

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, our Controlling Shareholders Group comprised Mr. Qin, Mr. Zhou, Ms. Zhong, Mr. Zheng, Ms. Zhang and Ms. Deng. Ms. Deng is the spouse of Mr. Qin. Pursuant to the Concert Party Agreement among them which is expected to remain effective after the [REDACTED], they collectively held approximately 37.23% of our total share capital as of the Latest Practicable Date. For further details of our Controlling Shareholders Group, their relationship and the Concert Party Agreement, see “History, Development and Corporate Structure.”

Immediately following the completion of the [REDACTED] (assuming that [REDACTED] is not exercised, no additional 2022 Convertible Bonds are converted and no additional A Shares are issued under the Effective Restricted Share Incentive Plans and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), the Controlling Shareholders Group will collectively hold approximately [REDACTED]% of the total issued share capital of our Company, and will therefore remain as our Controlling Shareholders Group upon the [REDACTED].

CLEAR DELINEATION OF BUSINESS AND NO COMPETITION

Our Business

We are a PRC-based provider of electronic chemicals and functional materials. We principally engage in the research and development, manufacture, sale and services of battery chemicals, organic fluorochemicals and electronic information chemicals. We provide integrated solutions to customers across sectors including NEV, ESS, consumer electronics, AI and digital infrastructure, semiconductor manufacturing, pharmaceuticals and other advanced industrial applications.

The Business of our Controlling Shareholders Group

Each member of our Controlling Shareholders Group confirmed that as of the Latest Practicable Date, apart from the business of our Company, he/she did not have any interest in other business, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Since March 25, 2022, each member of our Controlling Shareholders Group has provided certain non-competition undertakings in favour of our Company to avoid any potential competition between the Controlling Shareholders Group and our Company. Pursuant to such undertakings, each member of our Controlling Shareholders Group has undertaken that, among others:

- (a) apart from working for our Company and its subsidiaries, they and their immediate family members (including all wholly owned, controlled enterprises or other affiliated enterprises under their control) currently do not engage in any business that is the same as or similar to the principal business of our Company and do not constitute competition with us;
- (b) during the period in which they hold direct or indirect equity in our Company and serve in any capacity with our company and its subsidiaries, and for a period of two years from the date on which they have transferred all of their shares in our

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Company and ceased to hold any position with our company and its affiliated companies, they and their immediate family members shall not, in any manner, directly or indirectly, engage in any business that competes with or may potentially compete with the principal business of our Company, so as to avoid competition with our Company;

- (c) if any other businesses of them or their immediate family members overlaps with and may potentially constitute a competitive relationship with our business due to the operation of such businesses or the development of our business, they agree that our Company shall be entitled to have priority to acquire the relevant assets or equity interests on the same terms and conditions, to procure the transfer of such assets or controlling equity interests to our Company through lawful means, or to make fair and reasonable adjustments to such other business for the purpose of avoiding competition with our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS GROUP

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders Group and their respective close associates after the [REDACTED], taking into consideration the factors below.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. For more details, see “Directors and Senior Management.”

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders Group and their respective close associates from a management perspective for the following reasons:

- (a) our Board of Directors and senior management have a well-established track record of carrying on our daily management and operations. Our Directors Mr. Qin, Mr. Zhou, Mr. Zheng, and Ms. Zhong are also members of the Controlling Shareholders Group, but save for them, all of our Directors and senior management do not hold any position in our Controlling Shareholders Group or their respective close associates. Although Mr. Qin, Mr. Zhou and Mr. Zheng are our executive Directors, our reasonable allocation of each Director’s responsibility ensures that they are able to devote sufficient time to manage our Company promptly and efficiently. Our comprehensive internal control system can also guarantee that they will not use their identity as members of the Controlling Shareholders Group to interfere with the independence of the Company’s management. In addition, Ms. Zhong is our non-executive Director and is not involved in the daily management and operations of our Company. Accordingly, despite the overlapping roles as detailed above, all our Directors and senior management are capable of contributing sufficient time and efforts to discharge their responsibilities in our Company effectively;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Company;

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- (c) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;
- (d) upon the [REDACTED], we will continue to have three independent non-executive Directors with extensive experience in their respective areas of expertise to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole. Certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and approval; and
- (e) our Company is an A-share listed company and has adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Company and our Controlling Shareholders Group which would support our independent management. See “— Corporate Governance” below for details.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Company independently from our Controlling Shareholders Group and their respective close associates after the [REDACTED].

