

Memorandum

Privileged & Confidential

Date December 31, 2024
To Beijing Saimo Technology Co., Ltd.
From King & Wood Mallesons
CC CEB International Capital Corporation Limited
Subject Export Control and Sanctions Compliance Due Diligence Report

Dear Saimo Team,

In order to identify any business activities of Beijing Saimo Technology Co., Ltd. (“Saimo” or the “Company”, together with its subsidiaries, the “Group”; and where the context herein permits, “Saimo” also shall include the member(s) of the Group) could be defined as sanctionable activities (including primary sanctions and secondary sanctions) subject to Chapter 4.4 of *the Guide for New Listing Applicants* issued by The Stock Exchange of Hong Kong Limited (the “HKSE”) (the “Guide”), King & Wood Mallesons (“KWM” or “we”) reviewed the documents provided by Saimo and interviewed the key persons of Saimo and upon which we further summarized and prepared this report.

To carry out the foregoing work, KWM relied on the information, documents, and representation from Saimo to conduct the review. We have not verified such information and documents separately and relied solely on the information we obtained.

I. Executive Summary

Upon our document review and interview with the management of Saimo, our key findings are as follows:

- (a) In view of the business nature, the origin of the key products, and the identity of the customers of Saimo at the current stage, there is no indication that its business has sanctions risks as identified under Chapter 4.4 of the Guide;
- (b) As of the date of this report, U.S. export control restrictions under the Export Administration Regulations (“EAR”) and Chinese Military Industrial Company (“CMIC”) sanction program published by the Office of Foreign Assets Control on a relevant customer which is a leading global information and communications technology solutions and smart devices provider (“Relevant Customer”) and its affiliated entities (“Relevant Customer entities”) are not applicable to Saimo’s ongoing business; and
- (c) In view of the low risk of non-compliance as mentioned below, Saimo did not establish any export control and sanctions internal control framework to monitor and control the sanctions-related risks in its daily operation in the past. As of the date of this report, Saimo has established the relevant framework and designated the risk control and management committee to manage the export control and sanctions compliance risks. The measures taken by Saimo will provide a reasonably adequate and effective internal control framework to assist Saimo in identifying and monitoring any material risk relating to sanction laws.

The details are as set forth below.

II. The Background

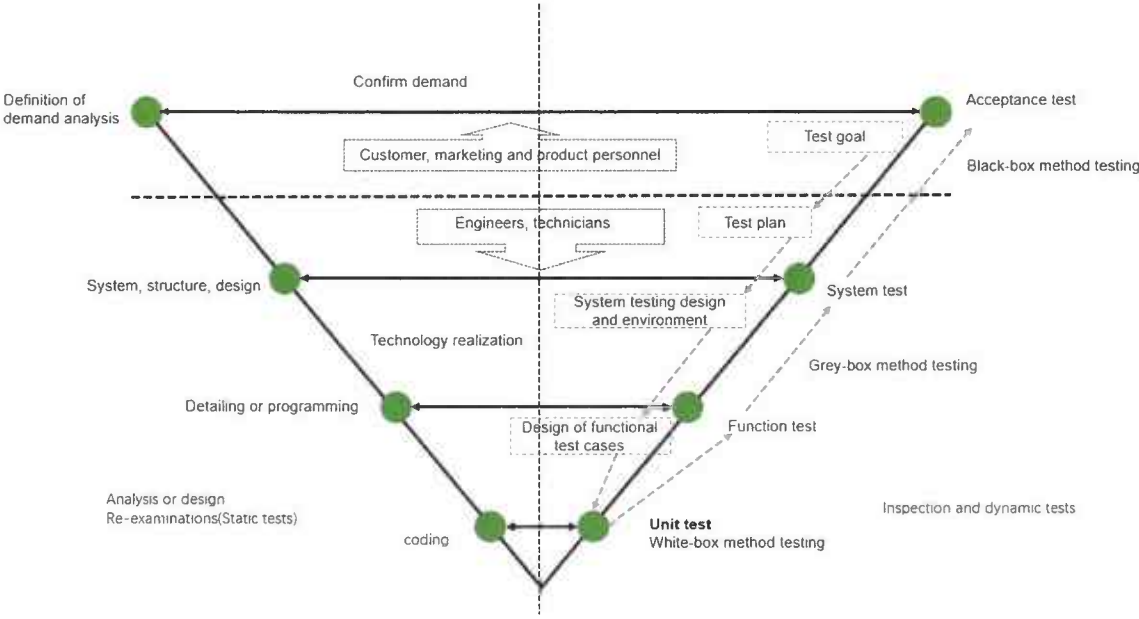
During our document review and interview with Saimo’s management, we identified the following background information:

1. The business

As per the explanation of the Company, Saimo’s major business includes, among others, the following activities:

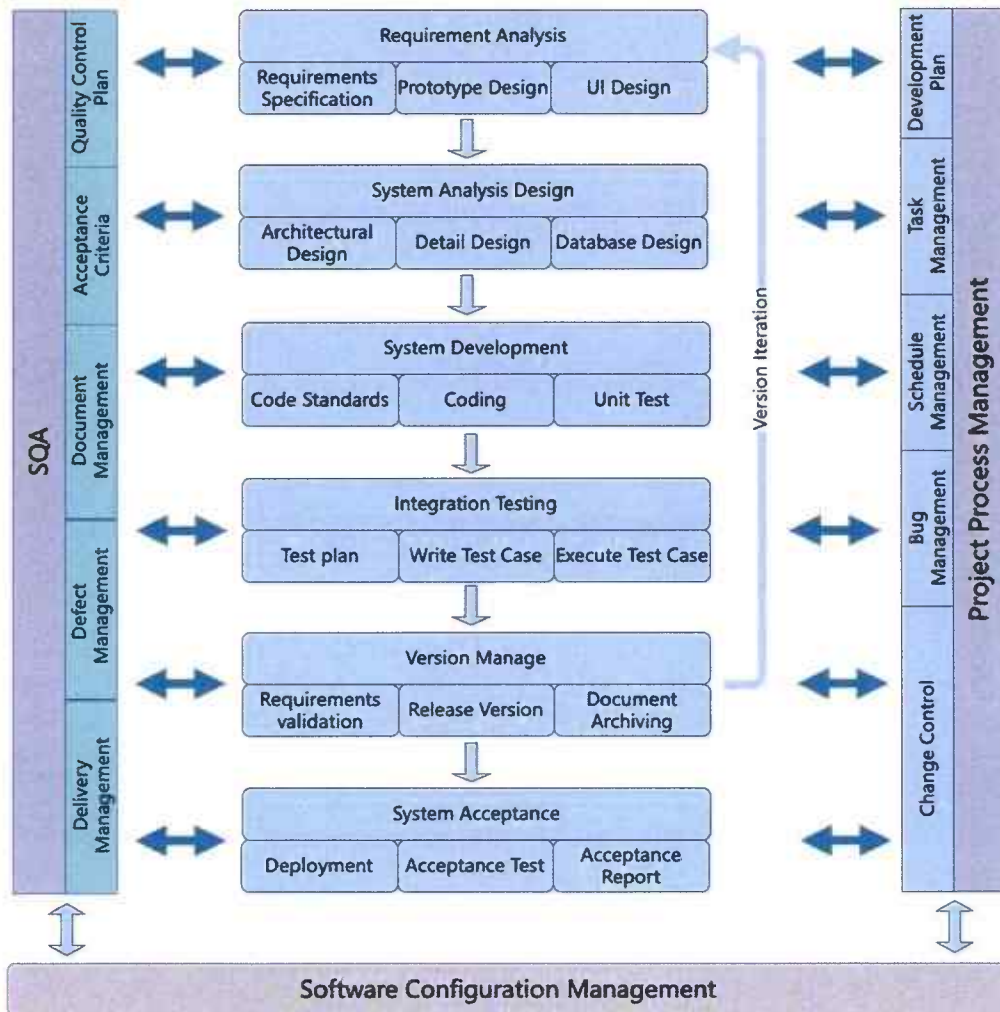
- (1) The design, development, and sale of intelligent connected vehicles (“ICV”) simulation testing software and platforms, and ICV data platforms

Saimo’s core technology is its Sim-Pro and Safety-Pro, and the development process is as follows:



Saimo's development process for the ICV data platform is as follows:

Software Quality Assurance ("SQA") and project process management will work together to form the overall software configuration management:



As per the explanation of Saimo, all source code of the simulation testing software and platforms and the ICV data platform is solely programmed by Saimo's engineers, and the programming work is conducted within the jurisdiction of China. Saimo also provided the list of design tools (all of which are off-the-shelf software) they used for the programming work involved. They are:

| Design Tool | ECCN Number ¹ |
|---------------------------------|--|
| Axure9 | EAR99 |
| Enterprise Architect | The ECCN number is unknown but the software satisfies the mass market criteria |
| yEd Graph Editor 3.20.1 | The ECCN number is unknown but the software satisfies the mass market criteria |
| Visual Studio Code | 5D992.c |
| Notepad++ 8.1.2 | EAR99 |
| CMake | Not subject to EAR |
| GNU Compiler Collection | Not subject to EAR |
| GitLab Community Edition 10.3.8 | Not subject to EAR |
| Sourcetree | 5D992.c |
| MobaXterm v22.1 | 5D992.c |
| WindTerm 2.5.0 | Not subject to EAR |
| Chrome | 5D992 |
| Firefox | Not subject to EAR ² |
| Jenkins 2.346.3 | Not subject to EAR |
| 禅道 12.4.2 | Not subject to EAR |
| TortoiseSVN 1.9.3 | Not subject to EAR |
| WPS Office 11.1.0.12313 | Not subject to EAR |
| Redmine 4.2.1.stable.21020 | Not subject to EAR |
| IntelliJ IDEA (服务端) | EAR99 |
| 云效代码管理 | Not subject to EAR |
| Dbeaver | EAR99 |
| TiDB | Not subject to EAR |
| PDMan | Not subject to EAR |
| 亿图图示 | Not subject to EAR |
| HHDBCS 数据库管理工具 | Not subject to EAR |
| OpenGauss | Not subject to EAR |
| 达梦数据库 | Not subject to EAR |
| PolarDB | Not subject to EAR |
| MySQL | 5D992.c |

Saimo sells the testing software through both direct sales and sales via distributors to civil end users in the PRC.

