OVERVIEW

As of the Latest Practicable Date, our Company was owned as to 7.24% by CUP Holdings, 6.53% by Rongfa Group, 6.53% by Kaitou Group, 0.86% by Shandong Weipu and 0.35% by Dr. Guo. Shandong Weipu was ultimately controlled by Dr. Guo as to 69.44% of the equity interest as of the Latest Practicable Date, therefore, the voting rights attached to the Shares of our Company held by Shandong Weipu was controlled and exercised by Dr. Guo.

CUP Holdings, Rongfa Group, Kaitou Group and Dr. Guo (together, the "**Concerted Parties**") entered into the AIC Agreement on January 3, 2023, pursuant to which, among other things, they agreed that (i) CUP Holdings, Rongfa Group and Kaitou Group are entitled to nominate four directors (excluding Dr. Guo) in our Board and (ii) the Concert Parties and their nominated Directors would cast their votes as shareholders and/or directors (as appropriate) unanimously in relation to resolutions concerning important matters of our Company. See "History, Development and Corporate Structure — Acting-in-Concert Arrangement" for details.

Pursuant to the Hong Kong Listing Rules and Chapter 1.1C of the Guide for New Listing Applicants, CUP Holdings, Rongfa Group, Kaitou Group, Dr. Guo and Shandong Weipu constituted our Single Largest Group of Shareholders, holding in aggregate approximately 21.51% of our total issued Shares as of the Latest Practicable Date. Immediately following completion of the [**REDACTED**], our Single Largest Group of Shareholders will in aggregate hold approximately [**REDACTED**]% of our Shares (assuming the [**REDACTED**] is not exercised). Therefore, upon [**REDACTED**], CUP Holdings, Rongfa Group, Kaitou Group, Dr. Guo and Shandong Weipu will continue to be our Single Largest Group of Shareholders.

BACKGROUND OF OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

CUP Holdings

CUP Holdings is a company incorporated on January 18, 2006 in the PRC and primarily engages in investment with proprietary funds in petrochemical sector. Its investment portfolio spans across companies focusing on production and sale of refined petroleum products and finished oil products. As of the Latest Practicable Date, CUP Holdings was wholly owned by Jingkong Group. Jingkong Group was owned as to 51% by Qingdao Rongkong, which was wholly owned by the West Coast SAMB, and 49.00% by the West Coast SAMB. Accordingly, CUP Holdings was wholly and ultimately controlled by the West Coast SAMB.

Rongfa Group

Rongfa Group is a company incorporated on April 10, 2014 in the PRC and primarily engages in investment in multiple industries, including urban infrastructure development, financial leasing, shipbuilding and real estate. As of the Latest Practicable Date, Rongfa Group was wholly owned by Jingkong Group, which was in turn wholly and ultimately owned by the West Coast SAMB.

Kaitou Group

Kaitou Group is a company incorporated on May 11, 2017 in the PRC and primarily engages in investment with proprietary funds. Its investment portfolio covers, among others, construction and the services sectors. As of the Latest Practicable Date, Kaitou Group was owned as to 60.00% by Jingkong Group and 40.00% by Chengfa Investment, a wholly-owned subsidiary of Qingdao Rongkong. Accordingly, Kaitou Group was wholly and ultimately controlled by the West Coast SAMB.

Shandong Weipu

Shandong Weipu is a company incorporated on March 25, 2020 in the PRC and primarily engages in production and sales of 1.4-Butanediol (BDO), a key raw material for products in pharmaceuticals, chemicals, textiles, papermaking, automotive and household chemicals sectors, together with certain value-adding downstream derivatives including Y-Gamma butyrolactone (GBL), N-Methyl-2-pyrrolidone (NMP) and Polyvinyl pyrrolidone (PVP), as well as certain categories of additives. As of the Latest Practicable Date, Shandong Weipu was ultimately controlled by Dr. Guo as to 69.44% of its equity interest. Dr. Guo exercises his control through the general partner of several limited partnership shareholders of Shandong Weipu. As of the Latest Practicable Date, the equity interests of such limited partnership shareholders were held by (i) Mr. Yu Haiming (于海明), our executive Director and general manager, as to 1.64%, (ii) Dr. Zhou Hongjun (周紅軍), our independent non-executive Director, as to 0.02%, and (iii) certain of our current senior management members, employees, and former employees. However, as of December 31, 2025, none of our Directors, senior management members or current employees held any position in Shandong Weipu. The remaining equity interests in Shandong Weipu are ultimately held by Wang Mingjuan (王明娟) and Jia Fenglei (賈風雷) as to approximately 20.17% and 10.39%, respectively, both of whom are Independent Third Parties.

