金力永磁
JLMAG

江西金力永磁科技股份有限公司
JL MAG RARE-EARTH CO., LTD.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
STOCK CODE : 6680

2022
ANNUAL REPORT

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CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your continuous trust and support. On behalf of the Board of Directors of the Company, I would like to present to you the annual results of the Company for the year ended 31 December 2022.

In 2022, factors such as raw material prices and exchange rate fluctuations, international turbulence and energy market shocks had a periodical impact on various industries. The global economic development was highly uncertain, and the economic environment remained complex.

Facing severe challenges, the management team of the Company, was led by the core value of "Customer Orientation and Value Co-Creation", and guided by the development strategy formulated by the Board of Directors, led all employees to work hard, which achieved substantial growth in operating results for 5 consecutive years. During the Reporting Period, the Company achieved revenue of RMB7,165.2 million, representing an increase of 75.6% as compared with the same period of last year. Profit for the year attributable to owners of the parent amounted to RMB702.7 million, representing an increase of 55.1% as compared with the same period of last year. The production and sales volume of high-performance REPM products of the Company both recorded a historical high. In particular, the production and sales volume of grain boundary diffusion products increased significantly, and its leading position in market segments such as NEVs, energy-saving VFACs and wind power generation was further consolidated. Our technology, quality and management capability have significantly improved. In the election of "2022 Jinggang Quality Award (2022年井岡質量獎)", which is the highest governmental quality award of Jiangxi province, we won the Fourth Session Jinggang Quality Award of Jiangxi Province (第四屆江西省井岡質量獎), which reflected the excellent capabilities of the Company in performance management, quality management and self-innovation. Our performance and delivery capability have also received widespread acclaim from customers.

With the successful completion, acceptance and operation of the "High-Performance REPM Base Project" with an annual production capacity of 8,000 tonnes invested and constructed by us in Baotou, the annual production capacity of our high-performance REPM blanks has reached 23,000 tonnes. The production base has also transformed from a single factory to a group of factories in multiple locations. The Board of Directors has also adopted relevant plans to gradually increase the annual production capacity of the Company's high-performance REPM blanks to 40,000 tonnes by 2025.

The listing of our H Shares on the Hong Kong Stock Exchange on 14 January 2022 signifies that we will accelerate the process of internationalization and globalization of our business. The total proceeds from the Global Offering of H Shares amounted to approximately HK$4,240.8 million, which will greatly benefit the implementation of our growth strategy and global expansion plan.

Over the past fifteen years since our establishment, we have been practicing the mission of "Employing rare earth to create better life", adhering to the long-term principle, and striving to achieve the strategic goal of becoming the global leader in the REPMs industry. Looking forward to 2023, the Board of Directors has set the operating policy as "Customer-orientated, International deployment, and making new achievements courageously". We will further expand our high-end production capacity, strengthen technological innovation, expand our global business footprint, adhere to the concept of low-carbon development, and actively fulfill our social responsibility for sustainable development.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders and business partners for their strong support and encouragement in 2022, as well as our sincere gratitude to all of our staff for their hard work.

