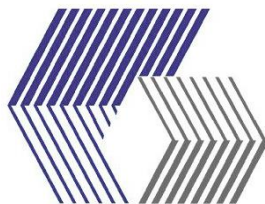


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CHINA ORIENTAL GROUP COMPANY LIMITED

中國東方集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 581)

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN
RELATION TO FORMATION OF JOINT VENTURES**

AND

**(2) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF
FORMATION OF JOINT VENTURES**

THE FORMATION OF JOINT VENTURES

The Board is pleased to announce that on 16 October 2024 (after the trading hours in Hong Kong), the Company and ArcelorMittal, a substantial shareholder of the Company, entered into: (i) the Upstream JV Agreement, pursuant to which, among other things, the Company and/or ArcelorMittal conditionally agreed to establish the Upstream JV to engage in the production of HRC Substrates and other products jointly determined by the JV Partners; and (ii) the Downstream JV Agreement, pursuant to which the JV Partners conditionally agreed to establish the Downstream JV to engage in the production of NEMM products.

Upon completion of the establishment of the JV Companies, each of the JV Companies will be owned as to 50% by the Company and 50% by ArcelorMittal. As of the date of this announcement, the Company expects that the JV Companies will not become subsidiaries of the Company upon their establishment and their financial results will not be consolidated into the financial statements of the Group as subsidiaries of the Company.

SLAB SUPPLY ARRANGEMENT

As agreed between the JV Partners under the Upstream JV Agreement, for the purpose of ensuring a stable supply of raw materials for the production of HRC Substrates by the Upstream JV, the Company shall procure Jinxi Limited, an indirectly owned subsidiary of the Company, to enter into the Slab Supply Framework Agreement with the Upstream JV, pursuant to which Jinxi Limited shall supply Slab Products exclusively to the Upstream JV.

HRC SUPPLY ARRANGEMENT

As agreed between the JV Partners under the Downstream JV Agreement, in order to ensure a stable supply of input materials for the production by the Downstream JV, the JV Partners shall procure the Upstream JV to enter into the HRC Supply Agreement with the Downstream JV, pursuant to which the Upstream JV shall supply HRC Substrate to the Downstream JV, which shall be used as input materials for manufacturing by the Downstream JV.

TECHNOLOGY LICENSING ARRANGEMENT

As agreed between the JV Partners under the JV Agreements, to facilitate the production of the JV Companies, the JV Partners shall enter into the Technology Licensing Agreement with the Upstream JV, the Downstream JV, Jinxi Limited and AAMS, a wholly-owned subsidiary of ArcelorMittal.

LISTING RULES IMPLICATIONS

As of the date of the announcement, the Company is owned as to approximately 37% by ArcelorMittal, a substantial shareholder of the Company, and AAMS is a wholly-owned subsidiary of ArcelorMittal. Following completion of the establishment of the JV Companies, each of the JV Companies will be owned as to 50% by ArcelorMittal. Therefore, ArcelorMittal and AAMS are, and the JV Companies will upon incorporation become, connected persons of the Company. For the avoidance of doubt, as of the date of this announcement, the Company expects that the JV Companies will not become subsidiaries of the Company upon their establishment and the financial results of the JV Companies will not be consolidated into the financial statements of the Group. The JV Companies will be accounted for using the equity method in the Group's financial statements upon their establishment.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the JV Formation exceeds 100% on an aggregated basis, the JV Formation constitutes a very substantial acquisition for the Company and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the JV Formation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the proposed Slab Supply Annual Cap, the highest applicable percentage ratio in respect of the Slab Supply Arrangement is more than 25%. Therefore, the Slab Supply Arrangement constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules and the Slab Supply Arrangement and the proposed Slab Supply Annual Cap are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Technology Licensing Arrangement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. However, since all applicable percentage ratios for the Technology Licensing Arrangement are less than 0.1%, the Technology Licensing Arrangement is exempt from all the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene a General Meeting for the Shareholders to consider and, if thought fit, to approve the GM Matters. A circular containing, among other things, details of the GM Matters and a notice of an extraordinary general meeting of the Company, is expected to be despatched to the Shareholders on or before 31 December 2024 as additional time is required for the Company to prepare and finalise the information to be contained in its circular (including but not limited to the indebtedness statement and the working capital sufficiency statement).

To the best of the knowledge, information and belief of the Directors, having made all reasonable inquiries, no Shareholder apart from ArcelorMittal and its associates shall abstain from voting on the resolution(s) approving the JV Formation, the Slab Supply Arrangement and the proposed Slab Supply Annual Cap.

As Mr. Sanjay SHARMA and Mr. Ondra OTRADOVEC own equity interests in ArcelorMittal, they are regarded as having a material interest in the JV Formation, the Slab Supply Arrangement, the proposed Slab Supply Annual Cap, the Technology Licensing Arrangement and the arrangements under the Upstream JV Government Investment Agreement. Therefore, they have abstained from voting on the respective board resolutions approving the Board Matters. Other than Mr. Sanjay SHARMA and Mr. Ondra OTRADOVEC, none of the Directors has a material interest in the Board Matters. Therefore, apart from Mr. Sanjay SHARMA and Mr. Ondra OTRADOVEC, none of the Directors has abstained from voting on the respective board resolutions approving the Board Matters.

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders with respect to the JV Formation, the Slab Supply Arrangement and the proposed Slab Supply Annual Cap. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

WARNING

Shareholders and potential investors of the Company should be aware that: (a) the JV Formation, the Slab Supply Arrangement and the Technology Licensing Arrangement are subject to the fulfillment of certain conditions precedent being satisfied and may or may not proceed; (b) the signing of the Slab Supply Framework Agreement is subject to the establishment of the Upstream JV and may or may not proceed; and (c) the signing of the Technology Licensing Agreement is subject to the establishment of the JV Companies and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 16 October 2024 (after the trading hours in Hong Kong), the Company and ArcelorMittal entered into: (i) the Upstream JV Agreement, pursuant to which, among other things, the JV Partners conditionally agreed to establish the Upstream JV to engage in the production of HRC Substrates and other products jointly determined by the JV Partners; and (ii) the Downstream JV Agreement, pursuant to which the JV Partners conditionally agreed to establish the Downstream JV to engage in the production of NEMM products.

Upon completion of the establishment of the JV Companies, each of the JV Companies will be owned as to 50% by the Company and 50% by ArcelorMittal. As of the date of this announcement, the Company expects that the JV Companies will not become subsidiaries of the Company upon their establishment and their financial results will not be consolidated into the financial statements of the Group as subsidiaries of the Company. The JV Companies will be accounted for using the equity method in the Group's financial statements upon their establishment.

THE UPSTREAM JV AGREEMENT

The principal terms of the Upstream JV Agreement are summarised as follows:

Date

16 October 2024

Parties

- (a). The Company; and
- (b). ArcelorMittal, a substantial shareholder of the Company

Nature of Business

The principal business of the Upstream JV shall be designing, building and operating a hot strip mill in the PRC for production of HRC Substrates to be supplied to the Downstream JV and other products jointly determined by the JV Partners to be sold on the open market as the JV Partners may from time to time agree.

Government Investment and Green Electricity Projects

The JV Partners are entitled to enter into an investment agreement on behalf of the Upstream JV with the competent governmental agency with respect to the investment of the Upstream JV and any preferential treatments for the benefits of the Upstream JV (the “**Upstream JV Government Investment Agreement**”).

On 16 October 2024 (after the trading hours in Hong Kong), the JV Partners and the Qianxi Government entered into the Upstream JV Government Investment Agreement, pursuant to which the Qianxi Government has conditionally agreed in principle to, among others, grant to and/or reserve for to the Upstream JV through two phases, a land of approximately 1,200 Mu in total near the production base of Jinxi Limited located in the Qianxi County for production of the Upstream JV (the “**Upstream Land Acquisition**”). The Upstream Land Acquisition will be subject to bidding processes and the actual area of the land and other details of the grant of the land will be finalised and specified in separate contracts with respect to the grant of state-owned construction land use rights of the relevant land to be entered into between the competent government agency in Qianxi and the Upstream JV. The Qianxi Government has also conditionally agreed to support the Upstream JV in a number of aspects, including but not limited to access to energy infrastructure, coordination in relation to environmental assessment and application for regulatory approvals and financial incentives, and the future investment by the Upstream JV in the Upstream Green Electricity Projects (as defined below).