Dr. Guo

Dr. Guo is our chairman of the Board and executive Director. For background of Dr. Guo, please refer to the section headed "Directors and Senior Management" in this Document.

DELINEATION OF BUSINESS

We believe that there is a clear business delineation between the business of our Group and that of each of CUP Holdings, Rongfa Group, Kaitou Group and Shandong Weipu based on the following reasons.

CUP Holdings, Rongfa Group and Kaitou Group

Each of CUP Holdings, Rongfa Group and Kaitou Group is an investment vehicle of West Coast SAMB, with their respective investment portfolios covering sectors including petrochemical, urban infrastructure development, construction and services. As such, their principal business activities do not compete or are not likely to compete with, directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

In addition, each of CUP Holdings, Rongfa Group and Kaitou Group issued an undertaking on January 5, 2023, confirming that: (a) it had not conducted any competing activities or business that is or could prejudice the Group; (b) it has no and will not have any direct or indirect interest in any company that engages in the same, similar or comparable business or projects operated by our Group; and (c) it will appoint management staff in the investee companies to ensure that such companies will not conduct any business that competes or is likely to compete with our Group.

Shandong Weipu

We are an integrated lithium-ion battery-related materials provider, with established leadership in electrolyte solvents. Our Directors are of the view that there is a clear delineation of the businesses of Shandong Weipu and our Group and there is no competition between Shandong Weipu and us, on the following basis:

- ***Different major products.*** We primarily engaged in production and sales of (i) lithium-ion battery-related materials, which mainly comprised carbonate series products (including EC, PC, DMC, EMC, DEC and related by-products), electrolytes, $LiPF_6$ and lithium fluoride, and (ii) fine chemicals, mainly including MTBE and fluorobenzene.

Our lithium-ion battery-related products are widely used in power batteries, energy storage batteries and other new energy applications, and our fine chemicals are widely used in fuel blending and fine chemical applications. For further details, please refer to the section headed "Business — Our Product" in this Document. Whereas Shandong Weipu mainly focuses on production and sales of 1.4-Butanediol (BDO) and its downstream derivatives. BDO is widely used as a raw material for producing engineering plastics, elastic fibers, and biodegradable plastics. Downstream derivatives such as GBL, NMP, and PVP are primarily utilized in specialized applications, including, among others, (i) extraction agents and dyeing auxiliaries, (ii) polymer materials and insulation materials, as well as (iii) surfactants and detergents, thereby further extending the value chain of BDO. As such, the major products of Shandong Weipu and our Group are fundamentally different from each other.

- ***Different additives produced and sold.*** Electrolyte additives are specialized substances added to the electrolyte in small amounts, yet they can significantly improve the electrochemical performance of batteries. While both Shandong Weipu and our Group are engaged in the production and sales of additives for lithium battery electrolytes, the specific types of additives differ. Our additives primarily include $LiPO_2F_2$, $LiBF_4$, LiDFOB, DTD, LiBOB, LiF, C_6H_5F and 1,3-PS which are mainly used to enhance electrolyte stability, improve ionic conductivity, and extend the cycle life of lithium-ion batteries. In contrast, Shandong Weipu primarily produces FEC, VC and LiFSI, which are mainly used to improve electrochemical stability to enhance overall safety of lithium-ion batteries. These additives are distinct products that may be used individually or in combination in electrolytes, depending on the specific formulation and functional requirements of the battery which generally requires multiple and customized additives. Additionally, the additives produced by Shandong Weipu are not substitutes of our additives. In terms of the intellectual property, particularly patent rights, relied upon by our Company and Shandong Weipu for production and operations are neither jointly owned, mutually licensed, nor interdependent. Furthermore, production and sales of additives are not our major business. In each year or period during the Track Record Period, the respective revenue from the additive business of our Group accounted for less than 5% of our total revenue in the same period.

- ***Different major customers.*** Our customers are primarily domestic and overseas electrolyte manufacturers, new energy vehicle manufacturers, battery manufacturers and chemical trading companies. On the contrary, the customers of Shandong Weipu are manufacturing enterprises in the photovoltaic, pharmaceutical, semiconductor, personal care and water treatment industries. Shandong Weipu is operated independently from Dr. Guo and our Group with no ongoing or proposed transactions between Shandong Weipu and our Group. During the Track Record Period, although there was a small number of overlapping customers, the aggregate revenue contribution to the Group from such overlapping customers was minimal (i.e. less than 1.0% for each financial period).