Cai Baogui
Co-founder, Chairman and General Manager

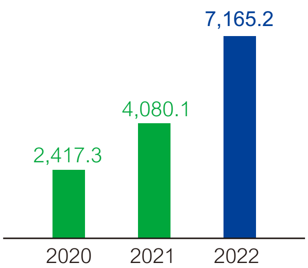
30 March 2023

HIGHLIGHT

Revenue

Unit: RMB million

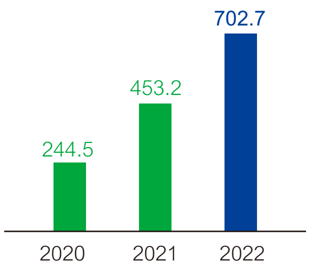
7,165.2 ↑ **75.6%**



Profit for the year attributable to owners of the parent

Unit: RMB million

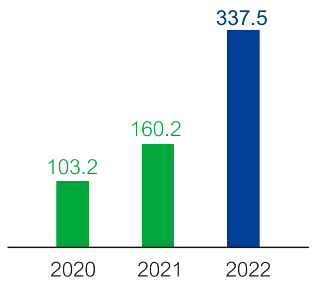
702.7 ↑ **55.1%**



Research and development expenses

Unit: RMB million

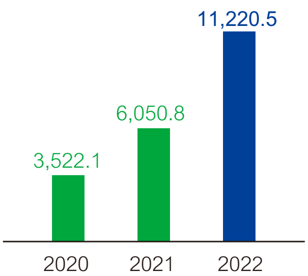
337.5 ↑ **110.7%**



Total Assets

Unit: RMB million

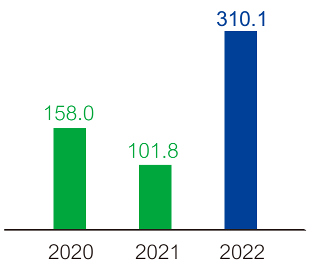
11,220.5 ↑ **85.4%**



Net cash flows from operating activities

Unit: RMB million

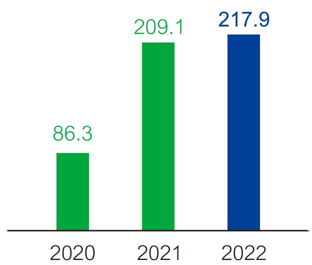
310.1 ↑ **204.6%**



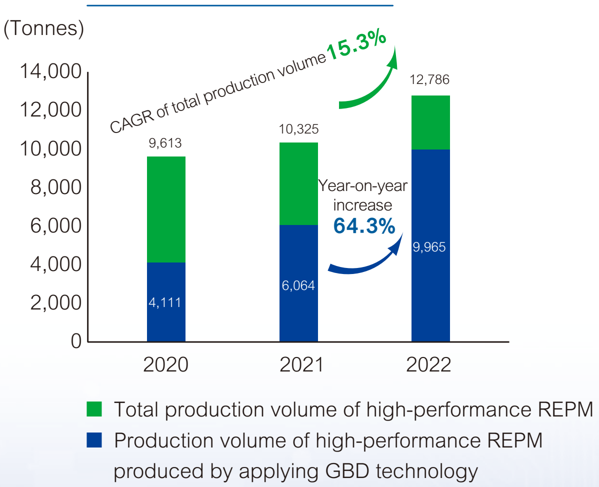
Dividends

Unit: RMB million

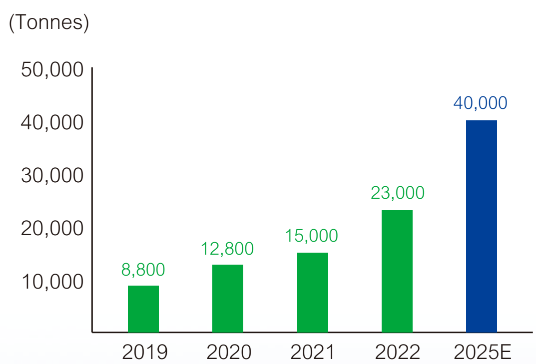
217.9 ↑ **4.2%**



Production volume of high-performance REPM finished products



Annual production capacity of high-performance NdFeB PM blanks



HIGHLIGHT (CONTINUED)

The Company is moving towards the collectivization of many factories

Ganzhou factory

Baotou factory

Ningbo factory

LEADING POSITION IN THE INDUSTRY

In 2022, the Company's products have been used by the world's top ten new energy vehicle manufacturers

The sales volume of the Company's magnetic steel products for NEV drive motors can assemble approximately

2.86 million passenger NEVs

Facilitating to reduce carbon emissions by approximately

5.90 million tonnes/year

In 2022, eight of the top ten VFAC compressor manufacturers are the customers of the Company

The sales volume of the Company's magnetic steel products for energy-saving VFACs can assemble approximately

50.28 million VFAC compressors

Facilitating to reduce carbon emissions by approximately

18.19 million tonnes/year

In 2022, four of the top five wind turbine generators manufacturers worldwide are the customers of the Company

The sales volume of the Company's magnetic steel products for wind power sector can equip wind turbine generators with an approximate aggregate installed capacity of