In addition, ArcelorMittal is entitled to negotiate, on behalf of the Upstream JV, with the relevant governmental agencies and certain state-owned energy investor(s) in the PRC with respect to participating in the development, investment, construction and operation of certain green electricity projects, in order to secure the green power supply for the operation of the Upstream JV (the “**Upstream Green Electricity Project(s)**”).

Subject to further negotiation and signing of the relevant investment agreement(s) regarding the Upstream Green Electricity Projects, it is contemplated under the Upstream JV Agreement that in principle:

- (a). the Upstream Green Electricity Projects include the 150 MW onshore centralised photovoltaic project, 200 MW onshore centralised photovoltaic project, and 400 MW onshore wind power project;
- (b). the Upstream Green Electricity Projects shall prioritise the electricity supply to the Upstream JV;
- (c). for the 150 MW onshore centralised photovoltaic project:
 - (i) it shall be invested and developed by the Upstream JV as the shareholder, and where it is necessary to introduce other investors for such project and to the extent practically possible, the Company and the Upstream JV may jointly develop such project;
 - (ii) if the Upstream JV’s investment in such project does materialise, the amount of total investment for such project will be approximately RMB500 million – RMB600 million, and subject to compliance with the applicable laws, regulations and rules (including without limitation the Listing Rules), each JV Partner shall increase Upstream JV’s registered capital and make further contribution of approximately RMB50 million to the registered capital of the Upstream JV to enable the Upstream JV to meet the funding requirements for its investment in such project; and
 - (iii) the remaining balance of the total investment for such project will first be funded by the Upstream JV through financing to be secured by its own assets or assets of the relevant Upstream Green Electricity Project. If the Upstream JV fails to obtain adequate financings, the Company shall provide support to the Upstream JV, provided that the necessary internal approvals of the Company and the Upstream JV in relation to such financing have been obtained and the Upstream Financing Support Conditions have been satisfied; and

(d). for other Upstream Green Electricity Projects:

- (i) they shall in principle be jointly developed by the Upstream JV and a third party; and
- (ii) the amounts of total investment for the wind power project and 200 MW onshore centralised photovoltaic project are expected to be approximately RMB2.3 billion and RMB700 million – RMB800 million, respectively. For the purpose of meeting the Upstream JV’s funding requirements for these projects, the registered capital of the Upstream JV will need to be increased by approximately RMB500 million. Subject to compliance with applicable laws, regulations and rules (including without limitation the Listing Rules), each JV Partner shall make further contribution of approximately RMB250 million to the registered capital of the Upstream JV and the third party investor shall contribute approximately RMB500 million to these projects and be responsible for financing the balance of the investment required for these projects.

The Upstream JV Government Investment Agreement and any investment agreement in relation to the Upstream Green Electricity Projects shall be assumed by the Upstream JV after the Upstream JV Establishment Date, except for any obligations of the JV Partners with respect to capital contribution to the Upstream JV.

Term

The term of the Upstream JV shall be 50 years from the Upstream JV Establishment Date.

Development Schedule and Production Capacity

The Upstream JV is expected to commence production within 18 months after establishment of the Upstream JV. It is expected to reach a production capacity of 2.5 million tons per annum by the end of the first development phase, and potentially increase to 3.5 million tons per annum if a second development phase is launched.

Capital Commitment and Future Financing

The amount of total investment for the Upstream JV shall be US\$660 million, US\$314 million of which shall be the registered capital of the Upstream JV and will be funded by the JV Partners in cash equally. The JV Partners will obtain the remaining US\$346 million by debt financing. The consideration to be involved in the Upstream Land Acquisition has been included under such total investment, and the Company will not be required to invest additional amount when the Upstream Land Acquisition materialises and takes place in the future. For the avoidance of doubt, the aforementioned amount of the registered capital of the Upstream JV has not taken into account any potential increase of the registered capital of the Upstream JV due to the development of the Upstream Green Electricity Projects as set out in the sub-section headed “The Upstream JV Agreement – Government Investment and Green Electricity Projects” above.

The estimated initial financing needs of the Upstream JV would be approximately US\$350 million but would not exceed US\$420 million. The Upstream JV shall first obtain debt financings to fund the foregoing financing needs to be secured by its own assets. If the Upstream JV fails to secure adequate financings, the Company shall provide support to the Upstream JV to enable the Upstream JV to secure financings at market conditions up to US\$420 million (the “**Upstream Initial Financing Support**”), including without limitation the provision by the Company of, or procuring the affiliates of the Company to provide, corporate guarantee, standby letter of credit or other security in favour of the Upstream JV to secure financings for the Upstream JV, provided that (a) if the Company is required to perform the guarantee obligation under the Upstream Initial Financing Support, as compensation, it will acquire the creditor’s right against the Upstream JV for the corresponding amount and shall have the right to dispose of the assets of the Upstream JV or the mortgage rights over such assets in favour of the Company; and (b) ArcelorMittal shall provide the Company with a letter of comfort that is reasonably acceptable to the Company in support of the Upstream JV’s ability to perform its obligations under the foregoing debt financings ((a) and (b) being the “**Upstream Financing Support Conditions**”). The Upstream JV shall use its best endeavours to procure that the Upstream Initial Financing Support be released within two years after the commencement of full production of the Upstream JV.

After the release of the Upstream Initial Financing Support, to the extent that further funding is required by the Upstream JV and such funding cannot be obtained by the Upstream JV through debt financings to be secured by its own assets, subject to the necessary internal approval of the Company and the applicable approval of the Upstream JV Board or the shareholders of the Upstream JV at a general meeting in relation to such funding needs being obtained and the satisfaction of the Upstream Financing Support Conditions, the Company shall continue to provide and/or procure its affiliates to provide guarantee or other security in favour of the Upstream JV to assist the Upstream JV with securing financings to meet such funding needs.

It is expected that the Company’s total commitment for the Upstream JV Formation will be approximately US\$691.2 million (the “**Upstream JV Maximum Capital Commitment**”), being the aggregate of: (a) the Company’s share of the registered capital of the Upstream JV (being US\$157 million); (b) the maximum Upstream Initial Financing Support for an amount of US\$420 million; (c) the future contribution of approximately RMB300 million (equivalent to approximately US\$42.8 million) to be made by the Company to the registered capital of the Upstream JV in light of the future development of Upstream Green Electricity Projects by the Upstream JV (being the aggregate of approximately RMB50 million and RMB250 million in relation to the 150 MW onshore centralised photovoltaic project and other Upstream Green Electricity Projects by the Upstream JV, as set out in paragraphs (c) and (d) under the sub-section headed “The Upstream JV Agreement – Government Investment and Green Electricity Projects” above, respectively); and (d) the potential financing support in the amount of approximately RMB500 million (equivalent to approximately US\$71.4 million) to be provided by the Company to the Upstream JV in light of the future development of Upstream Green Electricity Project in relation to the 150 MW onshore centralised photovoltaic project by the Upstream JV, as set out in paragraph (c) under the sub-section headed “The Upstream JV Agreement – Government Investment and Green Electricity Projects” above. The Upstream JV Maximum Capital Commitment was determined after arm’s length negotiation between the JV Partners taking into account, among other things, the capital requirements for establishment of the production plant, equipment procurement and daily operations, and business prospects of the Upstream JV. The Upstream JV Maximum Capital Commitment will be financed by the Company’s internal resources.

Conditions Precedent

Completion of the establishment of the Upstream JV shall be conditional upon fulfilment of the following conditions precedents:

- (a). The PRC merger control clearance (if required) in relation to the establishment of the Upstream JV has been obtained;
- (b). The transactions contemplated under the Upstream JV Agreement have been approved by the board of directors of ArcelorMittal;
- (c). The establishment of the Upstream JV and the transactions contemplated under the Upstream JV Agreement that are required to be approved by Shareholders under applicable Listing Rules together with the establishment of the Upstream JV have been approved by Shareholders at a general meeting of the Company in accordance with applicable rules and regulations (including without limitation the Listing Rules);
- (d). Representations and warranties under the Upstream JV Agreement are true, accurate and not misleading in all respects; and
- (e). Each of the JV Partners has in all material respects performed or complied with its obligations and covenants under the Upstream JV Agreement which are required to be performed by it before the establishment of the Upstream JV.

None of the conditions precedents above can be waived by any of the JV Partners.

Contribution to the Registered Capital

Subject to the satisfaction of the conditions precedent, each JV Partner shall concurrently make its respective capital contributions to the Upstream JV as follows:

- (a). the first contribution by each JV Partner to the registered capital in the amount of one-third of the registered capital of the Upstream JV to be subscribed by it, being approximately US\$52.3 million per JV Partner, shall be made within 60 days following the Upstream JV Establishment Date;
- (b). the second contribution by each JV Partner to the registered capital in the amount of one-third of the registered capital of the Upstream JV to be subscribed by it, being approximately US\$52.3 million per JV Partner, shall be made by 30 June 2025;
- (c). the third contribution by each JV Partner in the amount of the balance of its respective unpaid share of the registered capital of the Upstream JV, being approximately US\$52.3 million per JV Partner, shall be made by 31 December 2025; and
- (d). each contribution above may be concurrently made by the JV Partners in one lump sum or in several tranches, provided that the specific contribution deadlines and the contribution amount for each tranche shall be determined by the Upstream JV Board based on the actual funding needs of the Upstream JV, which shall be no later than the respective dates specified above unless the JV Partners agree otherwise in writing.

Board composition

The Upstream JV Board shall consist of six directors. Half of the members of the Upstream JV Board will be nominated by the Company and the remaining half of the members of the Upstream JV Board will be nominated by ArcelorMittal. The appointment of directors nominated by the JV Partners shall be subject to approval by shareholders of the Upstream JV at a general meeting and each JV Partner shall cast affirmative vote at such meeting to approve the appointment of directors nominated by the other JV Partner.

Termination

Each of the following events is a termination event under the Upstream JV Agreement:

- (a). the Upstream JV or a JV Partner goes bankrupt, is liquidated or becomes the object of liquidation procedures;
- (b). the merger or division of the Upstream JV which requires the liquidation of the Upstream JV;
- (c). breach of the PRC law which results in a legal order to shut down the Upstream JV;
- (d). force majeure event that makes it impossible for the Upstream JV to continue its operation for a continuous period of 12 months;
- (e). the defaulting JV Partner fails to rectify an event of default in accordance with the Upstream JV Agreement;
- (f). the non-completion of the Upstream Change of Control Transfer within the timeframe specified in the Upstream JV Agreement; and
- (g). the Downstream JV Agreement has been terminated.

If any of the termination events specified in paragraphs (a) to (d) or (g) above occurs, any JV Partner shall have the right to terminate the Upstream JV Agreement. If a termination event specified in paragraph (e) above occurs, the non-default JV Partner shall have the right to terminate the Upstream JV Agreement. If a termination event specified in paragraph (f) above occurs, the Non-Change of Control Party shall have the right to terminate the Upstream JV Agreement.

Dilution

If any JV Partner fails to contribute its share of the registered capital of the Upstream JV in accordance with the Upstream JV Agreement, the other JV Partner that has paid up its share of the registered capital of the Upstream JV has the right to require the non-contributing JV Partner to transfer to it the equity of the Upstream JV representing such unpaid registered capital without consideration and pay up accordingly.

In the event that the Upstream JV is in financial distress that affects the progress of its project or ordinary operations and the JV Partners are unable to reach an agreement on the capital increase of the Upstream JV, the JV Partners shall work towards a solution through amicable negotiation. If a solution cannot be reached within a reasonable period, any JV Partner shall have the right to request for an increase in the registered capital of the Upstream JV up to an amount that is sufficient to resolve the foregoing financial distress, and the JV Partners shall subscribe for such capital increase in proportion to their then respective share of the registered capital of the Upstream JV. If any JV Partner refuses to make such subscription, the other JV Partner shall have the right to subscribe for such capital increase in full.

Restriction on Transfer

Save as permitted under the Upstream JV Agreement or the articles of association of the Upstream JV, a JV Partner may not directly or indirectly dispose of, or create any encumbrance over the whole or any part of, its interest in the registered capital of the Upstream JV without the prior written consent of the other JV Partner.

A JV Partner may not directly or indirectly transfer all or any part of its interest in the registered capital of the Upstream JV to a third party that is engaged in an Upstream JV Competing Business in the PRC or an affiliate of such third party without the prior written consent of the other JV Partner.

Right of First Refusal

If a JV Partner purports to directly or indirectly transfer all or any part of its interest in the registered capital of the Upstream JV to a third party that is not engaged in an Upstream JV Competing Business in the PRC or affiliates of such third party, the non-transferring JV Partner shall have the right of first refusal to purchase all of the interests proposed to be transferred by the transferring JV Partner at the same price as the planned transfer.

Change of Control

If there is a Change of Control of a JV Partner (“**Change of Control Party**”), the other JV Partner (“**Non-Change of Control Party**”) may require the Change of Control Party to transfer all of the Change of Control Party’s interest in the registered capital of the Upstream JV to it at the fair market value of such interest (“**Upstream Change of Control Transfer**”). If the Upstream Change of Control Transfer is not completed within six months from the date of receipt by the Change of Control Party of the notice in relation to the Non-Change of Control Party’s request of Upstream Change of Control Transfer (provided that such delay is not caused by the Non-Change of Control Party), the Non-Change of Control Party shall have the right to terminate the Upstream JV Agreement or request the Change of Control Party to purchase the Non-Change of Control Party’s entire stake in the registered capital of the Upstream JV at the fair market value of such interest.

Non-compete

During the term of the Upstream JV Agreement, the Upstream JV shall be the exclusive supplier of the Company and ArcelorMittal regarding manufacturing and sales of HRC Products in PRC market, and each JV Partner shall not, and shall procure that its respective affiliates will not, conduct, be engaged in or be involved in an Upstream JV Competing Business within the PRC, directly or indirectly, on their own account or in conjunction with or on behalf of any other person or company. ArcelorMittal may participate in any subsequent new project or downstream investment initiated by the Company directly or indirectly, which uses the HRC Products as input material directly or indirectly. In the event that ArcelorMittal decides to participate in any such future new projects or downstream investments, it may have up to 50% direct equity in the new projects or downstream investments. Although the Company has not been granted with similar rights to participate in new projects or downstream investments initiated by ArcelorMittal, the Directors are of the view that such arrangement is fair and reasonable to the Company for the following reasons: (1) ArcelorMittal will provide technology in the supply chain of the project by granting technology licenses at favorable terms to the JV Companies and the Group as detailed under the section headed “Technology Licensing Arrangement” below. This allows the Company to benefit from the share of profit as a JV Partner, as well as overall improvement in its production process and quality management in future projects and downstream investments through implementation of the Upstream JV and Downstream JV; and (2) as elaborated under the section headed “Reasons and Benefits for the JV Formation and the Slab Supply Arrangement” below, ArcelorMittal is a renowned global steel manufacturer and one of the few possessing technological know-how in the production of NEMM and high-end hot rolled coils/plates. It would be in the Group’s best interests to continue the synergy created through cooperation with ArcelorMittal and leverage on their technological know-how in new projects or downstream investments initiated by the Company which uses the HRC Products as input material.

Compliance with Listing Rules

If any JV Partner intends to engage in or execute any transaction or arrangement in accordance with the Upstream JV Agreement, the JV Partners agree that the Upstream JV Agreement and any transactions or arrangements entered into pursuant to the Upstream JV Agreement shall be subject to the applicable provisions of the Listing Rules.

THE DOWNSTREAM JV AGREEMENT

The principal terms of the Downstream JV Agreement are summarised as follows:

Date

16 October 2024

Parties

- (a). The Company; and
- (b). ArcelorMittal

Nature of Business

The principal business of the Downstream JV shall be designing, building and operating a manufacturing plant in the PRC for the production of NEMM products focusing on numerous sectors in the PRC market, including without limitation the automobile, industrial motors, home appliance and power generation sectors.

Government Investment and Green Electricity Project

ArcelorMittal is entitled to enter into an investment agreement on behalf of the Downstream JV with the competent governmental agency with respect to the investment of the Downstream JV and any preferential treatments for the benefits of the Downstream JV (the “**Downstream JV Government Investment Agreement**”). On 24 April 2024, ArcelorMittal and the Management Committee of Changzhou National High-Tech Zone (常州國家高新區管委會) (the “**Changzhou Management Committee**”) entered into the Downstream JV Government Investment Agreement, pursuant to which the Changzhou Management Committee has conditionally agreed in principle to, among others, grant a land of approximately 3,000 Mu located in Changzhou High-Tech Zone for production of the Downstream JV and its research and development center (the “**Downstream Land Acquisition**”). The Downstream Land Acquisition will be subject to a bidding process and the actual area of the land and other details of the grant of the land will be finalised and specified in a separate contract with respect to the grant of state-owned construction land use rights of the relevant land to be entered into between Changzhou Natural Resources and Planning Bureau (常州市自然資源和規劃局) and the Downstream JV. The Changzhou Management Committee has also conditionally agreed to support the Downstream JV in a number of aspects, including but not limited to access to energy infrastructure, coordination in relation to environmental assessment and regulatory approvals, financial incentives and the future investment by the Downstream JV in the Downstream Green Electricity Project (as defined below).

In addition, ArcelorMittal is entitled to negotiate, on behalf of the Downstream JV, with the relevant governmental agencies and certain state-owned energy investor(s) in the PRC with respect to participating in the development, investment, construction and operation of green electricity project(s), in order to secure the green power supply for the operation of the Downstream JV (the “**Downstream Green Electricity Project**”).

Subject to further negotiation and signing of the relevant investment agreement, it is contemplated under the Downstream JV Agreement that in principle:

- (a). the Downstream Green Electricity Project is a 1 GW offshore wind power project;
- (b). such project shall prioritise the electricity supply to the Downstream JV;
- (c). such project shall be jointly invested and developed by the Downstream JV and a third party; and
- (d). the amount of total investment for such project will be approximately RMB10 billion. For the purpose of meeting the Downstream JV’s funding needs for such project, the registered capital of the Downstream JV shall be increased by approximately RMB800 million. Each JV Partner shall make further contribution of approximately RMB400 million to the registered capital of the Downstream JV, and the third party investor shall contribute approximately RMB2.5 billion to the Downstream Green Electricity Project and be responsible to provide guarantee for financing the remaining balance of the total investment required for such project.

The Downstream JV Government Investment Agreement and any investment agreement in relation to the Downstream Green Electricity Project shall be assumed by the Downstream JV after the Downstream JV Establishment Date, except for any obligations of the JV Partners with respect to capital contribution to the Downstream JV.

Term

The term of the Downstream JV shall be 50 years from the Downstream JV Establishment Date.

Development Schedule and Production Capacity

The Downstream JV is expected commence production within 26 months after establishment of the Downstream JV. It is expected to reach a production capacity of 1.5 million tons per annum by the end of the first development phase, and potentially increase to 1.8 million tons per annum if a second development phase is launched.

Capital Commitment and Future Financing

The amount of total investment for the Downstream JV shall be US\$2 billion, US\$900 million of which shall be the registered capital of the Downstream JV and will be funded by the JV Partners in cash equally. The JV Partners will obtain the remaining US\$1.1 billion by debt financing. The consideration to be involved in the Downstream Land Acquisition has been included under such total investment, and the Company will not be required to invest additional amount when the Downstream Land Acquisition materialises and takes place in the future. For the avoidance of doubt, the amount of the registered capital of the Downstream JV above has not taken into account any potential increase of the registered capital of the Downstream JV due to the development of the green electricity project(s) as set out in the sub-section headed “The Downstream JV Agreement – Government Investment and Green Electricity Project” above.

The estimated initial financing needs of the Downstream JV for the first stage of phase 1 of the project would be approximately US\$580 million but would not exceed US\$650 million. The Downstream JV shall first obtain debt financings to fund the foregoing financing needs to be secured by its own assets. If the Downstream JV fails to secure adequate financings, the Company shall provide support to the Downstream JV to enable the Downstream JV to secure financings at market conditions up to US\$650 million, including without limitation the provision by the Company of, or procuring the affiliates of the Company to provide, corporate guarantee, standby letter of credit or other security in favour of the Downstream JV to secure financings for the Upstream JV (the “**Downstream Initial Financing Support**”), provided that (a) if the Company is required to perform the guarantee obligation under the Downstream Initial Financing Support, as compensation, it will acquire the creditor’s right against the Downstream JV for the corresponding amount and shall have the right to dispose of the assets of the Downstream JV or the mortgage rights over such assets in favour of the Company; and (b) ArcelorMittal shall provide the Company with a letter of comfort that is reasonably acceptable to the Company in support of the Downstream JV’s ability to perform its obligations under the foregoing debt financings ((a) and (b) being the “**Downstream Financing Support Conditions**”). The Downstream JV shall use its best endeavours to procure that the Downstream Initial Financing Support be released within two years after the commencement of full production of the Downstream JV.

After the release of the Downstream Initial Financing Support, to the extent that further funding is required by the Downstream JV and such funding cannot be obtained by the Downstream JV through debt financings to be secured by its own assets, subject to the necessary internal approval of the Company and the applicable approval of the Downstream JV Board or the shareholders of the Downstream JV at a general meeting in relation to such funding needs being obtained and the satisfaction of the Downstream Financing Support Conditions, the Company shall continue to provide and/or procure its affiliates to provide guarantee or other security in favour of the Downstream JV to assist the Downstream JV with securing financings to meet such funding needs.

It is expected that the Company's total commitment for the Downstream JV Formation will be approximately US\$1,157.1 million (the "**Downstream JV Maximum Capital Commitment**"), being the aggregate of: (a) the Company's share of the registered capital of the Downstream JV (being US\$450 million); (b) the maximum Downstream Initial Financing Support for an amount of US\$650 million; and (c) the future contribution of approximately RMB400 million (equivalent to approximately US\$57.1 million) to be made by the Company to the registered capital of the Downstream JV in light of the future development of Downstream Green Electricity Project by the Downstream JV, as set out in paragraph (d) under the sub-section headed "The Downstream JV Agreement – Government Investment and Green Electricity Project" above. The Downstream JV Maximum Capital Commitment was determined after arm's length negotiation between the JV Partners taking into account, among other things, the capital requirements for establishment of the production plant, equipment procurement and daily operations, and business prospects of the Downstream JV. The Downstream JV Maximum Capital Commitment will be financed by the Company's internal resources.

Conditions Precedent

Completion of the establishment of the Downstream JV shall be conditional upon fulfilment of the following conditions precedents:

- (a). The PRC merger control clearance (if required) in relation to the establishment of the Downstream JV has been obtained;
- (b). The transactions contemplated under the Downstream JV Agreement have been approved by the board of directors of ArcelorMittal;
- (c). Unless waived by the JV Partners in writing, the governmental approval documents required for the construction of the Upstream JV project have been obtained;
- (d). The establishment of the Downstream JV and the transactions contemplated under the Downstream JV Agreement that are required to be approved by Shareholders under applicable Listing Rules together with the establishment of the Downstream JV have been approved by Shareholders at a general meeting of the Company in accordance with applicable rules and regulations (including without limitation the Listing Rules);
- (e). Representations and warranties under the Downstream JV Agreement are true, accurate and not misleading in all respects; and
- (f). Each of the JV Partners has in all material respects performed or complied with its obligations and covenants under the Downstream JV Agreement which are required to be performed by it before the establishment of the Downstream JV.