Based on the foregoing, we believe that (i) there is clear delineation between our business, on the one hand, and the respective businesses of each of CUP Holdings, Rongfa Group, Kaitou Group and Shandong Weipu, on the other hand; (ii) there will be no direct or material competition between us and each of our Single Largest Group of Shareholders upon the [**REDACTED**]; and (iii) sufficient arrangements are or will be in place to ensure clear delineation and minimal competition between us and each of our Single Largest Group of Shareholders.

Deed of Non-Competition

On [●], Dr. Guo and Shandong Weipu [have entered] into a deed of non-competition (the "**Deed of Non-Competition**") in favor of our Company, pursuant to which Dr. Guo and Shandong Weipu have undertaken to our Company that they will not and will procure their close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for their benefit or jointly with or on behalf of any person, firm or company), commence, engage in, participate in or acquire any business (other than our business) which competes or may compete directly or indirectly with our major business ("**Restricted Business**").

Dr. Guo and Shandong Weipu have further undertaken that during the Restricted Period (as defined below), they shall, and shall procure their close associates (except any member of our Group) (Dr. Guo and Shandong Weipu and their respective close associates together, "**Offeror**") to offer any new business investment or other business opportunity ("**New Business Opportunity**") relating to the Restricted Business to our Company first in the following manner when such New Business Opportunity is identified or made available to the Offeror:

i. the Offeror will make referral of the New Business Opportunity to our Company, and will within thirty (30) days ("**Restricted Period**") inform us in writing ("**Offer Notice**") about all necessary and reasonably required information in respect of any New Business Opportunity (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunity) for our Company to consider (a) whether the relevant New Business Opportunity will compete with our business, and (b) whether taking up the New Business Opportunity is in the interest of our Group;

ii. upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue or decline the New Business Opportunity taking into account whether the relevant New Business Opportunity would be able to achieve a sustainable profitability level, whether it is in line with the prevailing development strategies of our Group, and whether it is in the best interest of the Shareholders. Our Company must inform the Offeror in writing within thirty (30) Business Days after receipt of the Offer Notice of our decision on whether the New Business Opportunity will be pursued; and

iii. only when (a) the Offeror has received our notice to decline the New Business Opportunity or our confirmation that the relevant New Business Opportunity is not considered to be able to compete with our Restricted Business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunity on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If there are any material changes in relation to the terms and conditions of the New Business Opportunity after the referral of which has been made or procured to be made to our Company by the Offeror, referral of the revised New Business Opportunity shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the Deed of Non-Competition are not applicable in the following circumstances:

i. Dr. Guo and Shandong Weipu and/or their respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or

ii. Dr. Guo and Shandong Weipu and/or their respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Group, with the following conditions being satisfied:

(a) the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and

(b) Dr. Guo and Shandong Weipu and/or their respective close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and Dr. Guo and Shandong Weipu and/or their respective close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

In addition, our Company has taken, or will take, the following measures to safeguard good corporate governance standards in respect of the Deed of Non-Competition:

i. the independent non-executive Directors will review the compliance with the undertakings under the Deed of Non-Competition by Dr. Guo and Shandong Weipu on an annual basis;

ii. Dr. Guo and Shandong Weipu will provide or procure the provision of all necessary information required for the Board's annual review of compliance with the Deed of Non-Competition; and

iii. Dr. Guo and Shandong Weipu will make an annual declaration on their compliance with the Deed of Non-Competition in our annual report.

The Deed of Non-Competition will lapse automatically if each of Dr. Guo and Shandong Weipu ceases to be a member of our Single Largest Group of Shareholders or if our Shares cease to be [**REDACTED**] on the Stock Exchange.

REASONS FOR THE EXCLUSION OF ADDITIVES BUSINESS OF SHANDONG WEIPU FROM OUR GROUP

On one hand, as disclosed above, there is no competition between the business of Shandong Weipu and our Group given the distinct and non-overlapping product positioning and portfolios. Accordingly, there is no commercial necessity for our Group to acquire Shandong Weipu's business. On the other hand, Weipu's additives business, primarily comprising VC, FEC and LiFSI, operates in segments that are currently oversupplied and highly commoditized in China, resulting in low product margins. As our Company can readily procure these additives from the market, acquiring this business would not create meaningful synergies nor enhance the competitiveness of our electrolyte business. In view of the foregoing, our Directors are of the view that it is not in the best interest of our Group or its Shareholders to acquire the additives business of Shandong Weipu at this stage.

