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## CONNECTED TRANSACTIONS

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We have entered into certain transactions in the ordinary and usual course of business with entities that will become our connected persons upon the Listing, and certain of such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

### OUR CONNECTED PERSONS

<u>Name</u>	<u>Connected relationship with our Group</u>
PT Harita Guna Dharma Bhakti (“ <b>HG</b> ”, together with its subsidiaries the “ <b>HG Group</b> ”)	<p>HG is controlled by the family members of the ultimate beneficial owner of Feng Yi, a substantial shareholder of our Company.</p> <p>PT Trimegah Bangun Persada (“<b>TBP</b>”), which is controlled by HG, is a substantial shareholder of certain non-wholly owned subsidiaries of our Company, namely HPL, KPS, ONC, PT Obi Stainless Steel (“<b>OSS</b>”) and PT Dharma Cipta Mulia (“<b>DCM</b>”), which are therefore connected subsidiaries of our Company.</p> <p>Subsidiaries of the Company from time to time which have TBP as a substantial shareholder, including HPL, KPS, ONC, OSS, and DCM, are collectively referred to as the “<b>Indonesian Entities</b>”.</p>
PT Gema Selaras Perkasa (“ <b>GSP</b> ”, together with its subsidiaries the “ <b>GSP Group</b> ”)	<p>GSP is controlled by the family members of the ultimate beneficial owner of Feng Yi, a substantial shareholder of our Company.</p>

### ONE-OFF CONNECTED TRANSACTIONS

Our Company and a member of the HG Group have guaranteed (i) certain bank borrowings of HPL, which is one of the Indonesian Entities; and (ii) certain bank borrowings of HJF, which is a member of the HG Group. For further details of the guarantees, please see “Financial Information — Related Party Transactions and Balances” and Note 38 to the Accountants’ Report in Appendix IA to this prospectus.

Our Directors are of the view that the abovementioned guarantees have been conducted on normal commercial terms. The release of the abovementioned guarantees upon the Listing may involve a lengthy negotiation process with the relevant lenders, which we believe would be unduly burdensome and not in the commercial interests of our Group. Accordingly, these guarantees are not expected to be released upon the Listing.

Upon Listing, the provision of guarantee by our Company for each of HPL and HJF constitutes financial assistance provided by our Group to a connected person and thus a one-off connected transaction under the Listing Rules.

## CONNECTED TRANSACTIONS

In addition, upon Listing, the provision of guarantee by the member of the HG Group to HPL constitutes financial assistance received by our Group from a connected person and thus a one-off connected transaction under the Listing Rules. However, given that such guarantee provided by the HG Group member to HPL is not secured by the assets of our Group and our Directors consider it to be conducted on normal commercial terms, it is fully exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS

The following transactions with the entities mentioned in the subsection headed "Our Connected Persons" above, which will continue after the Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

#### Summary of our Continuing Connected Transactions

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps for the years ending December 31, <sup>(2)</sup>		
			2022 <i>(US\$ million)</i>	2023 <i>(US\$ million)</i>	2024 <i>(US\$ million)</i>
<i>Partially exempt continuing connected transactions</i>					
<i>1. GSP Stevedoring Framework Agreement</i>					
<i>Expense-based</i>					
Provision of stevedoring services to our Group	14A.76 (2)(a)	Waiver from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules	1.5	2.1	2.2
<i>Non-exempt continuing connected transactions</i>					
<i>2. Mutual Supply Framework Agreement</i>					
<i>Expense-based</i>					
(a) Supply of nickel ore to our Group	N/A	Waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules	261.8	423.7	1,026.7
(b) Supply of nickel products to our Group <sup>(1)</sup>			2,882.5	6,336.4	8,843.3
(c) Supply of coal to our Group			46.7	109.6	251.1
(d) Lease of Construction Equipment to our Group			14.8	25.9	39.6
(e) Provision of administrative services to our Group			67.8	124.2	185.6

## CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps for the years ending December 31, <sup>(2)</sup>		
			2022	2023	2024
			<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
<i>Revenue-based</i>					
(f) Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group <sup>(1)</sup>			626.7	2,377.1	350.1