Save as disclosed above, none of the conditions precedents above can be waived by any of the JV Partners.

Contribution to the Registered Capital

Subject to the satisfaction of the conditions precedent, each JV Partner shall concurrently make its respective capital contributions to the Downstream JV as follows:

- (a). the first contribution by each JV Partner to the registered capital of the Downstream JV in the amount of US\$100 million shall be made within two months after the Downstream JV Establishment Date;
- (b). the second contribution by each JV Partner to the registered capital of the Downstream JV in the amount of US\$75 million shall be made by 31 December 2025;
- (c). the third contribution by each JV Partner to the registered capital of the Downstream JV in the amount of US\$75 million shall be made by 31 December 2026;
- (d). each contribution above may be concurrently made by the JV Partners in one lump sum or in several tranches, provided that the specific contribution deadlines and the contribution amount for each tranche shall be determined by the Downstream JV Board based on the actual funding needs of the Downstream JV, which shall be no later than the respective dates specified above unless the JV Partners agree otherwise in writing; and
- (e). the contribution by each JV Partner of its unpaid share of the registered capital of the Downstream JV, being US\$200 million, shall be made based on the actual funding needs of the Downstream JV in the manner and within the timeframe determined by the Downstream JV Board, provided that such remaining registered capital must be fully paid within five years of the Downstream JV Establishment Date.

Board composition

The Downstream JV Board shall consist of six directors. Half of the members of the Downstream JV Board will be nominated by the Company and the remaining half of the members of the Downstream JV Board will be nominated by ArcelorMittal. The appointment of directors nominated by the JV Partners shall be subject to approval by shareholders of the Downstream JV at a general meeting and each JV Partner shall cast affirmative vote at such meeting to approve the appointment of directors nominated by the other JV Partner.

Termination

Each of the following events is a termination event under the Downstream JV Agreement:

- (a). the Downstream JV or a JV Partner goes bankrupt, is liquidated or becomes the object of liquidation procedures;
- (b). the merger or division of the Downstream JV which requires the liquidation of the Downstream JV;
- (c). breach of the PRC law which results in a legal order to shut down the Downstream JV;
- (d). force majeure event that makes it impossible for the Downstream JV to continue its operation for a continuous period of 12 months;

- (e). the defaulting JV Partner fails to rectify an event of default in accordance with the Downstream JV Agreement; and
- (f). the non-completion of the Downstream Change of Control Transfer within the timeframe specified in the Downstream JV Agreement.

If any of the termination events specified in paragraphs (a) to (d) above occurs, any JV Partner shall have the right to terminate the Downstream JV Agreement. If a termination event specified in paragraph (e) above occurs, the non-default JV Partner shall have the right to terminate the Downstream JV Agreement. If a termination event specified in paragraph (f) above occurs, the Non-Change of Control Party shall have the right to terminate the Downstream JV Agreement.

Dilution

If any JV Partner fails to contribute its share of the registered capital of the Downstream JV in accordance with the Downstream JV Agreement, the other JV Partner that has paid up its share of the registered capital of the Downstream JV has the right to require the non-contributing JV Partner to transfer to it the equity of the Downstream JV representing such unpaid registered capital without consideration and pay up accordingly.

In the event that the Downstream JV is in financial distress that affects the progress of its project or ordinary operations and the JV Partners are unable to reach an agreement on the capital increase of the Downstream JV, the JV Partners shall work towards a solution through amicable negotiation. If a solution cannot be reached within a reasonable period, any JV Partner shall have the right to request for an increase in the registered capital of the Downstream JV up to an amount that is sufficient to resolve the foregoing financial distress, and the JV Partners shall subscribe for such capital increase in proportion to their then respective share of the registered capital of the Downstream JV. If any JV Partner refuses to make such subscription, the other JV Partner shall have the right to subscribe for such capital increase in full.

Restriction on Transfer

Save as permitted under the Downstream JV Agreement or the articles of association of the Downstream JV, a JV Partner may not directly or indirectly dispose of, or create any encumbrance over the whole or any part of, its interest in the registered capital of the Downstream JV without the prior written consent of the other JV Partner.

A JV Partner may not directly or indirectly transfer all or any part of its interest in the registered capital of the Downstream JV to a third party that is engaged in a Downstream JV Competing Business in the PRC or an affiliate of such third party without the prior written consent of the other JV Partner.

Right of First Refusal

If a JV Partner purports to directly or indirectly transfer all or any part of its interest in the registered capital of the Downstream JV to a third party that is not engaged in a Downstream JV Competing Business in the PRC or affiliates of such third party, the non-transferring JV Partner shall have the right of first refusal to purchase all of the interests proposed to be transferred by the transferring JV Partner at the same price as the planned transfer.

Change of Control

If there is a Change of Control of a JV Partner, the Non-Change of Control Party may require the Change of Control Party to transfer all of the Change of Control Party's interest in the registered capital of the Downstream JV to it at the fair market value of such interest ("**Downstream Change of Control Transfer**"). If the Downstream Change of Control Transfer is not completed within six months from the date of receipt by the Change of Control Party of the notice in relation to the Non-Change of Control Party's request of Downstream Change of Control Transfer (provided that such delay is not caused by the Non-Change of Control Party), the Non-Change of Control Party shall have the right to terminate the Downstream JV Agreement or request the Change of Control Party to purchase the Non-Change of Control Party's entire stake in the registered capital of the Downstream JV at the fair market value of such interest.

Non-compete

During the term of the Downstream JV Agreement, the Downstream JV shall be the exclusive supplier of the Company and ArcelorMittal regarding the production and sales of NEMM products in PRC market, and each JV Partner shall not, and shall procure that its respective affiliates will not, conduct, be engaged in or be involved in a Downstream JV Competing Business within the PRC, directly or indirectly, on their own account or in conjunction with or on behalf of any other person or company. ArcelorMittal may participate in any subsequent new project or downstream investment initiated by the Company directly or indirectly, which uses the HRC Products as input material directly or indirectly. In the event that ArcelorMittal decides to participate in any such future new projects or downstream investments, it may have up to 50% direct equity in the new projects or downstream investments. Although the Company has not been granted with similar rights to participate in new projects or downstream investments initiated by ArcelorMittal, the Directors are of the view that such arrangement is fair and reasonable to the Company for reasons set out in sub-section headed "The Upstream JV Agreement – Non-compete" above.

Compliance with Listing Rules

If any JV Partner intends to engage in or execute any transaction or arrangement in accordance with the Downstream JV Agreement, the JV Partners agree that the Downstream JV Agreement and any transactions or arrangements entered into pursuant to the Downstream JV Agreement shall be subject to the applicable provisions of the Listing Rules.

ANCILLARY TRANSACTIONS CONTEMPLATED UNDER THE JV AGREEMENTS

As contemplated under the Upstream JV Agreement and/or the Downstream JV Agreement:

- (a). the Company shall procure Jinxi Limited to enter into the Slab Supply Framework Agreement with the Upstream JV, pursuant to which Jinxi Limited shall supply Slab Products to the Upstream JV exclusively;
- (b). the JV Partners shall procure the Upstream JV to enter into the HRC Supply Agreement with the Downstream JV, pursuant to which the Upstream JV shall supply HRC Substrates to the Downstream JV; and
- (c). ArcelorMittal shall enter into the Technology Licensing Agreement with the Company, Jinxi Limited, the Upstream JV, the Downstream JV and AAMS, pursuant to which the Downstream JV will be provided with the necessary technology, know-how and technical assistance for production of NEMM products and authorised to sublicense the relevant technology to the Upstream JV and Jinxi Limited.