(2) Testing service for ICVs and advisory services

According to the Entrusted Operation Agreement between Saimo and Beijing Shunchuang Intelligence Netlink Technology Development Co., Ltd. (北京顺创智能网联科技发展有限公司, “Beijing Shunchuang”), Beijing Shunchuang entrusted the daily management and business operation of its closed-course ICV test grounds located in Shunyi, Beijing, the PRC to Saimo, and Saimo can to conduct closed-course ICV testing services in this site. The target customers are ICV manufacturers and technology companies in China.

In addition, Saimo also provided cloud-based simulation testing service via its private cloud server hosted by the Relevant Customer and provided advisory services to the Relevant Customer.

¹ The ECCN numbers are not provided by Saimo, KWM collected such ECCN numbers via public sources including the websites of the tool suppliers. The term “mass market criteria” under the EAR refers to a set of conditions that certain items must meet to be classified as mass market products, which, generally are products widely available to the general public.

² <https://ftp.mozilla.org/pub/security/export-notice>

2. The customer

As per Saimo's explanation, Saimo has no overseas customers as of the date of this report. Saimo further stated that most of its customers are PRC domestic ICV manufacturers, technology companies, state-owned enterprises, and government authorities. As per the explanation of the Company, Saimo's customers did not resell its products to any Sanctioned Country or Sanctioned Target. We note that Saimo's customers also include the Relevant Customer and the Relevant Customer entities, which were added to the U.S. Entity List.³ published by the Bureau of Industry and Security ("BIS") of the United States on May 21, 2019⁴ and/or the CMIC list published by the Office of Foreign Assets Control ("OFAC") on June 3, 2021. According to the explanation of Saimo, the business between Saimo and (i) the Relevant Customer; or (ii) two of the Relevant Customer entities includes the following aspects:

- (a) Sales of the ICV simulation software and platforms (exclude hardware) as mentioned above;
- (b) Saimo entered into a Memorandum of Understanding with the Relevant Customer on March 22, 2021 (the "MOU"). According to the MOU, Saimo will conduct the joint development of cloud-based simulation testing platform for ICVs with the Relevant Customer; and
- (c) Saimo also provides testing and advisory service to the Relevant Customer and one of the Relevant Customer entities.

3. The internal control framework for sanctions risks

In view of the low risk of non-compliance as mentioned below, Saimo did not establish any export control and sanctions internal control framework in the past. As of the date of this report, Saimo has established the export control and sanctions internal control framework, including the establishment of the risk control and management committee, risk assessment, compliance training, etc. to monitor and control the export control and sanctions-related risks in its daily operation. The measures taken by Saimo will provide a reasonably adequate and effective internal control framework to assist Saimo in identifying and monitoring any material risk relating to sanction laws.

4. Equity interest in Saimo held by Hubble Technology Venture Capital Co., Ltd. ("Hubble")

As of the date of this report, Hubble, which is a related party of the Relevant Customer, held 2,830,209 domestic shares of the Company, representing approximately 2.83% of the equity interest in Saimo.

III. **Detailed Analysis**

In view of the facts stated in section II of this report, we set out our analysis as follows:

1. The scenarios subject to Chapter 4.4 of the Guide

According to Paragraph 5 of the Chapter 4.4 of the Guide, the following scenarios are subject to the Chapter 4.4 of the Guide:

- (a) Applicant has engaged in Primary Sanctioned Activity;
- (b) Applicant has engaged in Secondary Sanctionable Activity; and
- (c) Applicant is a Sanctioned Target, is located, incorporated, organised, or resident in a Sanctioned Country, or is a Sanctions Trader.

³ The Entity List is an export control restriction list published by the United States Department of Commerce's Bureau of Industry and Security (BIS) subject to EAR 744.11, consisting of certain foreign persons who are involved or pose 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.

⁴ <https://www.federalregister.gov/documents/2019/05/21/2019-10616/addition-of-entities-to-the-entity-list>

The definitions of Primary Sanctioned Activity, Secondary Sanctionable Activity, Sanctioned Target, Sanctioned Country, and Sanctioned Trader are defined in Paragraph 5 of Chapter 4.4 of the Guide:

| Terminology | Definition |
|---------------------------------|---|
| Primary Sanctioned Activity | Any activity in a Sanctioned Country or (i) with; or (ii) 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. |
| Secondary Sanctionable Activity | 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. |
| Sanctioned Country | 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 | Any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) 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 (i) or (ii). |
| Sanctioned Trader | Any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Sanctioned Country entities or persons. |
| Relevant Jurisdictions | 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. |

2. Analysis on whether Saimo's business falls within the scenarios as stated in section III.(1) of this report

(1) The Prevailing Jurisdictions

According to the feedback of Saimo, we understand that the prevailing jurisdictions over Saimo's business are China and the United States for the reasons as follows:

| Jurisdiction | Description | Relevant Sanctions type |
|---------------|---|---|
| China | As a company established in the PRC and its business is solely conducted within the jurisdiction of China, Saimo shall be subject to the PRC's jurisdiction. Meanwhile, pursuant to Article 11 of <i>the Anti-Foreign Sanctions Law of PRC</i> (《中华人民共和国反外国制裁法》), the "AFSL"), the PRC persons, which include the individuals with PRC nationality and the organizations organized under PRC laws, shall be subject to PRC's countering measures against certain foreign entities. | Primary sanctions |
| United States | As per Saimo's feedback, although all business activities of Saimo occur within China, Saimo relies on certain software that is subject to the EAR to develop its products. According to the EAR and other regulations of the United States authorities, using items subject to the EAR will establish a nexus to the U.S. jurisdiction in export control and sanctions regime. Moreover, in certain sanctions programs, such as the Iranian sanctions under Executive Order 13846, the U.S. authorities also imposed sanctions against certain foreign entities who have the knowledge to engage in certain significant transactions with sanctioned countries or sanctioned parties even if the transactions have no nexus to U.S. jurisdiction. | Primary sanctions/ Secondary sanctionable activity |

We will then further analyze the potential sanctions risks on Saimo upon the China and U.S. sanction regulations.

(2) Sanctions risk assessment

(i) *The PRC Sanctions*

According to Article 3, Article 4, and Article 15 of the AFSL, the law authorizes the relevant departments of the State Council of the PRC to determine whether to include an entity in the Countermeasures List.⁵ by considering the two criteria below:

- (a) Engaging in activities related to discriminatory restrictive measures: Any foreign persons or entities that have directly or indirectly participated in the formulation, decision on, or implementation of (including supporting and facilitating) discriminatory restrictive measures could be included in the Countermeasures List; and
- (b) Engaging in other activities that endanger the sovereignty, security, and development interests of China: The AFSL also authorizes the PRC government to proactively take countermeasures against foreign persons or entities who implement support or facilitate any acts that endanger the sovereignty, security, and development interests of China. An example is arms sales to Taiwan Region by U.S. enterprise. In addition, other activities that are contrary to China's national interest or cause harm to China's sovereignty, such as advocating for Hong Kong independence, Tibet independence, Xinjiang Independence, or holding China accountable for the pandemic of Covid-19, may also result in the entities being included in the Countermeasures List.

In addition, according to Article 5 of the AFSL, the law subjects the related foreign parties of the above target persons to the countermeasures taken by the PRC government. Such related parties include:

⁵ A list published by the State Council of the PRC. If any violation of the blocking obligation is deemed as the implementation of restrictive measures and will lead to the inclusion in the countermeasures list, the consequences could include cutting off all transactions with China or even freezing the assets of relevant individuals or organizations in China (including equity interests in subsidiaries).

- (a) The spouse and lineal relatives of the individuals included in the Countermeasures List;
- (b) The senior executives or actual controllers of the organizations included in the Countermeasures List;
- (c) Organizations that have individuals included in the Countermeasures List acting as senior executives; and
- (d) Organizations that are actually controlled by individuals or organizations that are included in the Countermeasures List or have participated in the establishment and operation thereof.

Moreover, according to Article 6 of the AFSL, the AFSL provides for three types of countermeasures and a catch-all clause against the persons and entities in the Countermeasures List:

- (a) Denial of visa issuance, denial of entry, deregistration of visa or deportation;
- (b) Seizure, distraining, or blocking of movable property, immovable property, and other types of property within the territory of China;
- (c) Prohibiting or restricting the organizations or individuals within the territory of China from conducting relevant transactions, cooperation, or other activities with sanctioned parties; and
- (d) Other necessary measures.

As per the illustration and feedback from Saimo, we understand that:

- (a) Saimo’s business is wholly conducted within China and benefits the Chinese entities, which does not meet the definition of engaging in activities related to discriminatory restrictive measures as defined in the AFSL; and
- (b) Since all of Saimo’s current customers are PRC entities, its business does not engage with the sanctioned parties as defined by Article 5 of the AFSL and thus the business is not the prohibited transactions as defined by Article 6 of the AFSL.

In view of the above, under the PRC law, the risk of Saimo’s business violating any sanction regulations is extremely low.

(ii) *The U.S. sanctions*

In view of that Saimo’s business is merely conducted within China and is not engaged with any entities in any foreign country, the U.S. sanctions on a third country (such as sanctions on Iran) do not apply to Saimo. Under the U.S. sanctions regime, for PRC entities that solely conduct business within China, the applicable sanctions liabilities include the following sanction programs:

| Sanctions Program | Definition | Liability/Consequences |
|-------------------|--|--|
| CMIC sanctions | According to Section 1(a) of Executive Order 14032, <i>Addressing the Threat From Securities Investments That Finance Certain Companies of the People’s Republic of China</i> (“E.O. 14032”), PRC entities meeting the following criteria could be designated as Chinese Military Industrial Complex Company (“CMIC”) and subject to the specific sanctions: | According to Section 1 and Section 2 of E.O. 14032, the following activities are prohibited by E.O.14032: (i) United States persons are prohibited from purchasing or selling any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities; |

| | | |
|-------------------------------|--|---|
| | <ul style="list-style-type: none"> (i) to operate or have operated in the defense and related materiel sector or the surveillance technology sector of the economy of the PRC; or (ii) to own or control, or to be owned or controlled by, directly or indirectly, a person who operates or has operated in any sector in the defense and related materiel sector or the surveillance technology sector or a person who is listed as a CMIC company. | <ul style="list-style-type: none"> (ii) any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions of security investment on CMIC is prohibited; and (iii) any conspiracy formed to violate any of the prohibitions is prohibited. |
| Sanctions related to Xinjiang | <p>According to Section 6 of the <i>Uyghur Human Rights Policy Act of 2020</i> (the “UHRPA”), the U.S. government shall impose sanctions on the following PRC entities that are responsible for any of the following with respect to Uyghurs, ethnic Kazakhs, Kyrgyz, members of other Muslim minority groups, or other persons in Xinjiang Uyghur Autonomous Region:</p> <ul style="list-style-type: none"> (A) Torture. (B) Cruel, inhuman, or degrading treatment or punishment. (C) Prolonged detention without charges and trial. (D) Causing the disappearance of persons by the abduction and clandestine detention of those persons. (E) Other flagrant denial of the right to life, liberty, or the security of persons. (F) Serious human rights abuses in connection with forced labor. | <p>According to Section 6(d) of the UHRPA, the applicable sanction measures include:</p> <ul style="list-style-type: none"> (i) asset blocking under U.S. jurisdiction; and (ii) ineligibility for visas, admission, or parole. <p>In addition, according to Executive Order 13818 (“E.O.13818”), further sanction measures could include:</p> <ul style="list-style-type: none"> (i) the making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any person whose property and interests in property are blocked; and (ii) the receipt of any contribution or provision of funds, goods, or services from any such person. <p>The violation of the E.O.13818 could lead to a civil penalty from the violation of the International Emergency Economic Powers Act (IEEPA) with a penalty of the greater of \$330,947 or twice the amount of the underlying transaction; or a criminal penalty of being fined for not more than \$1,000,000, or imprisonment of not more than 20 years (applicable to natural person), or both.</p> <p>Meanwhile, any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions is prohibited.</p> |
| Sanctions subject to HKAA | <p>According to Section 5 (a) of the <i>Hong Kong Autonomy Act</i> (the “HKAA”), the U.S. government imposes sanctions on foreign persons who are materially contributing to, materially contributed to, or attempt to materially contribute to the failure of the Government of China to meet its obligations under the Joint Declaration or the Basic Law. Moreover, according to Section 5 (b) of the HKAA, any foreign financial institution that knowingly conducts a significant transaction with such foreign person identified will also be sanctioned.</p> | <p>According to Section 6 of the HKAA, the sanctions on the designated persons include:</p> <ul style="list-style-type: none"> (i) acquiring, holding, withholding, using, transferring, withdrawing, transporting, or exporting any property that is subject to the jurisdiction of the United States and with respect to which the foreign person has any interest; (ii) dealing in or exercising any right, power, or privilege with respect to blocked property; (iii) conducting any transaction involving such property; or |

| | | |
|--|--|--|
| | | <p>(iv) exclusion from the United States and revocation of visa or other documentation.</p> <p>For a designated financial institution, according to Section 7 of the HKAA, the sanctions include:</p> <p>(i) Prohibition of loans from United States financial institutions;</p> <p>(ii) Prohibition on designation as a primary dealer;</p> <p>(iii) Prohibition on service as a repository of government funds;</p> <p>(iv) Prohibition of accessing foreign exchange services;</p> <p>(v) Prohibition of banking transactions;</p> <p>(vi) Prohibition of property transactions;</p> <p>(vii) Restriction on exports, re-exports;</p> <p>(viii) Ban on investment in equity or debt;</p> <p>(ix) Exclusion of corporate officers; and</p> <p>(x) Sanctions on principal executive officers.</p> |
|--|--|--|

In view of the above:

- (a) Saimo is not incorporated or located in the United States (i.e., it does not have U.S. subsidiaries or U.S. offices, and does not have U.S. person employees) and because it does not otherwise have a nexus with the Relevant Jurisdiction, Saimo has not engaged in Primary Sanctioned Activity that could result in any material sanction risk.
- (b) Saimo is not designated by any sanction programs as mentioned above; and
- (c) The nature of business between Saimo and its current clients does not fall within the prohibitions described in the above sanction programs. Specifically, the transactions between Saimo and the Relevant Customer (which is listed in the CMIC list) are related to software transactions and technical cooperation, which are not related to the prohibition on security transactions. Such transactions were not Primary Sanctioned Activity or Secondary Sanctionable Activity under Chapter 4.4 of the Guide.
- (d) According to Frequently Asked Questions No. 857. Do the prohibitions in Executive Order (E.O.) 13959, as amended, apply to purchases or sales of publicly traded securities of subsidiaries of entities listed on the Non-SDN Chinese Military-Industrial Complex Companies List (the "NS-CMIC List")⁶: The prohibitions in E.O. 13959, as amended, apply to a subsidiary of a Chinese Military-Industrial Complex Company (CMIC) listed on the NS-CMIC List only if such subsidiary itself is publicly listed on the NS-CMIC List by Treasury pursuant to E.O. 13959, as amended, or identified in the Annex of E.O. 13959, as amended. OFAC's 50 percent rule does not apply to entities listed solely pursuant to E.O. 13959, as amended. Accordingly, the prohibitions on any subsidiaries listed on the NS-CMIC List would go into effect beginning at 12:01 a.m. Eastern time on the date that is 60 days after such subsidiary is added to the NS-CMIC List.
- (e) According to Executive Order of June 3, 2021, "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China"⁷: "Section 1. (a) The following activities by a United States person are prohibited: the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of any person listed in the Annex to this order or of any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, and, as the Secretary of the Treasury deems appropriate, the Secretary of Defense. Section 2. (a) Any transaction that evades