8.29 GW

Facilitating to reduce carbon emissions by approximately

13.73 million tonnes/year

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"A Share(s)"	domestic shares of the Company with a par value of RMB1.00 each, the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange and traded in RMB
"alloy"	a compound of two or more elements, at least one of which is a metal, and where the resulting material has metallic properties
"Articles of Association"	the articles of association of JL MAG RARE-EARTH CO., LTD.
"Board"	the Board of Directors
"Bosch", "Bosch Group"	Robert Bosch Investment Nederland B.V. (羅伯特－博世投資荷蘭有限公司) and its subsidiaries
"Baotou Company"	JL MAG (Baotou) Technology CO., Ltd. (金力永磁(包頭)科技有限公司), a limited liability company incorporated in the PRC on August 18, 2020 which is wholly-owned by our Company
"CAGR"	compound annual growth rate
"Chairman"	the chairman of the Board
"close associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"coercivity"	a measure of the ability of a ferromagnetic material to withstand an external magnetic field without becoming demagnetized
"Company Law"	Company Law of the PRC (《中華人民共和國公司法》)
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, means, a group of controlling shareholders of our Company comprising of Mr. Cai Baogui (蔡報貴), Mr. Hu Zhibin (胡志濱), Mr. Li Xinnong (李忻農), Ruide Venture, Ganzhou Geshuo Investment Management Center (limited partnership) (贛州格碩投資管理中心(有限合夥)) and Ganzhou Xinsheng Investment Management Center (limited partnership) (贛州欣盛投資管理中心(有限合夥))
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company or any one of them
"energy-saving VFACs"	energy-saving variable-frequency air-conditioners

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goldwind Technology"	Xinjiang Goldwind Science And Technology Co., Ltd. (新疆金風科技股份有限公司), a wind turbine generator producer
"grain boundary diffusion (GBD) technology"	technology that allows the Dysprosium or Terbium to penetrate into the magnet through its grain boundary when the heat treatment temperature is higher than the melting point of Nd-rich phase
"Gree"	Gree Electric Appliances, Inc. Of Zhuhai (珠海格力電器股份有限公司) and its subsidiaries
"Group"	JL MAG and its subsidiaries
"GW"	a unit of power, 1 GW equals 1,000 MW
"H Shares"	overseas listed foreign shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in HK dollars
"high-performance REPMs"/ "high-performance NdFeB PMs"	according to industry practice, sintered NdFeB PMs with the sum of intrinsic coercivity (Hcj, kOe) and maximum energy product ((BH)max, MGOe) higher than 60 are high performance NdFeB PMs.
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollar"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"IFRS"	the International Financial Reporting Standards
"Independent Third Party(ies)"	a person or persons or a company or companies which, to the best of our directors' knowledge, information and belief, having made all reasonable enquiries, is independent of and not connected with (within the meaning of the Hong Kong Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Hong Kong Listing Rules) of our Company, any of its subsidiaries or any of their respective associates (within the meaning of the Hong Kong Listing Rules)

DEFINITIONS (CONTINUED)

"installed capacity"	the capacity of wind turbines or power generators that have been completely assembled and erected and which have been commissioned and started producing electricity
"Jiangtong Cicai"	Sichuan Jiangtong Rare Earth Magnetic Material Co., Ltd. (四川江銅稀土磁材有限公司)
"JL MAG", "Company", "Our Company"	JL MAG RARE-EARTH CO., LTD. (江西金力永磁科技股份有限公司)
"JL Tech (Hong Kong)"	JL MAG Green Tech (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company
"JL HK"	JL Mag Rare-Earth (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company
"JL Ningbo Technology"	JL MAG RARE-EARTH (NINGBO) CO., LTD, a wholly-owned subsidiary of the Company
"Midea"	Midea Group Co., Ltd. (美的集團股份有限公司) and its subsidiaries
"Mitsubishi Electric"	Mitsubishi Electric (Guangzhou) Compressor Co., Ltd. (三菱電機(廣州)壓縮機有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules
"NdFeB PMs"	permanent magnets made from an alloy of neodymium, iron, and boron that are divided into two subcategories, namely sintered NdFeB magnets and bonded NdFeB magnets because of different manufacturing processes
"NEVs"	new energy vehicles
"Northern Rare Earth"	China Northern Rare Earth Group High-Tech Co., Ltd. (中國北方稀土(集團)高科技股份有限公司), a state-owned limited liability company incorporated in the PRC on 12 September 1997
"permanent magnets" or "PM"	permanent magnets, also known as permanent magnetic material or hard magnetic material, refers to a functional material that can retain the magnetic field for a long time after the external magnetic field is removed after magnetization and can withstand the interference of a certain intensity of external magnetic field. PMs can realize important functions such as electrical signal conversion and electrical energy/mechanical energy transmission, and are widely applied to the fields of energy, transportation, machinery, medical treatment, computers and home appliances