*Notes:*

- (1) Includes intra-group transactions involving the supply of nickel products by the Indonesian Entities, which are connected subsidiaries of our Company and project companies of the Obi projects, to other members of our Group, as well as the purchase of production equipment and supplies, repair materials and raw and auxiliary materials by the Indonesian Entities from our Group.
- (2) The proposed annual caps for the years 2022 to 2024 are expected to significantly increase as compared to the corresponding historical transaction figures during the Track Record Period, mainly due to the significant increase in production capacity of the Obi projects, which are expected to complete construction and commence operations in phases between the fourth quarter of 2022 and July 2024. The expansion in production capacity of the Obi projects is expected to significantly drive our demand for nickel ore, coal, the lease of Construction Equipment and the relevant administrative services ancillary to the day-to-day administration and operation of our Group in connection with the Obi projects (including stevedoring services). The increase in scale of intra-group transactions constituting continuing connected transactions (as mentioned in note 1 above) is also expected to occur for the same reason. For further details, please refer to the subsection headed “Basis of Significant Increase in Annual Caps” in this section.

### Partially Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the following transactions will be subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular (including independent financial advice) and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

#### ***1. GSP Stevedoring Framework Agreement***

##### *Background and reasons for the transactions*

During the Track Record Period, GSP has provided stevedoring services to our Group in connection with the operation of our Obi projects. In anticipation of the Listing, we and GSP entered

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## CONNECTED TRANSACTIONS

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into a framework agreement on May 31, 2022 (the “**GSP Stevedoring Framework Agreement**”), effective upon Listing until December 31, 2024 in respect of the continued provision of such services to our Group.

Given our involvement in the Obi projects with our Indonesian Partner, their familiarity with our business operations on the Obi Islands and the geographical proximity of the GSP Group’s docks to our manufacturing facilities on the Obi Islands, it would be more convenient and cost-effective for the GSP Group to provide such stevedoring services to us.

### *Principal terms*

During the term of the GSP Stevedoring Framework Agreement, our Group and the GSP Group may from time to time enter into separate definitive agreements which shall set out specific terms and conditions for the transactions under the GSP Stevedoring Framework Agreement. The consideration payable by our Group under the GSP Stevedoring Framework Agreement will be paid at the time and according to the settlement method to be agreed in the definitive agreements. Such definitive agreements must in any event be subject to and in compliance with the terms and conditions of the GSP Stevedoring Framework Agreement. The GSP Stevedoring Framework Agreement will be renewable subject to the negotiation between the parties and compliance with the requirements of the Listing Rules.

### *Pricing*

The consideration under the GSP Stevedoring Framework Agreement is determined between the parties following arm’s length negotiations and are on normal commercial terms, on a cost basis depending on actual usage of such stevedoring services. In any event, we will ensure that the consideration payable by our Group shall be no less favorable than the price that is available from Independent Third Party suppliers for the same or comparable services, if any.

### *Historical figures*

The total payments made by our Group for the stevedoring services provided by GSP for each of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately as follows:

	<b>For the years ended December 31,</b>			<b>For the six months ended June 30,</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(US\$’000)</i>	<i>(US\$’000)</i>	<i>(US\$’000)</i>	<i>(US\$’000)</i>
Provision of stevedoring services to our Group ( <i>Expense based</i> ) <sup>(1)</sup> .....	—	48	250	165

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## CONNECTED TRANSACTIONS

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*Note:*

- (1) Includes historical amounts for transactions during the Track Record Period between GSP and HPL, as HPL has become a member of our Group since November 30, 2021.

*Annual caps*

The proposed annual caps for the aggregate payments to be made by our Group under the GSP Stevedoring Framework Agreement for each of the years ending December 31, 2022, 2023 and 2024 are as follows:

	<b>For the years ending December 31,<sup>(1)</sup></b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
Provision of stevedoring services to our Group <i>(Expense based)</i> .....	1.5	2.1	2.2

*Note:*

- (1) Please refer to the subsection headed “Basis of Significant Increase in Annual Caps” in this section for further information on the significant increase in the proposed annual caps, including as compared with the historical figures during the Track Record Period.

