% to 25% under section 301 of the U.S. Trade Act of 1974 (the "**Section 301 Duties**") and formal entry procedures, which apply to the Company's "first-mile" international freight services and are primarily borne by or passed on to the Company's customers. The U.S. Tariff Act of 1930 provides for an exemption (the "**Tariff Exemption**") to admit certain articles free of the Section 301 Duties using informal entry procedures if they have an aggregate fair retail value of less than US\$800.

The purpose of the Tariff Exemption is to avoid administrative burden, including the "expense and inconvenience" to U.S. Customs and Border Protection ("**CBP**") of formal entry procedures that would be "disproportionate to the amount of revenue that would otherwise be collected." Prior to 2016, the threshold for the Tariff Exemption was limited to entries of an aggregate fair retail value of no more than US\$200. The dollar threshold was increased to US\$800 via amendment to the Tariff Act of 1930 as part of the Trade Facilitation and Trade Enforcement Act of 2015.

2. Application to the Company

We are advised by the Company that, during the Track Record Period, unless the order involves direct shipping to end-consumers, third-party customs brokers are the importer of record for the shipments delivered to the U.S. in the Company's "first-mile" international freight services. The fair retail value of goods handled by a single importer are assessed at the customs clearance on an aggregated basis on one day for the assessment on whether they exceed the US\$800 threshold under the Tariff Exemption, and it is not permissible to separate out some shipments for the Tariff Exemption. The Company's Directors confirm that during the Track Record Period and up to the Latest Practicable Date, all goods handled in the Company's "first-mile" international freight services exceed US\$800 on one day and hence did not, on any day of delivery, fall below the US\$800 threshold under the Tariff Exemption. In FY2023, the Company began to provide direct shipping services Customer G, one of the large scale e-commerce platforms in the PRC. Direct shipping involves the delivery of goods directly from domestic sellers to overseas end-consumers. To the best knowledge of the Company's Directors, in FY2023, the fair retail value of all of the parcels delivered by us to the U.S. through direct shipping falls below the US\$800 threshold and therefore, falling within the Tariff Exemption. For FY2021, FY2022 and FY2023, nil, nil and RMB151.5 million were generated from parcels valued at US\$800 or below delivered to the U.S., respectively, representing 0%, 0% and 12.5% of the Company's total revenue in the corresponding years, respectively.

3. Latest Developments

As at the Latest Practicable Date, two legislative proposals to limit the Tariff Exemption are pending before the U.S. Congress, namely, the Import Security and Fairness Act ("**ISFA**") and the De Minimis Reciprocity Act of 2023 ("**DMRA**"). The two proposals, although varying in substance, both propose to exclude goods of Chinese origin imported to the U.S. from benefiting from the Tariff Exemption. If either of the proposals is enacted and implemented in its current form, goods from China that would currently be eligible for the Tariff Exemption would become ineligible for such exemption, and would have to enter the U.S. through a formal entry process.

However, the proposals may eventually be revised to provide a less restrictive standard related to the use of the Tariff Exemption for China-origin goods to enter the U.S. The U.S. Congress is unlikely to pass either the ISFA or the DMRA as a standalone bill. Instead, if there is sufficient Congressional support to move legislation limiting use of the Tariff Exemption, U.S. Congress will likely include text from either bill (or some combination thereof) in a comprehensive legislative “package” containing many different sections relating to a single subject. At this point in time, it is unclear if a legislative proposal limiting use of the Tariff Exemption for imports of China-origin goods will move through U.S. Congress and become law. Moreover, the final form and potential effective date of any limitation is also unclear. It is possible that legislation as passed could retain the Tariff Exemption but only impose a lower dollar value threshold, including on imports of China-origin goods. In terms of timeline, the U.S. Congress is unlikely to pass a China competitiveness package this year, and will instead consider it in early 2024. Only once U.S. Treasury publishes a Final Rule (or an Interim Final Rule) would any final change to the Tariff Exemption go into effect. The rulemaking process generally takes several months to over a year, depending on how fast the agency moves to issue regulations, whether the agency uses the notice and comment rulemaking process, or whether the agency determines to issue an Interim Final Rule.

Under any of the above scenarios, and assuming the earliest that Tariff Exemption legislation would be signed into law is 2024, the earliest effective date for any change to the Tariff Exemption likely would be mid to late 2024. However, it is inherently impossible to predict the timing or outcome of the legislative process in the U.S., and progress on current legislative proposals may be suddenly accelerated, delayed or may not happen at all due to a number of factors. In addition, it is possible that new legislative proposals or regulatory proposals related the Tariff Exemption could be introduced.

4. Conclusion / Mitigating Measures

Based on the information provided by the Company, the Company appears in compliance with the Tariff Exemption regulations as they exist of the writing of this Memorandum. The Company's customers would be legally responsible under U.S. import laws for payment of the ordinary duties applicable to the goods that the Company deliver under the Tariff Exemption rules change, as well as additional special duties, if applicable, to some of the items that the Company deliver.

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This memorandum speaks only as of the date set forth on the first page of this memorandum, or as of the review period where so indicated, and we assume no obligation to investigate or advise of any changes in the foregoing subsequent thereto. We note that any analysis of Tariff Exemption matters is highly fact-specific, and therefore an inaccuracy, omission, or change in the facts and circumstances described in this memorandum could materially affect or invalidate the analysis, views, and conclusions expressed herein. The conclusion stated in this memorandum is not binding on CBP or on any other regulatory or judicial authority, which have substantial discretion in determining whether to investigate particular transactions or relationships or to pursue sanctions or other enforcement. Accordingly, there can be no assurances that CBP or any other such authority will not ultimately pursue sanctions or otherwise take actions that are contrary to the conclusions set forth in this memorandum. Such conclusion is based solely on our interpretation of the applicable laws referred to herein; and we assume no liability based on any conclusion or holding of any such authority that is inconsistent with our interpretation and conclusion.

We offer no advice in our memorandum as to any statutes, rules, regulations or decisional law other than the Tariff Exemption and the regulations of the Tariff Exemption promulgated thereunder and subject to the exclusions and limitations in our memorandum (and, in particular, we offer no

advice as to any effect that such other statutes, rules, regulations, or decisional law may have on the advice provided herein). For the avoidance of doubt, we offer no advice in our memorandum as to statutes, rules, regulations, or decisional law relating to securities, antitrust and unfair competition, banking, or taxation.

This memorandum is only intended for the benefit of the person(s) to whom it is addressed, including the CMBI; provided, however, that we shall not have any liability (whether under statute, in contract, in equity, in tort or otherwise) to the CMBI with respect to, or resulting from, this memorandum (or anything contained in or omitted from this memorandum) or the furnishing of this memorandum to the CMBI; provided, further, that nothing in these terms regarding the receipt and use of this memorandum shall limit our liability to the CMBI of the Offering for any loss due to our fraud, bad faith, gross negligence or wilful default.

This memorandum may also be disclosed for information only to (but not relied on by) the bookrunner(s) of the Offering, the Stock Exchange, the Companies Registry, and within the period and in accordance with procedure specified in the Prospectus, available for inspection to the public and such disclosure and non-reliance and the liability waiver referred to above are governed by and construed in accordance with the laws of England and Wales.

Save as the above, no recipient may disclose this memorandum to any other person or quote or refer to it in any public document or file it with any person, without our prior written consent in each specific case.

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If you have questions or comments regarding this memorandum, or would otherwise like to discuss the information herein, please contact Ben Kostrzewa at ben.kostrzewa@hoganlovells.com.



Hogan Lovells