Operational Independence

We do not rely on our Controlling Shareholders Group and their respective close associates for our daily operations. We have our own organizational structure with self-governing departments specializing in various aspects in relation to our business development. In addition, we have our own headcount of employees for our operations and management for human resources. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our businesses.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance infrastructure, to operate the business independently. We are also in possession of all relevant licenses, certificates, facilities, intellectual property rights and approvals and permits from the relevant regulatory authorities necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

We entered into certain continuing connected transaction with an associate of our Controlling Shareholders Group. See section headed “Connected Transactions” for more details. Such transaction will be conducted on arm’s length and on normal commercial terms in the ordinary and usual course of business of our Company in accordance with the requirements under Chapter 14A of the Listing Rules, and the pricing policies of our Company and our connected person will not be prejudicial to the interests of any of the parties. The amounts for such connected transaction is at a reasonable percentage with respect to our business scale, and our Directors believe that such transaction will not affect the operational independence of our Company as a whole.

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Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders Group and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Company's own business needs. We have our own internal control and accounting systems and an independent finance department in charge of our treasury function and making financial decisions independently based on our Company's needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders Group. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders Group and their respective close associates. We do not rely on our Controlling Shareholders Group and their respective close associates for financing.

In addition, we are capable of obtaining financing from Independent Third Parties, if necessary, without relying on any guarantee or security provided by our Controlling Shareholders Group or their respective associates. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to our Controlling Shareholders Group or their respective associates to facilitate our financings.

Based on the above, our Directors believe that we are capable of carrying on our business independently from, and do not place undue reliance on our Controlling Shareholders Group and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE

Our Company and Directors fully recognise the importance of protecting the rights and interests of all Shareholders, including those of minority Shareholders, and are firmly committed to upholding and practicing good corporate governance. Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance.

To maintain high standards of corporate governance and prevent potential conflicts of interest between our Company and our Controlling Shareholders Group as well as their respective close associates, our Company has adopted and will continue to implement the following relevant measures:

- (a) where a Board meeting or Shareholders' meeting is to be held for considering proposed transactions in which any of our Directors or Controlling Shareholders Group or any of their respective close associates has a material interest, the relevant Director or Controlling Shareholder Group will abstain from voting on the relevant resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholder Group or any of his associates, our Company will comply with the applicable Listing Rules;

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- (c) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provides that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (d) we are committed that our Board shall 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 we believe our independent non-executive Directors (a) possess sufficient experiences, (b) are free of any business or other relationship which could interfere with the exercise of their independent judgement in any material manner, and (c) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. See “Directors and Senior Management” for details of the independent non-executive Directors;
- (e) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Company and our Controlling Shareholders Group (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (f) our Controlling Shareholders Group will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (g) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements (as the case may be);
- (h) where our Directors reasonably request the advice of independent professionals, such as financial advisers, valuers or legal advisers, the appointment of such independent professionals or advisers will be made at our Company’s expenses;
- (i) we have appointed Maxa Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance; and
- (j) we have established the Audit Committee, the Strategic and Sustainable Development Committee, the Nomination Committee and the Remuneration and Evaluation Committee with written terms of reference in compliance with, among others, the Listing Rules and the Corporate Governance Code.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage potential conflicts of interest between our Company and our Controlling Shareholders Group, and to protect minority Shareholders’ interests after the [REDACTED].