"Prospectus"	the prospectus of the Company dated 31 December 2021
"rare earth"	rare earth elements are a set of 17 elements of lanthanides, including lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), promethium (Pm), samarium (Sm), europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb) and lutetium (Lu), and its congeners elements scandium (Sc) and yttrium (Y). According to the atomic weight and physical and chemical properties of the elements, they are divided into light, medium and heavy rare earth elements. The first five elements are light rare earth and the rest are medium and heavy rare earth. Due to their unique physical and chemical properties, rare earth are widely used in new energy, new materials, energy conservation and environmental protection, aerospace, electronic information and other fields, and are indispensable and important element in modern industry
"REPMs"	rare earth permanent magnets are permanent magnetic magnets based on intermetallic compounds formed by rare earth metal elements ("RE", including Sm, Nd and Pr) and transition metal elements ("TM", including Fe and Co), commonly referred to as rare earth intermetallic compound permanent magnets, or REPMs for short. Since the 1960s, with three major breakthroughs in the magnetic energy product, three generations of rare earth permanent magnets with practical application value have been successfully developed. The first generation is represented by $SmCo_5$ alloy, the second generation is represented by Sm_2Co_{17} alloy, third generation is represented by Nd-Fe-B series alloy. Among them, NdFeB magnets have been industrialized and are with the best comprehensive performance in current industrial production
"Reporting Period"	from 1 January 2022 to 31 December 2022
"RMB"	Renminbi, the lawful currency of the PRC
"Ruide Venture"	Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司), one of our controlling shareholders
"Same period of last year", "last period"	from 1 January 2021 to 31 December 2021
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Haili"	Shanghai Haili (Group) Co., Ltd. (上海海立（集團）股份有限公司) and its subsidiaries

"sintering"	a heat treatment for mineral powder that applies a temperature below the melting point, the purpose of which is to combine the component particles in order to increase size and strength
"smelting"	a refining technology which extracts metal from ores by such methods as roasting, smelting, electrolysis and the use of chemical reagents, reduce impurities contained in the metal, increase a certain composition of the metal and make the required metal
"surface treatment"	a process which aims to artificially form a surface layer which differs with that of the substrate material in mechanical, physical and chemical properties
"Restricted Share Incentive Plan"	a restricted share incentive plan adopted by our Company on 26 August 2020 and amended on 8 September 2020, for the purpose of incentivize eligible management and employees of our Group
"Shares"	domestic Shares and H Shares
"Shenzhen Stock Exchange" or "SZSE"	Shenzhen Stock Exchange (深圳證券交易所)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company or any one of them
"Type I Restricted Share(s)"	A Share(s) issued to the grantees with certain restrictions stipulated under the Restricted Share Incentive Plan
"Type II Restricted Share(s)"	restricted share(s) granted to the grantees pursuant to which A Shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the Restrict Share Incentive Plan
"UAES" or "United Automotive Electronic"	United Automotive Electronic Systems Co., Ltd. (聯合汽車電子有限公司), a joint venture established in China by Zhonglian Automobile Electronics Co., Ltd. (中聯汽車電子有限公司) and Robert Bosch GmbH
"ultra-high grade products"	the Company's sintered NdFeB Permanent Magnets using grain boundary diffusion technology, the sum of the intrinsic coercivity (Hcj, kOe) and the maximum energy product ((BH)max, MGOe) being greater than 75
"Xiexin Chaoneng"	Ganzhou Poly-Max Magnetics Co., Ltd. (贛州協鑫超能磁業有限公司)

DEFINITIONS (CONTINUED)

"%"	percentage
"3C"	an abbreviation for three types of electronic products: Computer, Communication and Consumer Electronics

CORPORATE INFORMATION

Legal Name

JL MAG RARE-EARTH CO., LTD.

English Name

JL MAG RARE-EARTH CO., LTD.