⁶ <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/5671>

⁷ https://home.treasury.gov/system/files/126/eo_cmic.pdf

or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions set forth in this order is prohibited. (b) Any conspiracy formed to violate any of the prohibitions set forth in this order is prohibited.”

(f) That is, there is no “secondary sanction” under CMIC, nor the ownership of 2.83% of Saimo’s shares by Hubble would be deemed as a violation of the CMIC sanction. Saimo is not a Sanctioned Trader.

The aforementioned U.S. sanctions on PRC entities do not apply to Saimo at the current stage and the risk of Saimo’s business violating any sanction regulations under the US sanction regimes is extremely low.

(iii) U.S. export controls

In view of that Saimo sells certain software to other PRC entities, including the entities listed in the BIS entity list such as the Relevant Customer and the Relevant Customer entities, and such software is developed with certain U.S. design tools subject to the EAR, in this regard, we further assess whether the transactions in relation to such software is in violation of the EAR.

According to EAR 734.3, the following items will be deemed as items subject to the EAR, and the export, re-export, or transfer in-country of such items may be subject to the approval of BIS:

- (a) all items in the United States, including in a U.S. Foreign Trade Zone or moving in-transit through the United States from one foreign country to another;
- (b) all U.S. origin items wherever located;
- (c) foreign-made commodities that incorporate controlled U.S.-origin commodities, foreign-made commodities that are ‘bundled’ with controlled U.S.-origin software, foreign-made software that is commingled with controlled U.S.-origin software, and foreign-made technology that is commingled with controlled U.S.-origin technology which exceeds a certain threshold;
- (d) certain foreign-produced “direct products” of specified “technology” and “software”; and
- (e) certain foreign-produced “direct products” of a complete plant or any major component of a plant.

As per Saimo’s explanation, its products are solely developed within China, while during the development process, it relies on certain tools subject to the EAR, and the key concern is whether such products will be deemed as foreign direct products of technology and software subject to the EAR.

According to EAR 734.9, if the technology or software subject to the EAR is essential to the development of the foreign product, the foreign product may be deemed as the direct product of such technology and software. The issue of whether the foreign product developed from certain U.S.-controlled software and technology is subject to the EAR shall be considered under the following scenarios:

| Scenario | Description | Application circumstances |
|---|--|---|
| National Security Foreign-Direct Product (“FDP”) rule | (a) The foreign-produced item is the “direct product” of U.S.-origin “technology” or “software” that requires a written assurance as a supporting document for a license, as defined in paragraph (o)(3)(i) of supplement no. 2 to part 748 of the EAR, or as a precondition for the use of License Exception TSR at § 740.6 of the EAR; and | The foreign product’s destination is listed in Country Group D:1, E:1, or E:2 |

| | | |
|--|---|---|
| | (b) the foreign-produced item is subject to national security controls as designated in the applicable ECCN of the Commerce Control List (“CCL”) in part 774 of the EAR. | |
| 9x515 FDP rule | (a) The foreign-produced item is the “direct product” of U.S.-origin “technology” or “software” that is specified in ECCN 9D515 or 9E515; and (b) the foreign-produced item is specified in a 9x515 ECCN. | The foreign product’s destination is listed in Country Group D:5, E:1, or E:2. |
| “600 series” FDP rule | (a) The foreign-produced item is the “direct product” of U.S.-origin “technology” or “software” that is specified in a “600 series” ECCN; and (b) the foreign-produced item is specified in a “600 series” ECCN or ECCN 0A919. | The foreign product is destined to a country listed in Country Group D:1, D:3, D:4, D:5, E:1, or E:2 |
| End-user scope of the Entity List FDP rule: Footnote 1 | A foreign-produced item meets the product scope if the foreign-produced item is a “direct product” of “technology” or “software” subject to the EAR and specified in <u>ECCN 3D001, 3D991, 3E001, 3E002, 3E003, 3E991, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, or 5E991</u> of the CCL in supplement no. 1 to part 774 of the EAR; | A foreign-produced item meets the end-user scope if there is “knowledge” that: (a) activities involving Footnote 1 designated entities ⁸ . The foreign-produced item will be incorporated into, or will be used in the “production” or “development” of any “part,” “component,” or “equipment” produced, purchased, or ordered by any entity with a footnote 1 designation in the license requirement column of the Entity List in Supplement No. 4 to part 744 of the EAR; or (b) Footnote 1 of Supplement No. 4 to part 744 of the EAR designated entities as transaction parties. Any entity with a footnote 1 designation in the license requirement column of the Entity List in Supplement No. 4 to part 744 of the EAR is a party to any transaction involving the foreign-produced item, e.g., as a “purchaser,” “intermediate consignee,” “ultimate consignee,” or “end-user”. |
| Entity List FDP rule: Footnote 4. | A foreign-produced item meets the product scope if the foreign-produced item is a “direct product” of “technology” or “software” subject to the EAR and specified in <u>3D001, 3D991, 3E001, 3E002, 3E003, 3E991, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E002, or 5E991</u> of the CCL; or the foreign-produced item is produced by any plant or ‘major component’ of a plant when the plant or ‘major component’ of a plant, | A foreign-produced item meets the end-user scope if there is “knowledge” that: (a) The foreign-produced item will be incorporated into, or will be used in the “production” or “development” of any “part,” “component,” or “equipment” produced, purchased, or ordered by any entity with a footnote 4 designation in the license requirement column of the Entity List in Supplement no. 4 to part 744 of the EAR; |

