CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Huayou Holdings held 58.17% of the shares of the Company. Huayou Holdings is held by Mr. Chen, TMA International[(1)] and Ms. Qiu as to 60.00%, 33.33% and 6.67%, respectively. Ms. Qiu is Mr. Chen's spouse. TMA International is controlled by TMA HK, which is in turn wholly owned by Tongxiang Huajin. Tongxiang Huajin is wholly owned by Mr. Chen. Tongling Chuang'anhui, for which Huayou Holdings acts as the general partner and holds 44.59% interest therein, held 3.54% of the shares of the Company. Accordingly, as of the Latest Practicable Date Mr. Chen, Ms. Qiu, TMA International, TMA HK, Tongxiang Huajin, Huayou Holdings and Tongling Chuang'anhui, were interested in approximately 61.72% of the total issued share capital of the Company.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Chen, Ms. Qiu, TMA International, TMA HK, Tongxiang Huajin, Huayou Holdings and Tongling Chuang'anhui will be interested in approximately **[REDACTED]**% of the total issued share capital of our Company. Therefore, Mr. Chen, Ms. Qiu, TMA International, TMA HK, Tongxiang Huajin, Huayou Holdings and Tongling Chuang'anhui will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Each of the Controlling Shareholders and the Directors has confirmed that, save for the business of the Company, none of them has any interest in any business which competes or is likely to compete, either directly or indirectly, with our business and which is required to be disclosed under Rule 8.10 of the Listing Rules.

Huayou Holdings Group is principally engaged in the research and development, production and sales of lithium-ion battery materials, including refined cobalt, refined nickel, ternary precursors, ternary cathode materials and lithium iron phosphate materials. These products and the Group's products differ significantly in terms of product appearance and form, functions and applications, production processes, core technologies, supply chains and pricing models, and therefore constitute different products. Accordingly, there is no substitutability or competition between the businesses, nor is there any conflict of interest.

In addition, as at the Latest Practicable Date, Mr. Chen and Huayou Holdings held 4.35% and 16.27% of Zhejiang Huayou Cobalt Co., Ltd. (浙江華友鈷業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603799 with global depositary receipts on the SIX Swiss Exchange) ("**Huayou Cobalt**"), respectively. Huayou Cobalt is principally engaged in the research and development, manufacturing and sales of new energy lithium-ion battery materials and cobalt-based new material products, as well as the integration of nickel, cobalt, lithium, and copper resources for lithium-ion battery material manufacturing. Huayou Cobalt does not engage in copper foil manufacturing. Therefore, it does not constitute, directly or indirectly, a competing or potentially competing business with that of the Company.

Notes:

(1) As of the Latest Practicable Date, TMA International is owned by TMA HK and an Independent Third Party as to 90.00% and 10.00%, respectively. As of the Latest Practicable Date, such Independent Third Party is not involved in the management of Huayou Holdings or the Group and has no concert party arrangement with Mr. Chen or any of the other Controlling Shareholders. Such Independent Third Party should not be treated as a controlling shareholder of the Company.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

After taking into account the following factors, the Directors are of the view that we are capable of carrying on our business independently from the Controlling Shareholders and their respective close associates after **[REDACTED]**.

MANAGEMENT INDEPENDENCE

Our business is managed and conducted by the Board and our senior management. The Directors believe that the Company is able to maintain management independence for the following reasons:

- The Board comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Chen Xue, our non-executive Director who does not participate in the Group's day-to-day management, currently serves as deputy general manager and director of the financial management department of Huayou Holdings. Other than above, our Directors and senior management members do not hold any management position or directorship in our Controlling Shareholders;

- Each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she act in the best interests of the Company and that no conflict between his or her duties as a Director and his or her personal interests be permitted;

- In the event that there is a potential conflict of interest in any transaction between the Group and any of our Directors or their respective close associates, the interested Director will abstain from voting on the relevant transaction at the relevant Board meeting of the Company and will not be counted towards the quorum;

- Our three independent non-executive Directors are independent from our Controlling Shareholders and possess extensive experience in their respective professional fields. See "Directors and Senior Management." All of our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of our Board are made after taking into account independent and impartial opinions; and

- Upon completion of the **[REDACTED]**, the Company will adopt a series of corporate governance measures to manage any conflict of interests between the Group and the Controlling Shareholders, thereby supporting the independent management of the Company. For further details, see "— Corporate Governance Measures" in this section below.