Chinese Short Name

金力永磁

English Short Name

JLMAG

Legal Representative

Mr. Cai Baogui

Executive Directors

Mr. Cai Baogui
Mr. Lyu Feng

Non-executive Directors

Mr. Hu Zhibin
Mr. Li Xinnong
Mr. Li Fei *(resigned on 17 March 2023)*
Mr. Huang Weixiong *(resigned on 22 April 2022)*

Independent non-executive Directors

Mr. You Jianxin
Mr. Xu Feng
Mr. Yuan Taifang

Supervisors

Mr. Su Quan *(resigned on 24 March 2023)*
Mr. Li Hua
Ms. Sun Yixia
Mr. Liang Qilu *(appointed on 24 March 2023)*

Audit Committee

Mr. Yuan Taifang *(chairman)*
Mr. You Jianxin
Mr. Hu Zhibin

Nomination Committee

Mr. Xu Feng *(chairman)*
Mr. Yuan Taifang
Mr. Cai Baogui

Remuneration and Appraisal Committee

Mr. You Jianxin *(chairman)*
Mr. Xu Feng
Mr. Lyu Feng

Strategy Committee

Mr. Cai Baogui *(chairman)*
Mr. You Jianxin
Mr. Xu Feng

Authorized Representatives

Mr. Cai Baogui
Ms. Zhang Xiao

Company Secretaries

Mr. Lu Ming
Ms. Zhang Xiao

Securities Representative

Mr. Lai Xunlong

CORPORATE INFORMATION (CONTINUED)

Principal Banks

The Export-Import Bank of China Jiangxi Branch
Industrial and Commercial Bank of China
Ganzhou Economic and Technological
Development Zone Sub-branch
China Merchants Bank Ganzhou Branch

Share Registrar

A Share:
China Securities Depository and Clearing Co., Ltd.,
Shenzhen Branch
Shenzhen Stock Exchange Plaza
No. 2012 Shennan Avenue
Futian CBD, Futian District, Shenzhen City
Guangdong Province

H Share:
Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Venue

A Share:
Shenzhen Stock Exchange
Stock Short Name: 金力永磁
Stock Code: 300748

H Share:
The Stock Exchange of Hong Kong Limited
Stock Code: 06680

Auditors

International Auditor
Ernst & Young

PRC Auditor
Ernst & Young Hua Ming LLP

Registered Office and Principal Place Of Business

The PRC
Industrial Area, Economic and Technological Development
Zone Ganzhou City, Jiangxi Province
81 West Jinling Road, Economic and
Technological Development Zone
Ganzhou City, Jiangxi Province, the PRC

Hong Kong
40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

Company's Website

www.jlmag.com.cn

Legal Advisers

The PRC:
Jingtian & Gongcheng
34/F, Tower 3,
China Central Place
77 Jianguo Road
Chaoyang District
Beijing

Hong Kong:
Haiwen & Partners LLP
Unit 1902, 19/F New World Tower
16-18 Queen's Road Central
Hong Kong

Compliance Advisor

Red Solar Capital Limited
Room 402B, 4/F
China Insurance Group Building
No. 141 Des Voeux Road Central
Central
Hong Kong

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	RMB'000	%
Revenue	**7,165,187**	4,080,072	75.61
Gross Profit	**1,159,028**	914,939	26.68
Profit for the year attributable to owners of the parent	**702,687**	453,224	55.04
Net cash flows from operating activities	**310,124**	101,791	204.67
Basic and diluted earnings per share (RMB)	**0.84**	0.65	29.23

During the Reporting Period, the Company achieved a revenue of RMB7,165.2 million, representing an increase of RMB3,085.10 million or 75.6% as compared to that of RMB4,080.1 million for the year ended 31 December 2021.

During the Reporting Period, profit for the year attributable to owners of the parent amounted to RMB702.7 million, representing an increase of 55.1% as compared to that of RMB453.2 million for the year ended 31 December 2021.

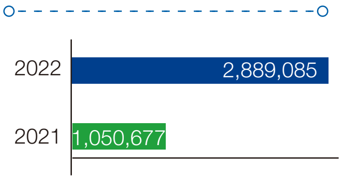
During the Reporting Period, net cash flows from operating activities amounted to RMB310.1 million, representing an increase of 204.7% as compared to that of RMB101.8 million for the year ended 31 December 2021.