⁸ As of the date of this report, footnote 1 designated entity only includes the Relevant Customer.

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| | whether made in the U.S. or a foreign country, itself is a “direct product” of U.S.-origin “technology” or “software” that is specified in <u>ECCN 3D001, 3D991, 3E001, 3E002, 3E003, 3E991, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, 5E991, 5D002, or 5E002</u> of the CCL. | (b) Any entity with a footnote 4 designation in the license requirement column of the Entity List in Supplement no. 4 to part 744 of the EAR is a party to any transaction involving the foreign-produced item, e.g., as a “purchaser,” “intermediate consignee,” “ultimate consignee,” or “end-user.” |
| Russia/Belarus FDP rule | A foreign-produced item meets the product scope if the foreign-produced item is not designated EAR99 and is a “direct product” of U.S.-origin “technology” or “software” subject to the EAR that is specified in any ECCN in product groups D or E of the CCL; | A foreign-produced item meets the end-user scope if there is “knowledge” that: the foreign-produced item is destined to Russia or Belarus or will be incorporated into or used in the “production” or “development” of any “part,” “component,” or “equipment” not designated EAR99 and produced in or destined to Russia or Belarus. |
| Russia/Belarus-Military End User FDP rule | the foreign-produced item is a “direct product” of “technology” or “software” subject to the EAR and specified in any ECCN in product groups D or E in any categories of the CCL | (a) Activities involving footnote 3 designated entities. The foreign-produced item will be incorporated into, or used in the “production” or “development” of any “part,” “component,” or “equipment” produced, purchased, or ordered by any entity with a footnote 3 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR; or (b) Footnote 3 designated entities as transaction parties. Any entity with a footnote 3 designation in the license requirement column of the Entity List in supplement no. 4 to part 744 of the EAR is a party to any transaction involving the foreign-produced item, e.g., as a “purchaser,” “intermediate consignee,” “ultimate consignee,” or “end-user.” |
| Advanced computing FDP rule | The foreign-produced item is the “direct product” of “technology” or “software” subject to the EAR and specified in 3D001, 3D991, 3E001, 3E002, 3E003, 3E991, 4D001, 4D090, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D002, 5D991, 5E001, 5E991, or 5E002 of the CCL | If the foreign-produced item is: (a) Specified in ECCN 3A090, 3E001 (for 3A090), 4A090, or 4E001 (for 4A090) of the CCL; or (b) An integrated circuit, computer, “electronic assembly,” or “component” specified elsewhere on the CCL and meets the performance parameters of ECCN 3A090 or 4A090; and if there is “knowledge” that the foreign-produced item is: (a) Destined to the PRC or will be incorporated into any “part,” “component,” “computer,” or “equipment” not designated EAR99 that is destined to the PRC; or (b) Technology developed by an entity headquartered in the PRC for the |

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| | | “production” of a mask or an integrated circuit wafer or die. |
| “Supercomputer” FDP rule | The foreign-produced item is a “direct product” of “technology” or “software” subject to the EAR and specified in ECCN 3D001, 3D991, 3E001, 3E002, 3E003, 3E991, 4D001, 4D993, 4D994, 4E001, 4E992, 4E993, 5D001, 5D991, 5E001, 5E991, 5D002, or 5E002 of the CCL | A foreign-produced item meets the end-user scope if there is “knowledge” that: (a) Used in the design, “development,” “production,” operation, installation (including on-site installation), maintenance (checking), repair, overhaul, or refurbishing of, a “supercomputer” located in or destined to the PRC; or (b) Incorporated into, or used in the “development,” or “production,” of any “part,” “component,” or “equipment” that will be used in a “supercomputer” located in or destined to the PRC. |

According to the ECCN numbers of the design tools used by Saimo in its development of the relevant software that we verified (as listed in section II. 1. (1) of this report) (which, based on our discussion with Saimo, encompasses all the U.S. design tools subject to the EAR), the National Security FDP rule, 9x515 FDP rule, “600 series” FDP rule, Entity List FDP rule (Footnote 1 therein), Entity List FDP rule (Footnote 4 therein), Advanced computing FDP rule and “supercomputer” FDP rule do not apply to Saimo’s product since the ECCN numbers of the upstream technology used are not within the controlled scope. U.S. export control restrictions under the EAR on the Relevant Customer and the Relevant Customer entities are not applicable to Saimo’s ongoing business. Russia FDP rule and Russia/Belarus-Military End User FDP rule are not applicable so far since Saimo does not sell software to Russia and Belarus as of the date of this report. Such transactions were not Primary Sanctioned Activity or Secondary Sanctionable Activity under Chapter 4.4 of the Guide. However, if Saimo’s customer further incorporates⁹ the software to any equipment shipped to Russia or Belarus in the future, Saimo’s product could be subject to the Russia-related FDP rule.