Based on the foregoing, and taking into account that there is no material competition between us and the Controlling Shareholders and their respective close associates as defined under Rule 8.10 of the Listing Rules, the Directors believe that our management is independent from the Controlling Shareholders.

OPERATIONAL INDEPENDENCE

We do not rely on the Controlling Shareholders and their close associates for business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments dedicated to carrying out these functions, which are already in operation and are expected to continue operating independently from the Controlling Shareholders and their close associates. In addition, we have our own operational personnel and human resources management personnel.

We have independent channels to access suppliers and customers, and we have an independent management team responsible for handling our daily operations. We also possess all the relevant licenses, certificates, facilities and intellectual property rights required to carry on and operate our principal businesses, and we have sufficient operational capabilities in terms of funding and employees to operate independently.

Based on the foregoing, the Directors believe that we are capable of operating our business independently from the Controlling Shareholders and their close associates.

FINANCIAL INDEPENDENCE

We have independent internal control and accounting systems. We also have an independent finance department responsible for performing our financial functions. We make financial decisions based on our own business needs.

We have obtained certain bank loans which are guaranteed by Mr. Chen, Ms. Qiu, Huayou Holdings and/or their close associates (the "**Controlling Shareholders' Guarantees**"). As of the Latest Practicable Date, we had loans and borrowings and bills payables of approximately RMB3,210.1 million in aggregate that were guaranteed by Mr. Chen, Ms. Qiu, Huayou Holdings and/or their close associates (the "**Guaranteed Loans**").

As of the Latest Practicable Date, we had obtained consent letters indicating that the banks agree to release the Controlling Shareholders' Guarantees in respect of all of the Guaranteed Loans on different milestone dates before the **[REDACTED]**, some of which will be replaced with guarantees/mortgages/pledges to be provided by the Group upon **[REDACTED]**. As such, we expect that all Controlling Shareholders' Guarantees will have been released upon **[REDACTED]**. As of the Latest Practicable Date, our total unutilised credit facilities without any Controlling Shareholders' Guarantees amounted to RMB1,021.6 million.

As of the Latest Practicable Date, loans and borrowings from the Controlling Shareholders amounted to RMB300 million. Such loans are expected to be repaid prior to the **[REDACTED]**. Save for the aforesaid loans and Controlling Shareholders' Guarantee, no loans or guarantees provided by, or granted to, our Controlling Shareholders or their associates will be outstanding as of the **[REDACTED]**.

Based on the foregoing, the Directors believe that we are capable of operating our business financially independently from the Controlling Shareholders and their respective close associates, and that we are able to maintain financial independence from, and will not be unduly reliant on, the Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

The Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out the principles of good corporate governance. The Directors recognize the importance of good corporate governance in safeguarding the interests of the shareholders. We will adopt the following measures to maintain high standards of corporate governance and to avoid potential conflicts of interest:

- As part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules. In particular, the Articles of Association provide that a Director shall not vote on any resolution of the Board in which he or she has a material interest in the relevant company, and if there are any further restrictions under the applicable laws and regulations regarding a Director's attendance and voting at Board meetings, such laws, regulations and rules shall be complied with;

- We have established internal control mechanisms to identify connected transactions. Upon **[REDACTED]**, if the Company enters into connected transactions with any Controlling Shareholders or their respective associates, the Company will comply with the applicable Listing Rules;

- We undertake that our Board should include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and believe our independent non-executive Directors possess sufficient experience, are free from any business or other relationships which could materially impair their ability to make independent judgments and will provide impartial and objective opinions to protect the rights and interests of our public shareholders. Details of our independent non-executive Directors are set out in "Directors and Senior Management – Board of Directors – Independent Non-executive Directors";

- In the event that the independent non-executive Directors are requested to review any circumstances involving conflicts of interests between the Group as one party and the Controlling Shareholders and/or the Directors as the other party, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and the Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements; and

- We have appointed Somerley Capital Limited as our Compliance Advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance.