
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Development Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$17.78 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$3,964.6 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

- 1) approximately 56.4% of our total estimated net proceeds, or HK\$2,236.0 million, will be used for the development and construction of our nickel product production projects on the Obi Island, among which:
 - approximately 26.4% of our total estimated net proceeds, or HK\$1,046.7 million, will be used for the development and construction of phase III of the HPAL project, among which: (i) approximately 24.0% of our total estimated net proceeds, or HK\$951.5 million, is intended to be used for the construction of its MHP, nickel sulfate and cobalt sulfate production lines and purchase of related machinery and equipment, and (ii) approximately 2.4% of our total estimated net proceeds, or HK\$95.2 million, is intended to be used for the construction of ports that facilitate the shipment of nickel-cobalt compounds produced by the HPAL project, and purchase of related machinery and equipment. The NEV industry, especially the high nickel content ternary battery market, is expected to experience substantial growth in the next few years, which is expected to further increase the market demand for nickel sulfate and cobalt sulfate, the raw materials for high nickel content ternary battery. Leveraging our industry-leading hydrometallurgy techniques and resource advantages, we have accurately captured the growing market opportunities in the NEV industry by expanding the HPAL project on the Obi Island of Indonesia. Phase III of the HPAL project, with an aggregate designed production capacity of 65,000 metal tons of nickel-cobalt compounds (including 7,500 metal tons of cobalt) per annum, has commenced construction in June 2022 and is expected to commence production in December 2023. Once these production lines are put into operation, we plan to flexibly adjust the allocation of production capacities among nickel-cobalt compounds (including MHP, nickel sulfate and cobalt sulfate) in response to the demand from our customers and the relative profit margins of these products;
 - approximately 30.0% of our total estimated net proceeds, or HK\$1,189.4 million, will be used for the development and construction of phase II of the RKEF project, among which: (i) approximately 18.0% of our total estimated net

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proceeds, or HK\$713.6 million, is intended to be used for the construction of its ferronickel production lines and purchase of related machinery and equipment, (ii) approximately 6.0% of our total estimated net proceeds, or HK\$237.9 million, is intended to be used for its production lines of semi-coke, one of the key raw materials used in the production of ferronickel, and purchase of related machinery and equipment, and (iii) approximately 6.0% of our total estimated net proceeds, or HK\$237.9 million, is intended to be used for the construction of ports that facilitate the shipment of ferronickel produced by the RKEF project, and purchase of related machinery and equipment. As one of the important raw materials for the production of stainless steel, the demand of ferronickel will increase in line with the steady growth of the global stainless steel market. The expansion of the RKEF project into phase II is expected to further increase our production capacity of ferronickel and create synergistic effect with our stainless steel project by securing the upstream supply for our stainless steel project. We expect to construct 12 production lines under phase II of the RKEF project, with an aggregate designed production capacity of 185,000 metal tons of ferronickel per annum. These production lines are expected to commence construction in January 2023 and commence production in the third quarter of 2024.

As the Obi Island is a group of isolated islands bordered by the Maluku Sea and the Seram Sea, it is necessary to construct ports to facilitate any inbound and outbound shipment. According to the planning of the Obi projects, a number of ports are designed to facilitate the outbound shipment of nickel-cobalt compounds produced by the HPAL project and ferronickel produced by the RKEF project, and the inbound shipment of machinery and equipment for these projects. Our Indonesian Partner owns the land use right for the ports and has obtained the relevant construction permits for the construction of the ports, including the Stipulation of Fulfillment of Special Terminal Development Commitments issued by the Directorate General of Sea Transportation of the Ministry of Transportation. No additional licenses or approvals are required for the construction of the ports. The port area of our Obi project is divided into two areas, one for the HPAL project (for which we have planned seven ports) and one for the RKEF project (for which we have planned five ports). As of the Latest Practicable Date, five ports of the Obi projects (including three for the HPAL project and two for the RKEF project) have completed construction and are in operation, and another seven ports (including four for the HPAL project and three for the RKEF project) are currently being constructed or designed. All of these ports are designed and constructed by third-party professional service providers engaged by us. These service providers have the required licenses and qualifications to design and construct, and are experienced in designing and constructing, ports and other large-scale transportation infrastructure.

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The RKEF project currently expects to consume approximately 1.4 million metric tons of semi-coke annually for its production of ferronickel. The RKEF project plans to produce semi-coke on the Obi Island on its own instead of purchasing it from third parties primarily due to the following reasons:

- **cost concerns.** It is expected that upon the completion of the semi-coke production lines on the Obi Island, the cost of self-produced semi-coke will be lower than semi-coke purchased from third parties. The estimated net unit cost for self-produced semi-coke is US\$129 per metric ton, compared to no less than US\$290 per metric ton for semi-coke purchased from third parties;

The following table illustrates how the estimated unit cost of self-produced semi-coke is calculated:

Items	Unit price (US\$ per metric ton) ⁽¹⁾	Unit consumption for producing one metric ton of semi-coke (metric ton) ⁽¹⁾	Cost for producing one metric ton of semi-coke (US\$)
<i>Cost of production</i>			
Coal	110	2.5	275
Other costs ⁽¹⁾ . .			<u>27</u>
Total cost of production			<u>302</u>
			Selling price for by-
			By-product generated in
	Unit selling price (US\$ per	producing one metric ton	product generated in
	metric ton)	of semi-coke	producing one metric
			ton of semi-coke (US\$)
<i>Sales of by-products from the production of semi-coke</i>			
Coal foam	110 ⁽²⁾	0.5 metric ton	55
Coal gas	0.13 ⁽²⁾	600 cube meters	78
Coal tar	400 ⁽²⁾	0.1 metric ton	<u>40</u>
Subtotal			<u>173</u>
Net unit cost (total cost of production minus by- product sales) . . .			<u>129</u>

Notes:

- (1) primarily include costs of electricity and water, staff costs and other costs that are directly related to the production of semi-coke.

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- (2) the main by-products from the production of semi-coke that has economic value include coal foam, coal gas and coal tar. The unit price of coal foam and coal tar is estimated based on the prevailing market prices of these products in Indonesia. According to CIC, there is sufficiently large market demand in Indonesia for coal foam and coal tar. For coal gas, as there are a very limited number of Indonesian companies producing coal gas, the unit price of coal gas is conservatively estimated based on the prevailing market price of coal gas in China, which is at least US\$0.13 per metric ton. Moreover, coal gas generated in the production of semi-coke is expected to be used as a source of energy for the production activities of our RKEF project.

Indonesia and its adjacent countries do not produce semi-coke for external sale. Semi-coke is predominantly produced in China: in 2021, semi-coke produced in China accounted for substantially all of the world's semi-coke production volume. In addition, semi-coke produced in China is able to meet the quantity and quality requirements for the production the RKEF project. As such, if the RKEF project does not produce semi-coke on the Obi Island on its own, it will have to procure semi-coke from China. Most semi-coke suppliers are located in the northwestern region of China, and significant land transportation and shipping costs would be incurred in order to transport the semi-coke to the Obi Island, making the procurement of semi-coke from third parties a less cost efficient option.

The following table illustrates how the estimated unit cost of semi-coke procured from third parties is calculated:

Items	Unit price (US\$ per metric ton of semi-coke)
Semi-coke ⁽¹⁾	150
Land transportation costs ⁽²⁾	100
Shipping costs ⁽²⁾	40
	290

Notes:

- (1) According to CIC, the average market price of semi-coke produced in China increased from RMB545.3 per metric ton in 2016 to RMB1,810.1 per metric in the first half of 2022. According to the same source, for environmental production reasons, Chinese semi-coke producers in recent years have been asked by governmental authorities to reduce production volume and increase their environmental production related expenditure (which in turn further increases their semi-coke production costs). As such, the price of semi-coke is expected to remain at a relatively high level for the foreseeable future.
- (2) The oil price is expected to remain at a higher level in the next few years. As such, the transportation costs for procuring semi-coke from third parties, including land transportation costs and shipping costs, are also expected to remain high in the foreseeable future.

- ***potential damage in transit.*** Purchasing semi-coke from third-parties, typically semi-coke manufacturers in China, involves long-haul shipping and

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loading and unloading of the goods, during which process the goods could be easily damaged and no longer suitable for ferronickel production; and

- *recycling of by-products*. The production of semi-coke generates certain types of by-products that can be recycled. For example, gas generated during the semi-coke production process can be used as fuel for our RKEF project, effectively reducing the costs and carbon emissions of the project.

The semi-coke production lines are designed by a third-party professional service provider engaged by us with decades of experience in the designing of similar construction projects, and are constructed by us. As the construction process of the semi-coke production line is similar to that of the main production lines of the Obi projects, we believe years of experience constructing the main production lines have enabled us to accumulate sufficient experience and expertise that can be leveraged in constructing the semi-coke production lines.

- 2) approximately 24.0% of our total estimated net proceeds, or HK\$951.5 million, will be used to contribute additional capital to CBL, our joint venture with Contemporary Amperex Technology Co., Limited (“CATL”).

CBL is a joint venture established by the following three entities: (i) Ningbo Brunp Contemporary New Energy Co., Ltd (a majority-owned subsidiary of CATL), which holds a 60.0% equity interest in CBL; (ii) our Company, which indirectly holds a 30.0% equity interest in CBL, and (iii) Ningbo Ruiting Investment (the largest shareholder of CATL as of December 31, 2021; its registered capital is RMB90.9 million and its executive director and general manager is also the founder and chairman of the board of CATL), which holds a 10.0% equity interest in CBL. CBL currently plans to establish joint ventures (the “**Indonesian JVs**”) with its Indonesian JV partners, PT Aneka Tambang Tbk (“**ANTAM**”) and PT Industri Baterai Indonesia (“**IBI**”), to develop six projects across the NEV industry value chain, from nickel mining and exploration, production of nickel products and NEV battery materials, to the manufacturing and recycling of NEV batteries (the “**Indonesian projects**”). The Indonesian projects are expected to be located in the FHT Industrial Park of East Halmahera of Indonesia’s North Maluku Province and other related industrial parks in Indonesia. The total investment amount of the Indonesian projects is estimated to be up to US\$6.0 billion. The Indonesian projects are currently scheduled to be constructed between December 2022 and 2026. Given that the Indonesian projects are still under preliminary stages, as of the Latest Practicable Date, the timeline of capital investments, key milestones or more detailed development timeframe of the Indonesian projects remain uncertain. CATL, as the largest shareholder of CBL, will be in charge of the overall project planning and execution of the Indonesian projects. Our Company, as a 30% minority shareholder of CBL, has limited control and visibility over the overall progress of the Indonesian projects.

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The following table sets forth details of the Indonesian projects and the estimated amount of investment by our Company:

No.	Project description	Indonesian business partner	Estimated total investment amount (US\$ in millions)	CBL's shareholding	Estimated investment amount to be contributed by CBL ⁽⁵⁾ (US\$ in millions)	Estimated investment amount to be contributed by our Company ⁽⁶⁾ (US\$ in millions)
1	Laterite nickel ore mining and exploration	ANTAM ⁽¹⁾	226 ⁽³⁾	49.0%	39	12
2	Ferronickel production	ANTAM ⁽¹⁾	1,812 ⁽⁴⁾	60.0%	381	114
3	MHP production	ANTAM ⁽¹⁾	1,531	70.0%	375	113
4	Ternary battery material production	IBI ⁽²⁾	647	70.0%	159	48
5	Ternary battery production	IBI ⁽²⁾	1,638	70.0%	401	120
6	Ternary battery recycling	IBI ⁽²⁾	114	60.0%	24	7
Total			<u>5,968</u>		<u>1,378</u>	<u>413</u>

Notes:

- (1) ANTAM is an Indonesian SOE listed in Indonesia. It is primarily engaged in the mining of various types of minerals and related activities.
- (2) IBI is an Indonesian SOE. It primarily invests in projects across the NEV battery industry value chain both in Indonesia and overseas.
- (3) As the nickel ore mining and exploration project involves the acquisition of equity interest in a mine of the relevant Indonesian business partner, which is currently under negotiation, the estimated investment amount of this project has not been finalized as of the Latest Practicable Date and is subject to further changes.
- (4) As the ferronickel production project involves the acquisition of certain industrial parks owned by the relevant Indonesian business partner, which is currently under negotiation, the estimated investment amount of this project has not been finalized as of the Latest Practicable Date and is subject to further changes.
- (5) Calculated by multiplying (i) the estimated total investment amount for the relevant Indonesian project by (ii) 35%, which is the percentage of the total investment amount that is expected to be contributed by the Indonesian JVs' shareholders (the Indonesian JVs plan to obtain external financing, such as bank borrowings, to cover the remaining 65% of the investment amount), and further by (iii) the respective shareholding of CBL in the relevant Indonesian JVs (for example, 49.0% for the laterite nickel ore mining and exploration project).
- (6) Calculated by multiplying (i) the estimated investment amount to be contributed by CBL to the relevant Indonesian project by (ii) 30%, which is our Company's shareholding in CBL.

In addition to proceeds from this offering, we plan to fund the remainder of our investments in CBL through other means, such as utilizing our cash at hands or through debt financing.

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- 3) approximately 9.6% of our total estimated net proceeds, or HK\$380.6 million, will be used for making potential minority investments in nickel mines in Indonesia. As the Indonesian government's export ban continues, an increasing number of companies have been developing nickel production projects in Indonesia, making nickel mines in Indonesia valuable upstream resources with significant investment value. As a company with nickel production operations in Indonesia, making such minority investment is also strategically important to us because it could enhance the predictability and stability of nickel ore supply for our Obi projects. Furthermore, such investment is also consistent with our business strategy to further expand our business across the industry value chain and is expected to create synergy with our other businesses.

We will consider a variety of factors when selecting potential investment targets: (i) development status of the mines: we will give priority to (a) mines of which resource reserves have been calculated according to JORC Code, or NI43-101 rules as required by Listing Rules, and (b) mines that are under production; (ii) size of reserve: we will give priority to mines with exploitable reserve of more than 100,000 tons of nickel; (iii) grade of serve: we will give priority to nickel mines that produce limonite (with nickel content higher than 1.2% and cobalt content higher than 0.15%) and saprolite (with nickel content higher than 1.7%), (iv) location: mines located on the Obi Island and the Halmahera Island are generally preferred, as they are closer to the Obi project and can better support the production of the Obi projects; and (v) we will also consider large-scale mines in other areas that have large reserves and good quality. We believe such minority investment criteria would lower the uncertainty of our investment and shorten the production preparation period. According to the CIC Report, there are currently more than 15 mines in Indonesia that fulfill our conditions. As such, our Directors and our industry consultant, CIC, believe that there are sufficient numbers of suitable targets available in the market for our aforementioned expansion plan. The specific number of nickel mines we are going to invest in has not been determined yet, and we will consider any nickel mine meeting the above selection criteria. The estimated amount of our investment is calculated by multiplying the approximate value of the target mines, which is calculated based on a variety of factors (including the scale of exploitable reserve, the range of nickel content, the abundance of other valuable metal element, and the market price of comparable mines among others), with our planned minority shareholding in such mines, which is subject to change.

As of the latest Practical Date, we have not identified any target or entered into any binding commitment, whether oral or written, for any minority investment in nickel mines; and

- 4) approximately 10.0% of our total estimated net proceeds, or HK\$396.5 million, will be used for our working capital and general corporate purposes.

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The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

If the Offer Price is fixed at HK\$19.96 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$494.2 million, assuming the Over-allotment Option is not exercised.

If the Offer Price is fixed at HK\$15.60 per Offer Share (being the low end of the Offer Price range states in this prospectus), the net proceeds we receive will be reduced by approximately HK\$494.2 million, assuming the Over-allotment Option is not exercised.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$568.4 million assuming an Offer Price of HK\$19.96 per Share, being the high end of the proposed Offer Price range, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. If the Offer Price is set at HK\$15.60 per Share, being the low end of the proposed Offer Price range, the additional net proceeds upon full exercise of the Over-allotment Option will decrease by approximately HK\$568.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we only intend to deposit the net proceeds into short-term demand deposits with licensed commercial banks as defined under the applicable laws in the relevant jurisdictions. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

With respect to corporate finance strategy, the Company aims to build capabilities in accessing both onshore and offshore capital markets to raise equity and debt funding as required. The Company's management seeks to utilize a combination of available funding sources and instruments including bank loans, bonds, equity as well as hybrid securities to ensure it has sufficient flexibility in obtaining capital at a competitive rate while maintaining a sustainable capital structure.