In arriving at the above proposed annual caps, our Directors have considered:

- (a) the expected scale of operations of the Indonesian Entities on the Obi Islands and corresponding need for stevedoring services in connection with the Obi projects;
- (b) the historical transaction amounts paid for such stevedoring services during the Track Record Period, whilst noting the limited reference value as various phases of the Obi projects are expected to complete construction and commence production in December 2022, 2023 and 2024; and
- (c) any upward adjustment due to macro-economic factors such as inflation.

### **Non-Exempt Continuing Connected Transactions**

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. As such, the following transactions will be subject to the annual review, announcement, reporting, circular (including independent financial advice) and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### 2. *Mutual Supply Framework Agreement*

#### *Background and reasons for the transactions*

During the Track Record Period, the HG Group and/or associates of HG (including certain Indonesian Entities) have supplied nickel ore, nickel products and coal to our Group, and provided equipment rental and certain administrative services to our Group. In addition, our Group (excluding the Indonesian Entities) has supplied production equipment and supplies, repair materials and raw and auxiliary materials to the HG Group and/or associates of HG (including certain Indonesian Entities).

In anticipation of the Listing, we and HG entered into a framework agreement on May 31, 2022 (the “**Mutual Supply Framework Agreement**”), effective upon Listing until December 31, 2024 in respect of the following transactions:

- (a) the HG Group shall supply our Group with nickel ore;
- (b) the HG Group and/or associates of HG and/or the Indonesian Entities (which are our subsidiaries) shall supply our Group (excluding the Indonesian Entities) with nickel products;
- (c) the HG Group shall supply coal to our Group, which is used to generate electricity required for the operation of our Obi projects;
- (d) the HG Group and/or associates of HG shall lease site construction equipment and machinery used in the construction of our production facilities on the Obi Island (“**Construction Equipment**”) to our Group;
- (e) the HG Group and/or associates of HG shall provide our Group with administrative services ancillary to the day-to-day administration and operation of our Group in connection with the Obi projects. For example, the making of payments of fees required to be made to the relevant local government authority in Indonesia for the use of certain land located on the Obi Island, Indonesia (“**Land Use Fees**”) on behalf of our Group, as well as the leasing of vessels to our Group; and
- (f) our Group (excluding the Indonesian Entities) shall supply (i) equipment and supplies used for the production of nickel products; (ii) repair materials; and (iii) raw and auxiliary materials required for the nickel product production operations, to the HG Group and/or associates of HG and/or the Indonesian Entities.

The reasons for and benefits of the mutual supply of products and services are as follows:

- (a) the purchases of nickel ore, nickel products and coal by our Group are at competitive prices which are no less favorable than those that our Group can obtain from Independent Third Parties;

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## CONNECTED TRANSACTIONS

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- (b) in view of our Group's past experience in procuring nickel ore and coal from the HG Group, our Directors are of the view that the HG Group can effectively fulfill our Group's demands in terms of volume and quality in a timely and reliable manner;
- (c) the nickel ore mines owned by the HG Group are in close proximity to the manufacturing facilities of our Group, such that our Group's procurement of nickel ores from the HG Group can save transportation and logistics costs;
- (d) the supply of nickel products by the Indonesian Entities, which are subsidiaries of our Company, to our Group are intra-group transactions entered into in the ordinary course of our nickel product production business. The nickel products acquired by our Group (excluding the Indonesian Entities) pursuant to these transactions will be sold to downstream customers of our Group;
- (e) it would be more cost effective to obtain Construction Equipment through leasing from the HG Group and/ or associates of HG as compared to purchasing such equipment. Given our well-established business relationship with our Indonesian Partner in building our HPAL project on the Obi Island, HG understands the requirements and logistics relevant to the construction of our nickel production facilities and is able to offer leasing arrangements that suit our needs most appropriately;
- (f) given our involvement in the Obi projects with our Indonesian Partner, it is (a) mutually beneficial for us to sell a stable and sizable amount of production equipment and supplies, repair materials and raw and auxiliary materials, including critical components for certain production equipment used in the HPAL project and the RKEF project on the Obi Island, to satisfy the production needs of the Indonesian Entities and of other associates of HG; and (b) more convenient for the HG Group and/or associates of HG to provide related administrative services to us; and
- (g) the terms offered by our Group in respect of sales to the HG Group and/or associates of HG and/or the Indonesian Entities are on normal commercial terms and no more favorable than those provided to Independent Third Party purchasers.