SLAB SUPPLY ARRANGEMENT

As agreed between the JV Partners under the Upstream JV Agreement, for the purpose of ensuring a stable supply of raw materials for the production of HRC Substrates by the Upstream JV, the Company shall procure Jinxi Limited to enter into the Slab Supply Framework Agreement with the Upstream JV, pursuant to which Jinxi Limited shall supply Slab Products exclusively to the Upstream JV. The principal terms of the Slab Supply Framework Agreement agreed by the JV Partners are summarised as follows:

Date

The Slab Supply Framework Agreement is expected to be entered into between Jinxi Limited and the Upstream JV after the establishment of the Upstream JV, which is expected to be in the first half of 2025.

Parties

- (a). Jinxi Limited, a subsidiary of the Company (as supplier); and
- (b). The Upstream JV (as purchaser).

Subject Matter

Subject to the terms and conditions of the Slab Supply Framework Agreement, the Upstream JV shall purchase Slab Products from Jinxi Limited, and Jinxi Limited shall manufacture and supply Slab Products exclusively to the Upstream JV.

Term

The Slab Supply Framework Agreement shall be for an initial term of three years, unless terminated at an earlier date pursuant to the Slab Supply Framework Agreement.

Subject to re-compliance by the Company with applicable requirements under the Listing Rules at the relevant time, the Slab Supply Framework Agreement will be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules) until the end of the term of the Upstream JV Agreement, unless terminated at an earlier date pursuant to the Slab Supply Framework Agreement.

Condition Precedent

The effectiveness of the Slab Supply Framework Agreement shall be subject to the Company's compliance with the relevant requirements of the Listing Rules with regard to continuing connected transactions contemplated under the Slab Supply Framework Agreement, including without limitation the approval of the Slab Supply Arrangement by the Independent Shareholders.

Pricing Policy

The price for Slab Products (the “**Slab Products Procurement Price**”) shall be set by reference to: (a) the prevailing monthly industry average of the production costs involved in manufacturing of pig iron for steel making according to the monthly report of China Iron & Steel Association; (b) the expected production costs for steelmaking and continuous casting for base grade (Q235) to be incurred by the Group; (c) grade extra from the unit consumption ratio based on the reference plant of ArcelorMittal and alloy and utility costs of local market; and (d) the profit margin of the Group for supplying the Slab Products, taking into account the profit margins of members of the China Iron & Steel Association. The technical steering committee of the Upstream JV will review the profit margin of the Group for supplying the Slab Products regularly and make appropriate adjustments if needed.

Payment Terms

20% of the total price for Slab Products purchased by the Upstream JV in a given month shall be due and payable by the 20th day of the calendar month immediately prior to the delivery date of such Slab Products and the remaining balance shall be paid by the 25th day of the calendar month when such Slab Products are delivered to the Upstream JV.

Additional Incentive

From the financial year immediately after the first financial year in which retained earnings of the Upstream JV turns positive at the end of such financial year and for a total of 10 consecutive years, an additional incentive of US\$10 per metric ton (net of taxes) (the “**Slab Supply Incentive Fee**”) shall be paid by the Upstream JV to Jinxi Limited based on the total volume of qualified HRC Substrates manufactured and sold by the Upstream JV (by using the Slab Products) for NEMM application in the relevant year.

Proposed Slab Supply Annual Cap for the Continuing Connected Transactions contemplated under the Slab Supply Framework Agreement

There is no historical transaction amount for the continuing connected transactions contemplated under the Slab Supply Framework Agreement. The proposed Slab Supply Annual Cap comprises the Slab Products Procurement Price and the Slab Supply Incentive Fee. It is expected that the supply of Slab Products by Jinxi Limited to the Upstream JV will only commence in the third quarter of 2026 and the proposed Slab Supply Annual Cap for the continuing connected transactions contemplated under the Slab Supply Framework Agreement for each of the three years ending 31 December 2025, 2026 and 2027 will not exceed the amounts set out below:

For the financial year ending 31 December	RMB
2025	0
2026	2,745,000,000
2027	7,609,000,000

The proposed Slab Supply Annual Cap has been determined primarily with reference to the following factors: (i) the estimated production timeline of the Upstream JV, under which it is expected that the Upstream JV will not purchase the Slab Products from Jinxi Limited until the third quarter of 2026; (ii) the estimated demand of the Slab Products by the Upstream JV in 2026 and 2027; (iii) the prevailing market price of hot rolled slabs similar to the Slab Products; (iv) the anticipated market price of Slab Products and manufacturing costs of Jinxi Limited for the production of Slab Products during 2026 and 2027, taking into account the historical inflation rate and fluctuation in market price for the raw material of and the hot rolled slabs similar to the Slab Products; and (v) the profit margin of the Group for supplying the Slab Products.

HRC SUPPLY ARRANGEMENT

As agreed between the JV Partners under the Downstream JV Agreement, in order to ensure a stable supply of input materials for the production by the Downstream JV, the JV Partners shall procure the Upstream JV to enter into the HRC Supply Agreement with the Downstream JV, pursuant to which the Upstream JV shall supply HRC Substrate to the Downstream JV, which shall be used as input materials for manufacturing by the Downstream JV. The HRC Supply Agreement is expected to be entered into between the Upstream JV and the Downstream JV after the establishment of the JV Companies in the first half of 2025.

TECHNOLOGY LICENSING ARRANGEMENT

As agreed between the JV Partners under the JV Agreements, to facilitate the production of the JV Companies, the JV Partners shall enter into the Technology Licensing Agreement with the Upstream JV, the Downstream JV, Jinxi Limited and AAMS. The principal terms of the Technology Licensing Agreement agreed by the JV Partners are summarised as follows:

Date

The Technology Licensing Agreement is expected to be entered into between and among ArcelorMittal, the Company, Jinxi Limited, the Upstream JV, the Downstream JV and AAMS after the establishment of the JV Companies in the first half of 2025.

Parties

- (a). ArcelorMittal (as licensor);
- (b). The Company;
- (c). Jinxi Limited (as sub-licensee);
- (d). The Upstream JV (as sub-licensee);
- (e). The Downstream JV (as licensee); and
- (f). AAMS, a subsidiary of ArcelorMittal.

Subject Matter

ArcelorMittal shall grant to the Downstream JV: (a) a non-exclusive, non-transferrable, non-assignable, limited-scope and indivisible license in the PRC, without the right to sub-license, to use the Licensed NEMM Technologies (“**NEMM License**”); (b) a non-exclusive, non-transferrable, non-assignable, royalty-free, limited-scope and indivisible license in the PRC, without the right to sub-license (except for sub-licensing to the Upstream JV), to use the Licensed HRC Technologies (“**HRC License**”); and (c) a non-exclusive, non-transferrable, non-assignable, royalty-free, limited-scope and indivisible license in the PRC, without the right to sub-license (except for sub-licensing to Jinxi Limited), to use the Licensed Slab Technologies (“**Slab License**”). The technology license fees payable by the Downstream JV to ArcelorMittal shall be US\$10 per metric ton (net of taxes) based on the actual annual sales volume of the products manufactured by the Downstream JV prescribed in the Technology Licensing Agreement, provided that such license fees shall be paid annually for a period of 10 years starting from the year immediately after the first financial year when retained earnings of the Downstream JV turns positive at the end of such financial year.

In consideration of the supply of the HRC Substrates by the Upstream JV to the Downstream JV and the supply of the Slab Products by Jinxi Limited to the Upstream JV respectively, the Downstream JV shall further grant: (i) a sublicense to the Upstream JV to use the Licensed HRC Technologies (“**HRC Sublicense**”) at nil license fee; and (ii) a sublicense to Jinxi Limited to use the Licensed Slab Technologies (“**Slab Sublicense**”) at nil license fee.

If any Technical Assistance is required, ArcelorMittal shall provide, through itself or its affiliates, such services to the Downstream JV, the Upstream JV and Jinxi Limited in accordance with the terms of the Technology Licensing Agreement.

Term

The term of the NEMM License, HRC License and Slab License shall be the same as the term of the Downstream JV (i.e. 50 years from the Downstream JV Establishment Date). The term of the HRC Sublicense and the Slab Sublicense shall be the same as the term of the HRC License and Slab License, respectively.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is an investment holding company with trading of steel products and iron ore business. The Group is principally engaged in the manufacturing and sales of iron and steel products, trading of steel products, iron ore and related raw materials, sales of power equipment and real estate business.

Jinxi Limited is a company established in the PRC with limited liability and a 97.6% indirectly owned subsidiary of the Company. It is principally engaged in manufacturing and sales of steel products.

ArcelorMittal and AAMS

ArcelorMittal is a company incorporated under the laws of Luxembourg. It is, together with its subsidiaries, principally engaged in steelmaking and mining. ArcelorMittal or its certain affiliates are respectively listed on the stock exchanges of New York (MT), Amsterdam (MT), Paris (MT), Luxembourg (MT) and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia (MTS).

AAMS is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of ArcelorMittal. It is principally engaged in providing various management services and technical support to its affiliates.

Qianxi Government

The Qianxi Government is a PRC governmental body in Qianxi County, Tangshan City, Hebei Province, the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Qianxi Government is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

Changzhou Management Committee

The Changzhou Management Committee is the management committee of Changzhou National High-Tech Zone (常州國家高新區管委會), which is a PRC governmental body in Xinbei District, Changzhou City, Jiangsu Province, the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Changzhou Management Committee is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

REASONS AND BENEFITS FOR THE JV FORMATION AND THE SLAB SUPPLY ARRANGEMENT

NEMM is a soft magnetic material with enhanced electromagnetic properties that are core materials for downstream high-end manufacturing in the steel industry and have been used in the cores of electrical equipment, for example motors of automobiles.

With respect to the automobile industry, in recent years, against the backdrop of the rapid growth of electric vehicle market and the competitive industry landscape, automobile manufacturers have invested heavily in development and manufacturing of electric vehicles. In particular, soft magnetic materials with ultra-premium grade or premium grade have been applied to increase power generation efficiency, improve motor performance and achieve better driving experiences for customers. In addition, in light of the regulatory requirements in relation to greenhouse gas emissions and consumers' increasing awareness for climate issues, various automobile manufacturers have set targets to decarbonise their supply chains.

Underpinned by the vision of embracing the enormous opportunities brought by the trend above, the Company and ArcelorMittal agreed to collaborate with each other to build the JV Companies to tap into the low-carbon production of soft magnetic materials in the PRC by entering into the JV Agreements and agreeing on other arrangements, including without limitation the Slab Supply Framework Agreement and the Technology Licensing Agreement. The Company and ArcelorMittal believe that their long-term investments in, and continued support to, the JV Companies pursuant to the JV Agreements and the arrangements discussed above will create greater synergy between the JV Partners in terms of local expertise and international technical know-how. The Group has accumulated extensive experience in the steel industry in the PRC while ArcelorMittal is a renowned global steel manufacturer and one of the few possessing technological know-how in the production of NEMM. The project features to be a high-tech, green and digital endeavour to satisfy the enormous market demand of soft magnetic materials in the PRC by fully applying the JV Partners' complimentary expertise and investment in green power projects. Therefore, it is expected that the JV Companies are well-positioned to leverage the respective strengths of the JV Partners to build the supply chain of the NEMM products in the PRC. Concurrently, the formation of the JV Companies and the Slab Supply Framework Agreement demonstrate the Company's commitment to development of high value-added products in new growing market segments, thereby enhancing the Group's long-term competitiveness and profitability.

In addition, as disclosed in the 2024 Interim Report of the Company, in May 2024, the NDRC, the MIIT, the Ministry of Ecology and Environment and other ministries of the PRC jointly issued the Special Action Plan for Energy Conservation and Carbon Reduction in the Iron and Steel Industry* (《鋼鐵行業節能降碳專項行動計劃》), under which iron and steel manufacturing enterprises are encouraged to lower their carbon emission, pursue secondary energy-recycling and power their production plants with renewable energy. The transactions contemplated under the JV Agreements represent a key step taken by the Group to continue adhering to the PRC governmental policy and working towards its goal of becoming a carbon neutral business by 2050.

Taking into account the above and the respective terms of the JV Agreements and the Slab Supply Framework Agreement, the Directors (excluding Mr. Sanjay SHARMA and Mr. Ondra OTRADOVEC, who have abstained from voting on the respective board resolutions approving the Board Matters as discussed below, and all independent non-executive Directors, whose opinions will be set out in the letter from the independent board committee to be included in the circular to be despatched to the Shareholders) are of the view that the terms of the JV Agreements and the Slab Supply Framework Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of the announcement, the Company is owned as to approximately 37% by ArcelorMittal, a substantial shareholder of the Company, and AAMS is a wholly-owned subsidiary of ArcelorMittal. Following completion of the establishment of the JV Companies, each of the JV Companies will be owned as to 50% by ArcelorMittal. Therefore, ArcelorMittal and AAMS are, and the JV Companies will upon incorporation become, connected persons of the Company. For the avoidance of doubt, as of the date of this announcement, the Company expects that the JV Companies will not become subsidiaries of the Company upon their establishment and the financial results of the JV Companies will not be consolidated into the financial statements of the Group as subsidiaries of the Company. The JV Companies will be accounted for using the equity method in the Group's financial statements upon their establishment.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the JV Formation exceeds 100% on an aggregated basis, the JV Formation constitutes a very substantial acquisition for the Company and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the JV Formation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the proposed Slab Supply Annual Cap, the highest applicable percentage ratio in respect of the Slab Supply Arrangement is more than 25%. Therefore, the Slab Supply Arrangement constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules and the Slab Supply Arrangement and the proposed Slab Supply Annual Cap are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Technology Licensing Arrangement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. However, since all applicable percentage ratios for the Technology Licensing Arrangement are less than 0.1%, the Technology Licensing Arrangement is exempt from all the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene a General Meeting for the Shareholders to consider and, if thought fit, to approve the GM Matters. A circular containing, among other things, details of the GM Matters and a notice of an extraordinary general meeting of the Company, is expected to be despatched to the Shareholders on or before 31 December 2024 as additional time is required for the Company to prepare and finalise the information to be contained in its circular (including but not limited to the indebtedness statement and the working capital sufficiency statement).

To the best of the knowledge, information and belief of the Directors, having made all reasonable inquiries, no Shareholder apart from ArcelorMittal and its associates shall abstain from voting on the resolution(s) approving the JV Formation, the Slab Supply Arrangement and the proposed Slab Supply Annual Cap.

As Mr. Sanjay SHARMA and Mr. Ondra OTRADOVEC own equity interests in ArcelorMittal, they are regarded as having a material interest in the JV Formation, the Slab Supply Arrangement, the proposed Slab Supply Annual Cap, the Technology Licensing Arrangement and the arrangements under the Upstream JV Government Investment Agreement (collectively, "**Board Matters**"). Therefore, they have abstained from voting on the respective board resolutions approving the Board Matters. Other than Mr. Sanjay SHARMA and Mr. Ondra OTRADOVEC, none of the Directors has a material interest in the Board Matters. Therefore, apart from Mr. Sanjay SHARMA and Mr. Ondra OTRADOVEC, none of the Directors has abstained from voting on the respective board resolutions approving the Board Matters.