IV. Conclusion

In light of the above analysis, we conclude that as of the date of this report:

- (a) Pursuant to the U.S. export control restrictions under the EAR and the current sanction programs under the CMIC List applicable to the Relevant Customer and/or the Relevant Customer entities, the risk of Saimo’s business violating any sanction regulations under PRC laws and U.S. sanction regimes is extremely low;
- (b) In view of all design tools used for the development of products and/or services sold to the Relevant Customer and/or the Relevant Customer entities, the products fall outside the product scope and end-user scope as set out in the FDP rules, and are not subject to the EAR and are not required to obtain the export license from BIS when provided to the Relevant Customer and/or the Relevant Customer entities. We are of the view that (i) the ECCNs of the design tools do not match the specific ECCNs listed under the FDP rules applicable to the Relevant Customer and/or the Relevant Customer entities, or (ii) the design tools are either not subject to the EAR, or are able to satisfy the mass market criteria¹⁰ due to the facts that such design tools are widely available for retail purchase by the public, and their technologies, functionalities, and uses thereof are of a general nature, not specifically designed for a particular use or user group (i.e. the product is not created with a single purpose or a limited set of users in mind, but instead, the product is made to be usable by a wide range of people for various purposes), and not involving any sensitive technologies or applications. Therefore, Saimo’s products fall

⁹ According to Note to paragraph (a)(1) of Supplement No. 2 to Part 734—Calculation of Values for De Minimis Rules of the EAR: U.S.-origin controlled content is considered ‘incorporated’ for de minimis purposes if the U.S.-origin controlled item is: essential to the functioning of the foreign equipment; customarily included in sales of the foreign equipment; and re-exported with the foreign produced item. The De Minimis Rule is not applicable to Saimo’s products and Saimo is not required to file the report concerning U.S. content calculations to the BIS.

¹⁰ The “mass market criteria” under the EAR refer to a set of conditions that certain items must meet to be classified as “mass market products”, which, generally are products widely available to the general public. The “mass market criteria” are to ensure that widely available products for everyday use are not subject to the same strict export controls as specialized items that could be used for more restricted purposes.

outside the specific product scope providing to the specific end-user scope. As a result, the risk of Saimo's selling its self-developed software and the cloud-based simulation testing platform jointly developed with the Relevant Customer within China being subject to U.S. export control restriction is extremely low. However, if the software is further shipped to Russia or Belarus, Saimo may be subject to the latest U.S. embargo policy against Russia. As a result, Saimo's products, business development, and global expansion plan may then be materially inhibited;

- (c) Transactions between Saimo and the Relevant Customer and/or the Relevant Customer entities are related to software transactions and technical cooperation which are not related to the prohibition on security transactions. The sanctions under the CMIC list do not prohibit the Relevant Customer or the Relevant Customer entities from owning securities in Saimo and it is in compliance with all relevant laws and regulations that the Relevant Customer or the Relevant Customer entities own securities in Saimo;
- (d) Saimo has established the export control and sanctions internal control framework to prevent potential violations of applicable export control or sanction laws and regulations. The framework includes the key elements of export control and sanctions compliance, and Saimo designated the risk control and management committee to manage the export control and sanctions compliance risks. The measures taken by Saimo will provide a reasonably adequate and effective internal control framework to assist Saimo in identifying and monitoring any material risk relating to sanction laws;
- (e) the involvement by parties in the global offering of H shares of Saimo will not impose material risks on such parties, including Saimo and its subsidiaries, the respective directors and employees of Saimo and its subsidiaries, Saimo's or its subsidiaries' shareholders and potential investors as well as HKSE and its related group companies (including Hong Kong Securities Clearing Company Limited and HKSCC Nominees Limited). Accordingly, the sanctions risk exposure to Saimo and its subsidiaries, the respective directors and employees of Saimo and its subsidiaries, Saimo's or its subsidiaries' potential investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading, and clearing of H shares of Saimo (including HKSE, the Listing Committee of HKSE and related group companies of HKSE) is extremely low; and
- (f) all in all, based on the aforementioned analysis, in view of the business nature, the origin of the key products, the export control rules on the design tools, and the identity of the customers of Saimo, there is no indication that Saimo's business has sanctions risk as identified under the Chapter 4.4 of the Guide. The business activities with the Relevant Customer and/or the Relevant Customer entities did not implicate Primary Sanctioned Activities nor Secondary Sanctionable Activities pursuant to Chapter 4.4 of the Guide.

*****Memo Ends*****

We hope the above is clear and helpful. If you have any questions, please feel free to contact us.

Best regards,

King & Wood Mallesons

Disclaimer

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