### *Principal terms*

During the term of the Mutual Supply Framework Agreement, relevant members of our Group (excluding the Indonesian Entities), the HG Group and/or associates of HG and/or the Indonesian Entities, may from time to time enter into separate definitive agreements which shall set out specific terms and conditions for the transactions under the Mutual Supply Framework Agreement. The consideration payable by or to our Group under the Mutual Supply Framework Agreement will be paid at the time and according to the settlement method to be agreed in the definitive agreements. Such definitive agreements must in any event be subject to and in compliance with the terms and conditions of the Mutual Supply Framework Agreement. The Mutual Supply Framework Agreement

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## CONNECTED TRANSACTIONS

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will be renewable subject to the negotiation between the parties and compliance with the requirements of the Listing Rules.

### *Pricing*

The consideration under the Mutual Supply Framework Agreement is determined between the parties following arm's length negotiations and are on normal commercial terms. Further details are set out in the table below:

<u>Type of transaction</u>	<u>Pricing Policy</u>
(a) Supply of nickel ore to our Group	<p>The purchase price for nickel ore is determined with reference to the following:</p> <ul style="list-style-type: none"><li>(i) the price for nickel ore adjusted for nickel content and moisture content issued by appointed independent surveyors; and</li><li>(ii) a calculation formula taking into account the mineral benchmark price in accordance with the relevant decree issued by the Minister of Energy and Mineral Resources of Indonesia plus shipping or other transportation costs, as further set out in each definitive agreement.</li></ul>

The calculation formula set out in the definitive agreements is typically as follows:

$$\text{Nickel purchase price} = \frac{\text{Mineral Benchmark Price} \times \text{Nickel Content} \times (1 - \text{Moisture Content}) \times \text{Correction Factor}}{\text{ore}}$$

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*Notes:*

1. "Mineral Benchmark Price" means the benchmark price of nickel ore periodically published by the Indonesian government.
2. "Nickel Content" means the nickel content percentage of the relevant batch of nickel ore, as determined by the independent surveyor appointed by the parties to the definitive agreement.
3. "Moisture Content" means the content percentage of water contained in the relevant batch of nickel ore, as



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determined by the independent surveyor appointed by the parties to the definitive agreement.

4. "Correction Factor" is a fixed percentage that shall be adjusted upward or downward proportionately based on the percentage increment or decrement in Nickel Content over or below the benchmark nickel content as set forth in the definitive agreement.
5. Our nickel ore purchase price also includes shipping or other transportation costs, which refer to costs occurred in relation to the shipping and transportation of the nickel ore.

(b) Supply of nickel products to our Group

The purchase price for the nickel products is determined with reference to the prevailing market price for the relevant type of nickel product, including the prices at which Independent Third Party suppliers are willing to sell the same or comparable nickel products, and taking into account the purchase price for nickel ore.

(c) Supply of coal to our Group

The supply price for coal is calculated by multiplying the unit price by actual weight. The unit price of coal shall be determined with reference to (a) market price and conditions; (b) relevant local industry index prices; (c) changes in local policies; (d) coal quality characteristics; and (e) transportation costs.

(d) Lease of Construction Equipment to our Group

The rental consideration for each type of Construction Equipment is determined with reference to the prevailing market prices of the same or comparable equipment or machinery leased in the ordinary and usual course of business. The total rent payable is based on the quantity of each type of Construction Equipment used and the recorded rental usage of the same, as further set out in each definitive agreement.

(e) Provision of administrative services to our Group

The fees for the administrative services is generally determined on a cost basis depending on actual usage of the relevant services.

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## CONNECTED TRANSACTIONS

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Rental payable for the lease of vessels is based on the type and/or size of vessels, and is determined with reference to the prices charged by Independent Third Parties.

We shall reimburse the HG Group for the amount of Land Use Fees paid by them on our behalf, which is calculated with reference to the area of land used by the relevant member of our Group and the rate of fees charged by the relevant local government authority in Indonesia.

(f) Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group

The price for our sale of production equipment and supplies, repair materials and raw and auxiliary materials is determined based on a cost plus basis, taking into reference our procurement costs and related expenses (e.g. labor and logistics costs).