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders with respect to the JV Formation, the Slab Supply Arrangement and the proposed Slab Supply Annual Cap. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

WARNING

Shareholders and potential investors of the Company should be aware that: (a) the JV Formation, the Slab Supply Arrangement and the Technology Licensing Arrangement are subject to the fulfillment of certain conditions precedent being satisfied and may or may not proceed; (b) the signing of the Slab Supply Framework Agreement is subject to the establishment of the Upstream JV and may or may not proceed; and (c) the signing of the Technology Licensing Agreement is subject to the establishment of the JV Companies and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions used in this announcement have the following meanings:

“AAMS”	ArcelorMittal Asia Management Services (Shanghai) Co., Limited* (安賽樂米塔爾亞太管理服務(上海)有限公司), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of ArcelorMittal
“ArcelorMittal”	ArcelorMittal S.A., a company incorporated under the laws of Luxembourg
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Change of Control”	(a) A shareholder in a JV Partner or any parent of that shareholder (if applicable) directly or indirectly selling or transferring to a third party (with respect to either JV Partner, such “third party” shall exclude its affiliates) the shares or registered capital representing more than 50% of all the voting rights in such JV Partner, causing alteration to the controlling right in that JV Partner; or (b) A third party (with respect to either JV Partner, such “third party” shall exclude its affiliates) being entitled to directly or indirectly direct or cause another person to direct the management and policies of a JV Partner by having the right to appoint or elect the majority of members of the board of directors of such JV Partner, or through other methods
“Company”	China Oriental Group Company Limited, a company incorporated in Bermuda with limited liability and its issued shares are listed on the main board of the Stock Exchange
“Director(s)”	directors(s) of the Company

“Downstream JV”	a limited liability company to be jointly established by the JV Partners in the PRC pursuant to the Downstream JV Agreement
“Downstream JV Agreement”	the joint venture contract (downstream) dated 16 October 2024 entered into between the Company and ArcelorMittal in relation to, among other things, the establishment of the Downstream JV
“Downstream JV Board”	the board of directors of the Downstream JV
“Downstream JV Competing Business”	any business directly or indirectly manufacturing and/or selling products identical to or otherwise competing with the NEMM products produced by the Downstream JV in the territory of PRC
“Downstream JV Establishment Date”	the date of establishment of the Downstream JV as set forth in the initial business license of the Downstream JV
“Downstream JV Formation”	the formation of the Downstream JV in accordance with the Downstream JV Agreement, including the provision of the Downstream JV Maximum Capital Commitment by the Company For the avoidance of doubt, it does not include transactions contemplated under the Slab Supply Framework Agreement, the HRC Supply Agreement and the Technology Licensing Agreement
“General Meeting”	a general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the GM Matters
“GM Matters”	collectively, the JV Agreements, the JV Formation, the Slab Supply Framework Agreement, the Slab Supply Arrangement and the proposed Slab Supply Annual Cap
“Group”	collectively, the Company and its subsidiaries from time to time
“GW”	gigawatt
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HRC”	hot-rolled coils
“HRC Products”	HRC produced by the Upstream JV, including: (i) HRC Substrates; and (ii) other HRC products jointly decided by the JV Partners, which will be manufactured without the application of the Licensed HRC Technologies and sold on the open market by the Upstream JV

“HRC Substrates”	electrical steel grade HRC substrates manufactured by the Upstream JV to be supplied to the Downstream JV as input materials for production of NEMM products, the manufacture of which is carried out by application of the Licensed HRC Technologies
“HRC Supply Agreement”	the HRC supply agreement to be entered into between the Downstream JV and the Upstream JV
“Independent Board Committee”	an independent committee of the Board, which comprises all independent non-executive Directors, namely Mr. WONG Man Chung Francis, Mr. WANG Bing, Dr. TSE Cho Che Edward and Ms. YU Fang Jing, established to advise the Independent Shareholders on, among other matters, the fairness and reasonableness of the GM Matters
“Independent Shareholders”	the Shareholders, other than ArcelorMittal and its associates, who do not have any material interest in the GM Matters to be considered at the General Meeting
“Jinxi Limited”	Hebei Jinxi Iron and Steel Group Company Limited* (河北津西鋼鐵集團股份有限公司), a company incorporated in the PRC with limited liability and a 97.6% indirectly owned subsidiary of the Company
“JV Agreements”	collectively, the Upstream JV Agreement and the Downstream JV Agreement
“JV Companies”	collectively, the Upstream JV and the Downstream JV
“JV Formation”	collectively, the Upstream JV Formation and the Downstream JV Formation
“JV Partner(s)”	the Company and/or ArcelorMittal, as the case may be
“Licensed HRC Technologies”	certain production know-how and technologies of ArcelorMittal in relation to HRC Substrates as prescribed in the Technology Licensing Agreement that will be licensed by ArcelorMittal to the Downstream JV and sub-licensed by the Downstream JV to the Upstream JV
“Licensed NEMM Technologies”	certain production know-how and technologies of ArcelorMittal in relation to NEMM as prescribed in the Technology Licensing Agreement that will be licensed by ArcelorMittal to the Downstream JV

“Licensed Slab Technologies”	certain production know-how and technologies of ArcelorMittal in relation to Slab Products as prescribed in the Technology Licensing Agreement that will be licensed by ArcelorMittal to the Downstream JV and sub-licensed by the Downstream JV to Jinxi Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MIIT”	Ministry of Industry and Information Technology of the PRC* (中國工業和信息化部)
“MW”	megawatt
“NDRC”	National Development and Reform Commission of the PRC* (中國國家發展和改革委員會)
“NEMM”	cold rolled non-oriented or oriented electrical steel produced by the Downstream JV
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qianxi Government”	Qianxi County People’s Government* (遷西縣人民政府)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Slab Products”	hot-rolled slabs to be supplied by Jinxi Limited to the Upstream JV in accordance with the Slab Supply Framework Agreement for the production of HRC Substrates of the Upstream JV
“Slab Supply Annual Cap”	the estimated maximum aggregate annual amounts with respect to the Slab Supply Arrangement for each of the three financial years of the Company ending 31 December 2025, 2026 and 2027
“Slab Supply Arrangement”	the transactions contemplated under the Slab Supply Framework Agreement
“Slab Supply Framework Agreement”	the slab supply framework agreement to be entered into between the Upstream JV and Jinxi Limited in relation to the supply of Slab Products from Jinxi Limited to the Upstream JV
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Technical Assistance”	the technical training and the technical support to be provided by ArcelorMittal and/or its affiliates to the Downstream JV, Upstream JV and Jinxi Limited in accordance with the Technology Licensing Agreement
“Technology Licensing Agreement”	the technology licensing contract to be entered into between and among ArcelorMittal, the Company, the Downstream JV, the Upstream JV, Jinxi Limited and AAMS in relation to, among other things, the grant of the NEMM License, HRC License, Slab License, HRC Sublicense and Slab Sublicense
“Technology Licensing Arrangement”	the transactions contemplated under the Technology Licensing Agreement
“Upstream JV”	a limited liability company to be jointly established by the JV Partners in the PRC pursuant to the Upstream JV Agreement
“Upstream JV Agreement”	the joint venture contract (upstream) dated 16 October 2024 entered into between the Company and ArcelorMittal in relation to, among other things, the establishment of the Upstream JV
“Upstream JV Board”	the board of directors of the Upstream JV
“Upstream JV Competing Business”	any business directly or indirectly manufacturing and/or selling products identical to or otherwise competing with the HRC Products produced by the Upstream JV in the territory of PRC
“Upstream JV Establishment Date”	the date of establishment of the Upstream JV as set forth in the initial business license of the Upstream JV
“Upstream JV Formation”	the formation of the Upstream JV in accordance with the Upstream JV Agreement, including the provision of the Upstream JV Maximum Capital Commitment by the Company For the avoidance of doubt, it does not include transactions contemplated under the Slab Supply Framework Agreement, the HRC Supply Agreement and the Technology Licensing Agreement
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent

By order of the Board
China Oriental Group Company Limited
HAN Jingyuan
Chairman and Chief Executive Officer

Hong Kong, 16 October 2024

For the purpose of this announcement, unless the context otherwise requires, the conversion of RMB into US\$ is based on the approximate exchange rate of RMB1 to US\$0.1427. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in US\$ and RMB have been, could have been or may be converted at such or any other rate or at all.

As at the date of this announcement, the Board comprises Mr. HAN Jingyuan, Mr. ZHU Jun, Mr. SHEN Xiaoling, Mr. HAN Li, Mr. Sanjay SHARMA and Mr. LI Mingdong being the Executive Directors, Mr. Ondra OTRADOVEC being the Non-executive Director and Mr. WONG Man Chung Francis, Mr. WANG Bing, Dr. TSE Cho Che Edward and Ms. YU Fang Jing being the Independent Non-executive Directors.

This announcement is published on the websites of the Company (www.chinaorientalgroup.com) and the Stock Exchange (www.hkexnews.hk).

**For identification purposes only*