Save as disclosed above in this section, our Single Largest Group of Shareholders and our Directors do not have any interests in any businesses which directly or indirectly compete or may compete with the principal business of our Group which are required to be disclosed under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are of the view that our Group is capable of carrying on our businesses independently from our Single Largest Group of Shareholders following completion of the [**REDACTED**], details of which are set out below:

Operational independence

Our Directors are of the view that we can continue operating independently from our Single Largest Group of Shareholders after the [**REDACTED**]. We hold and enjoy the benefit of all relevant permits and licenses necessary for carrying out our business in all material respects, and we have sufficient capital, facilities, equipment and employees to operate our businesses independently from our Single Largest Group of Shareholders. We also have full powers to make all decisions regarding, and to carry out, our own business operations independently from our Single Largest Group of Shareholders. In addition, our access to, and relationship with, most of our key customers and suppliers is independent from our Single Largest Group of Shareholders.

In light of the above, our Directors are satisfied that we have been operating independently from our Single Largest Group of Shareholders and their respective close associates during the Track Record Period and will continue to be able to operate independently upon [**REDACTED**].

Management independence

Our business has been managed and conducted by our Board and senior management. Our Board consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors, and we also have five senior management members (of which one is an executive Director). Each of our executive Directors and senior management possesses relevant management, financial or industry-related experience to contribute to the day-to-day management of our businesses. For further biographical details of our Directors and senior management, see "Directors and Senior Management" in this Document.

As reflected in the acting-in-concert arrangement described in the "History, Development and Corporate Structure" section of this Document, Dr. Guo is to vote in accordance with the opinions of CUP Holdings when parties acting-in-concert fail to reach consensus. Additionally, under the terms of the AIC Agreement, CUP Holdings is to nominate four directors to the Company while the agreement remains in force, which does not include Dr. Guo. The table below sets forth the positions of Dr. Guo and the nominated Directors in our Company and our Single Largest Group of Shareholders.

Name	Directorship in our Company	Position in our Single Largest Group of Shareholders (and/or their controlling shareholders)
Dr. Guo	Chairman of the Board and executive Director	Member of our Single Largest Group of Shareholders holding no position in any of the companies of our Single Largest Group of Shareholders
Mr. Yu Xiangjin	Non-executive Director	Vice president of Jingkong Group
Mr. Jiang Weibo	Non-executive Director	Chairman of Kaitou Group
Mr. Chen Wei	Non-executive Director	President of Jingkong Group
Ms. Li Rongrong	Non-executive Director	General manager of Rongfa Group

Notwithstanding the fact that the aforementioned four non-executive Directors (collectively, the "**Designated Directors**") hold overlapping directorship or other management positions in the companies of our Single Largest Group of Shareholders, we are of the view that our Group and our Single Largest Group of Shareholders can be managed independently for the following reasons:

(i) our senior management have a well-established track record of carrying on our daily management and operations. Save for the Designated Directors set out above, none of our Directors and senior management holds any position in our Single Largest Group of Shareholders or their respective close associates. Despite the overlapping roles as detailed above, all our Directors and senior management are capable to contribute sufficient time and efforts to discharge their responsibilities in our Group effectively. The executive Directors of our Company are responsible for the overall strategic planning and operations. The non-executive Directors of our Company are mainly responsible for providing guidance for the overall management and development of our Company, and are not involved in the day-to-day operation and management of our Company. Notwithstanding that our non-executive Directors hold positions in the companies of our Single Largest Group of Shareholders or their holding companies, such companies are investment vehicles of West Coast SAM. Their investment portfolios span diverse sectors that are different from the business sectors in which our Company operates. In addition, the day-to-day management and operations of our Company will be dealt with by, among others, our members of senior management comprising Mr. Yu Haiming (于海明), Mr. Zheng Jun (鄭軍), Mr. Dai Changyu (戴昶昱), Mr. Song Huibao (宋會寶) and Mr. Ren Ju (任颶). The majority of these individuals have served our Group for an extensive period of time, possess deep familiarity with our business, and are not related to our Single Largest Group of Shareholders in any respect;

(ii) we have established four Board special committees and appointed 3 independent non-executive Directors, who have sufficient knowledge, experience and competence, so that there is a balanced composition of executive, non-executive and independent non-executive Directors to ensure, notwithstanding the acting-in-concert arrangements, the independence of the Board in making decisions affecting our Company and to promote the interests of our Company and the Shareholders as a whole;

(iii) as an A-share listed company, we have adopted sufficient corporate governance measures and comprehensive internal control and risk management systems in compliance with the relevant requirements of the rules of the Shanghai Stock Exchange. Besides, the Articles of Association has included relevant provisions to manage conflict of interest, pursuant to which our Directors are prohibited from voting in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting;

(iv) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she must act for the benefit and in the interest of our Company and the Shareholders as a whole, and not allow any conflict between his/her duties as a Director and his/her personal interests; and

(v) we have adopted a series of corporate governance measures to manage potential conflicts of interest, if any, between our Group and our Single Largest Group of Shareholders, which would enhance our independent management. For further information, see "— Corporate Governance Measures" below in this section.