In any event, we will ensure that (i) the consideration payable by our Group shall be no less favorable than the price that is available from Independent Third Party suppliers for the same or comparable products and services; and (ii) the consideration payable to our Group shall be no more favorable to the HG Group and/or associates of HG and/or the Indonesian Entities than the price that is available to Independent Third Party purchasers for the same or comparable products.

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## CONNECTED TRANSACTIONS

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### *Historical figures*

The total payments made by our Group, or to our Group, for the mutual provision of products and services for each of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately as follows:

	For the years ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
<b>Expense-based</b>				
(a) Supply of nickel ore to our Group <sup>(1)</sup> . . . . .	—	—	44.6	88.6
(b) Supply of nickel products to our Group <sup>(2)</sup> . . . . .	115.2	221.2	732.0	770.6
(c) Supply of coal to our Group <sup>(1)</sup> . . . . .	—	0.7	4.5	9.5
(d) Lease of Construction Equipment to our Group <sup>(1)</sup> . .	2.5	3.6	2.2	3.8
(e) Provision of administrative services to our Group <sup>(1)</sup> . . . . .	11.2	1.2	2.1	16.3
<b>Revenue-based</b>				
(f) Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group <sup>(2)</sup> . . . . .	55.2	151.8	149.9	169.6

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*Notes:*

- (1) Includes historical amounts for transactions during the Track Record Period between connected persons and HPL, which has become a member of our Group since November 30, 2021.
- (2) Includes intra-group transactions between the Indonesian Entities, which are our connected subsidiaries on the one hand, and other members of our Group on the other hand.

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### *Annual caps*

The proposed annual caps for the aggregate payments to be made by our Group, or to our Group, under the Mutual Supply Framework Agreement for each of the years ending December 31, 2022, 2023 and 2024 are as follows:

	For the years ending December 31, <sup>(2)</sup>		
	2022	2023	2024
	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
<b>Expense-based</b>			
(a) Supply of nickel ore to our Group . . . . .	261.8	423.7	1,026.7
(b) Supply of nickel products to our Group <sup>(1)</sup> . . . . .	2,882.5	6,336.4	8,843.3
(c) Supply of coal to our Group . . . . .	46.7	109.6	251.1
(d) Lease of Construction Equipment to our Group . . . . .	14.8	25.9	39.6
(e) Provision of administrative services to our Group . . . . .	67.8	124.2	185.6
<b>Revenue-based</b>			
(f) Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group <sup>(1)</sup> . . . . .	626.7	2,377.1	350.1

*Notes:*

- (1) Includes intra-group transactions involving the supply of nickel products by the Indonesian Entities, which are connected subsidiaries of our Company and project companies of the Obi projects, to other members of our Group, as well as the purchase of production equipment and supplies, repair materials and raw and auxiliary materials by the Indonesian Entities from our Group.
- (2) Please refer to the subsection headed “Basis of Significant Increase in Annual Caps” in this section for further information on the significant increase in the proposed annual caps, including as compared with the historical figures during the Track Record Period.

### *Basis of significant increase in annual caps*

The proposed annual caps for the years 2022 to 2024 are expected to significantly increase, in particular as compared to the corresponding historical transaction figures during the Track Record Period, mainly due to the significant increase in production capacity of the Obi projects, which are expected to complete construction and commence operations in phases between December 2022 and July 2024.

## CONNECTED TRANSACTIONS

The following table sets forth the expected maximum production capacity of each phase of the Obi projects from 2022 to 2024. For further details, please refer to the section headed “Business — Production of Nickel Products — Production Expansion Plan and Product Pipeline” in this prospectus.

	<b>Expected production capacity</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>(metal tons)</i>	<i>(metal tons)</i>	<i>(metal tons)</i>
<b>HPAL project <sup>(1)</sup></b>			
Phase I <i>(operated by HPL)</i> .....	37,000	37,000	37,000
Phase II <i>(operated by HPL)</i> .....	1,500	18,000	18,000
Phase III <i>(operated by ONC)</i> .....	—	15,000	65,000
<b>RKEF project <sup>(2)</sup></b>			
Phase I <i>(operated by HJF)</i> .....	15,833	95,000	95,000
Phase II <i>(operated by KPS)</i> .....	—	—	44,585
<b>Total production capacity</b>			
<b>HPAL project and phase II of the RKEF project</b> .....	<b>38,500</b>	<b>70,000</b>	<b>164,585</b>
<b>HPAL project and RKEF project</b> .....	<b><u>54,333</u></b>	<b><u>165,000</u></b>	<b><u>259,585</u></b>
<b>Growth rate of total production capacity</b>			
HPAL project and phase II of the RKEF project .....	N/A	82%	135%
HPAL project and RKEF project .....	N/A	204%	57%

*Notes:*

- (1) In terms of the HPAL project, in addition to the two nickel-cobalt compounds production lines under phase I of the HPAL project currently in operation, with an aggregate designed production capacity of 37,000 metal tons of nickel-cobalt compounds, another nickel-cobalt compounds production line under phase II of the project and also operated by HPL, with a designed production capacity of 18,000 metal tons of nickel-cobalt compounds per annum, is expected to commence production in December 2022. The remaining three nickel-cobalt compounds production lines under phase III of the HPAL project and operated by ONC, with an aggregate designed production capacity of 65,000 metal tons of nickel-cobalt compounds per annum, are expected to commence production in December 2023.
- (2) In terms of the RKEF project, eight ferronickel production lines under phase I of the RKEF project operated by HJF, with an aggregate designed production capacity of 95,000 metal tons of ferronickel per annum, have commenced / are expected to commence production in the fourth quarter of 2022. 12 ferronickel production lines under phase II of the RKEF project, which is operated by KPS, with an aggregate designed production capacity of 185,000 metal tons of ferronickel per annum, are expected to commence construction in the first quarter of 2023. As it is only expected to commence production in July 2024, it is not expected to reach full production capacity within the year.

As further explained below, the expected addition of production lines and extensive expansion in nickel product production capacity across phases of the Obi projects is expected to significantly drive our demand for nickel ore, coal, the lease of Construction Equipment and the relevant administrative services ancillary to the day-to-day administration and operation of our Group in connection with the Obi projects from 2022 to 2024. The increase in scale of the intragroup transactions with respect to the sale and purchase of nickel product production equipment and related

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supplies and materials in 2022 and 2023, as well as the supply and purchase of nickel products produced by the Obi projects from 2022 to 2024, is also expected to occur for the same reason.

### Supply of nickel ore and coal to our Group

With respect to the supply of nickel ore to our Group, the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US\$261.8 million, US\$423.7 million and US\$1,026.7 million, respectively, representing an increase of approximately 62% and 142% for the years ending December 31, 2023 and 2024, respectively.

With respect to the supply of coal to our Group, the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US\$46.7 million, US\$109.6 million and US\$251.1 million, respectively, representing an increase of approximately 135% and 129% for the years ending December 31, 2023 and 2024, respectively.

In arriving at these proposed annual caps, our Directors have considered the following factors:

- (i) the expected production capacity of all phases of the HPAL project and phase II of the RKEF project set forth in the table under “— Basis of significant increase in annual caps” in this section and corresponding expected demand for nickel ore and coal under these phases. Our expected demand for nickel ore and coal (in terms of metric tons to be purchased) is derived from assumptions as to the metric tons of nickel ore required to achieve the abovementioned production capacity, as well as the metric tons of coal required once the abovementioned production capacity is reached, in 2022, 2023 and 2024. The metric tons of nickel ore and coal expected to be purchased for the HPAL project directly correlates with, and is expected to increase by the same percentage as, the expected production capacity of this project in each of 2022, 2023 and 2024. The metric tons of nickel ore and coal expected to be purchased for Phase II of the RKEF project also directly correlates with, and is expected to increase by the same percentage as, the expected production capacity of this phase in each of 2022, 2023 and 2024;
- (ii) the anticipated prices of nickel ore (of varying nickel content) and coal in 2022 to 2024, which were provided by CIC with reference to forecasts published by institutions such as the World Bank, International Monetary Fund and International Strategic Analysis. According to CIC:
  - the anticipated prices of nickel ore (of varying nickel content) in 2022 to 2024 are generally expected to be higher than historical prices in 2021, increasing by up to approximately 33% or 38% (depending on the level of nickel content) as compared to that of 2021. This is due to factors such as prevailing market prices, long-term supply and demand gap change, Indonesia’s export ban on nickel ore and the impact of the Russian-Ukraine conflict; and

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- the anticipated prices of coal in 2022 to 2024 are generally expected to be higher than historical prices in 2021, increasing by up to 13% as compared to that of 2021, considering factors such as prevailing market prices and long-term supply and demand gap change.

### Supply of nickel products to our Group

The proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US\$2,882.5 million, US\$6,336.4 million and US\$8,843.3 million, respectively, representing an increase of approximately 120% and 40% for the years ending December 31, 2023 and 2024. In arriving at these proposed annual caps, our Directors have considered the following factors:

- (i) the expected production capacity of the Obi projects set forth in the table under “— Basis of significant increase in annual caps” in this section and corresponding expected volume of nickel products to be produced. During the Track Record Period, only phase I of the HPAL project had commenced production and reached full production capacity. We expect additional nickel products to be produced due to commencement of production under phase II of the HPAL project and phase I of the RKEF project in the fourth quarter of 2022. We expect production volume to increase in 2023, assuming that phase II of the HPAL project and phase I of the RKEF project also reach full production capacity and phase III of the HPAL project commences production. We expect production volume to continue to increase in 2024, assuming that phase III of the HPAL project also reaches full production capacity and phase II of the RKEF project commences production.
- (ii) the expected demand for nickel products produced by the Obi projects, based on agreements entered into with downstream customers of our Group; and
- (iii) anticipated prices of various nickel products in 2022 to 2024, which were provided by CIC with reference to forecasts published by institutions such as the World Bank, International Monetary Fund and International Strategic Analysis. According to CIC, the anticipated prices of various nickel products in 2022 to 2024 are generally expected to be higher than historical prices in 2021, increasing by up to approximately 38% to 72% (depending on the type of nickel product) as compared to that of 2021. This is due to factors such as prevailing market prices, long-term supply and demand gap change, Indonesia’s export ban on nickel ore, the impact of the Russian-Ukraine conflict, as well as the market overview for nickel product trading and the NEV battery industry.

### Lease of Construction Equipment and provision of administrative services to our Group

With respect to the lease of Construction Equipment to our Group, the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US\$14.8 million, US\$25.9 million and US\$39.6 million, respectively.

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## CONNECTED TRANSACTIONS

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With respect to the provision of administrative services to our Group, the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US\$67.8 million, US\$124.2 million and US\$185.6 million, respectively.

In arriving at these proposed annual caps, our Directors have considered the following factors:

- (i) the expected increase in scale of the Obi projects and operations of the Indonesian entities, and corresponding increase in our demand for Construction Equipment and administrative services. In particular:
  - during the first three years of the Track Record Period, we leased Construction Equipment and received administrative services from the HG Group mainly for phase I of the HPAL project. As the construction and production activities of the remaining phases of the Obi projects progress, we expect our demand to increase in phases throughout 2022 to 2024;
  - with respect to the lease of Construction Equipment to our Group, the expected demand attributable to phase II of the HPAL project, phase III of the HPAL project and phase II of the RKEF project was estimated considering factors such as the expected maximum number of production lines, expected maximum production capacity and construction progress of these phases, as well as specific Construction Equipment needed. During 2022 to 2024, the additional transaction amounts attributable phase II of the HPAL project, phase III of the HPAL project and phase II of the RKEF project are expected to be up to approximately 60%, 200% and 375%, respectively, of our demand under phase I of the HPAL project;
  - with respect to the provision of administrative services to our Group, the expected demand attributable to phase II of the HPAL project, phase III of the HPAL project and phase II of the RKEF project was estimated considering factors such as (a) the expected maximum number of production lines, expected maximum production capacity and construction progress of these phases; (b) the increase in number of vessels to be leased to accommodate the operations of our Obi projects; and (c) expected area of land needed in connection with the development of each of these phases. During 2022 to 2024, the additional transaction amounts attributable to phase II of the HPAL project, phase III of the HPAL project and phase II of the RKEF project are expected to be approximately up to 50%, 100% and up to 250%, respectively, of our demand under phase I of the HPAL project; and
- (ii) with respect to our lease of Construction Equipment, the anticipated prevailing market rental price of the same or comparable Construction Equipment leased in the ordinary and usual course of business.



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## CONNECTED TRANSACTIONS

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### Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group

The proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US\$626.7 million, US\$2,377.1 million and US\$350.1 million, respectively. In arriving at these proposed annual caps, our Directors have considered the following factors:

- (i) the expected amount of production equipment and supplies, repair materials and raw and auxiliary materials required by the HG Group, the Indonesian Entities and by other associates of HG, which correspond to the status of construction of the HPAL project production facilities and the RKEF project production facilities on the Obi Island in 2022, 2023 and 2024. In particular:
  - during the Track Record Period, overall demand was driven by purchases from HPL and HJF in connection with phase I of both the HPAL project and RKEF project. We expect purchases by HPL and HJF to peak in 2022, constituting almost 80% of the annual cap amount for the year, with the remaining portion of the annual cap mostly constituted by purchases from ONC for phase III of the HPAL project and KPS for phase II of the RKEF project;
  - demand will additionally be driven by purchases from ONC and KPS in connection with phase III of the HPAL project and phase II of the RKEF project. ONC and KPS did not make any purchase in 2021 and we expect their purchases to peak in 2023, constituting at least 90% of the annual cap amount for the year, with the remaining portion of the annual cap mostly constituted by purchases from HPL for phases I and II of the HPAL project and HJF for phase I of the RKEF project;
  - however, we expect an overall reduction in demand in 2024 due to the anticipated completion of construction for the Obi projects;
- (ii) the anticipated increase in proportion of production equipment and related supplies to be purchased by HPL, ONC, HJF and KPS from our Group (excluding the Indonesian Entities) as compared with the purchases made during the Track Record Period. Purchases from our Group (excluding the Indonesian Entities) is expected to account for almost all of their respective total demands for such equipment and related supplies in connection with the construction and operations of the Obi projects. This is due to a strategic shift in business model to increase their proportion of such purchases through our Group (excluding the Indonesian Entities) as opposed to purchasing directly from different third party suppliers, allowing the Obi projects to benefit from a more streamlined and reliable supply and improved cost-control due to the increased volume of purchase and/or decreased transportation costs; and

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## CONNECTED TRANSACTIONS

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- (iii) our expected procurements costs and related expenses (e.g. labor and logistics costs), as well as the anticipated prevailing market price of the same or comparable equipment supplied by our Group in the ordinary and usual course of business.

### All transactions under the Mutual Supply Framework Agreement

In addition, the following factors have been taken into account in determining the annual caps for all transactions under the Mutual Supply Framework Agreement:

- (i) the historical transaction amounts during the Track Record Period, whilst noting the limited reference value as various phases of the Obi projects are expected to complete construction and commence production in December 2022, 2023 and 2024; and
- (ii) any upward adjustment due to macro-economic factors, including inflation of approximately 3% in Indonesia according to public sources such as the World Economic Outlook published by the International Monetary Fund in 2022.

### **WAIVERS FROM THE STOCK EXCHANGE**

As the material terms of each of the partially exempt and non-exempt continuing connected transactions are disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of the disclosures, our Directors consider that strict compliance with the announcement requirement, and, where applicable, the circular (including independent financial advisor) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, would be impracticable and unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company.

As a result, our Company has applied to the Stock Exchange for, and has been granted, subject to the condition that the value of the annual transactions shall not exceed their respective estimated annual caps as stated above:

- (a) a waiver under Rule 14A.105 of the Listing Rules to exempt the transactions set out in the sub-section headed "Non-Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules for the term ending December 31, 2024; and
- (b) a waiver under Rule 14A.105 of the Listing Rules to exempt the transactions set out in the sub-section headed "Partially Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules for the term ending December 31, 2024.

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## **CONNECTED TRANSACTIONS**

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In addition, we confirm that we will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in the terms of these transactions.

### **CONFIRMATION FROM OUR DIRECTORS**

Our Directors, including our independent non-executive Directors, are of the view that:

- (a) the partially exempt and non-exempt continuing connected transactions described above for which a waiver is sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (b) the proposed annual caps of such partially exempt and non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

### **CONFIRMATION FROM THE JOINT SPONSORS**

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the partially exempt and non-exempt continuing connected transactions described above and have obtained confirmations from our Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that:

- (a) the partially exempt and non-exempt continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (b) the proposed annual caps of such partially exempt and non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.