Save as disclosed above, none of our directors or senior management holds any directorship or other management positions in the companies of our Single Largest Group of Shareholders. In light of the above, our Directors are of the view that our Company has our own management team which is capable of maintaining the independence of our Company from our Single Largest Group of Shareholders and supporting the independent operation of our Group.

Financial independence

We have adopted our own independent internal control, accounting, funding, reporting and financial management systems, and we also have an independent accounting and finance department responsible for discharging relevant financial and treasury functions with relevant finance personnel. Moreover, our Board has established the Audit Committee to provide independent oversight to, among other things, our accounting and financial reporting processes. We open and manage our bank accounts independently, and have never shared any bank account with any of our Single Largest Group of Shareholders. We are also capable of obtaining financing from third parties, if necessary, without reliance on our Single Largest Group of Shareholders.

During the Track Record Period, pursuant to the loan agreements entered into on March 16, 2025 between Jingkong Group as lender and Shinghwa Dongying as borrower, Jingkong Group agreed to lend a maximum of RMB380 million to Shinghwa Dongying for its production and operational use. The loan term shall be determined as mutually agreed by both parties, with nil interest. For the year ended December 31, 2025, we borrowed from Jingkong Group in an aggregate amount of RMB300,000,000, and as of December 31, 2025, the loan from Jingkong Group was fully repaid.

Despite the financial assistance, we remain capable of securing financing from independent third parties without relying on the financial assistance, guarantees, or collateral provided by the Single Largest Group of Shareholders or its connected parties. As of December 31, 2025, we had loans from independent financial institutions totaling approximately RMB4,027.5 million, requiring no collateral or guarantees from any of our Single Largest Group of Shareholders or their connected parties, with approximately RMB712.4 million remaining undrawn as of February 28, 2026.

Save for the aforementioned disclosures, no loan, guarantee or other forms of financial assistance was provided by, or granted to, the Single Largest Group of Shareholders or its close associates as of the Latest Practicable Date.

CORPORATE GOVERNANCE MEASURES

Our Directors acknowledge the importance of good corporate governance in protection of our Shareholders' interests. In order to further manage any potential conflicts of interest with our Single Largest Group of Shareholders and their respective close associates, we have adopted the following measures:

(i) our independent non-executive Directors will review the effective non-competition undertakings and compliance situation on an annual basis;

(ii) our Company will disclose the decision made and/or matter reviewed by our independent non-executive Directors relating to compliance and enforcement of the aforementioned non-competition undertakings in our annual reports and/or by way of an announcement;

(iii) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors who possess sufficient experience and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our [**REDACTED**];

(iv) in the event of a conflict of interest, such as resolutions regarding transactions with our Single Largest Group of Shareholders and/or their close associates, the relevant Director(s) who are connected with our Single Largest Group of Shareholders shall abstain from voting on such matters and shall not be counted toward the quorum at the relevant Board meeting. Further, when considering connected transactions and competing business, the independent non-executive Directors will review the relevant transactions, and where needed, we will engage additional independent consultants to provide advice to the independent non-executive Directors;

(v) in the event that any potential conflict of interest in connection with our Single Largest Group of Shareholders arises at the shareholders' level, our Single Largest Group of Shareholders and their close associates shall abstain from voting at the general meeting of our Company with respect to the relevant resolution(s);

(vi) our Directors, including our independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at our Company's expense;

(vii) our Company will monitor potential or proposed transactions between our Group and our connected persons, and ensure compliance with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements;

(viii) as required by the Hong Kong Listing Rules, our independent non-executive Directors shall review any connected transactions (including continuing connected transactions) annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;

(ix) we have appointed Ignite Capital (Asia Pacific) Limited as our compliance adviser to provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and internal control;

(x) our Audit Committee will conduct a review on the effectiveness of the above internal control measures on an annual basis and conduct research and provide advice to the Board in relation to our legal compliance and risk management; and

(xi) our Nomination Committee will from time to time review the independence of our Directors in terms of performing their duties as our Directors to ensure effective management of conflict of interest.