The Board of Directors of the Company has resolved to recommend a declaration of a final dividend of RMB2.60 (tax included) for every 10 Shares, or approximately RMB217.9 million in aggregate for the year ended 31 December 2022. In addition, the Company will issue six new shares for every ten existing shares out of share premium.

SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

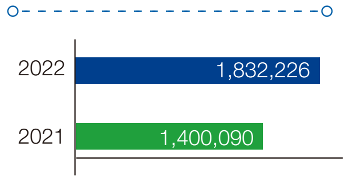
MAIN REVENUE BY PRODUCT CATEGORY AND DOWNSTREAM APPLICATION

NEVs and automotive parts



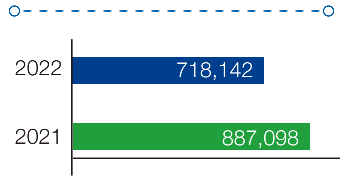
Unit: RMB'000

Energy-saving VFACs

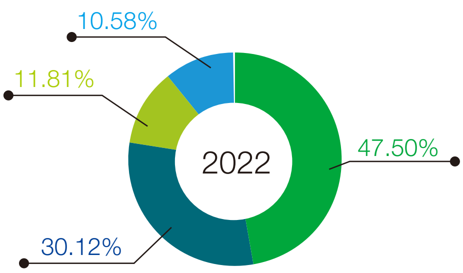


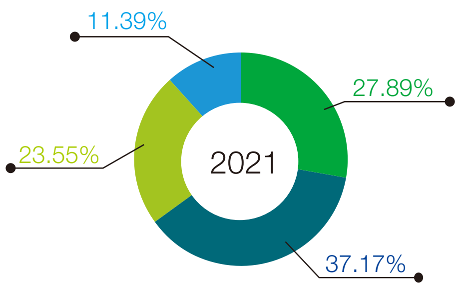
Unit: RMB'000

PM wind turbine generators



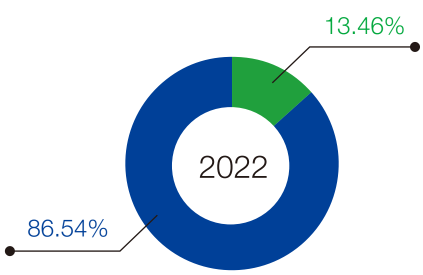
Unit: RMB'000

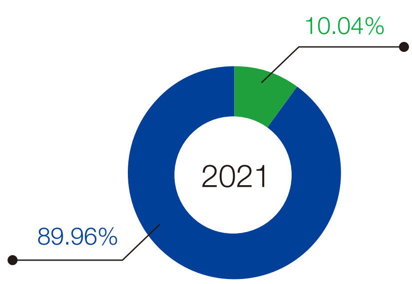




NEVs and automotive parts Energy-saving VFACs PM wind turbine generators Others

MAIN REVENUE BY SALES REGION





Mainland China Overseas

SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

FINANCIAL HIGHLIGHTS FOR THE LAST FIVE FINANCIAL YEARS

	For the year ended 31 December				
	2018	2019	2020*	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating performance					
Revenue	1,282,004	1,630,117	2,417,346	4,080,072	**7,165,187**
Gross profit	284,111	344,161	574,557	914,939	**1,159,028**
Profit before tax	159,012	178,741	278,717	512,419	**766,695**
Profit for the year	146,347	156,597	244,700	453,974	**704,585**
Profit for the year attributable to owners of the parent	147,019	156,889	244,502	453,224	**702,687**
Profitability					
Gross profit margin	22.16%	21.11%	23.77%	22.42%	**16.18%**
Profit margin for the year	11.42%	9.61%	10.12%	11.13%	**9.83%**
Earnings per share (RMB)					
Earnings per share – basic	0.23	0.23	0.36	0.65	**0.84**
Earnings per share – diluted	0.23	0.23	0.36	0.65	**0.84**

* Certain data has been reclassified to maintain consistency with the Company's 2021 A Share Report.

	For the year ended 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	2,143,585	2,860,186	3,522,128	6,050,784	**11,220,454**
Total liabilities	1,035,956	1,529,980	1,954,652	3,084,433	**4,432,680**
Equity attributable to owners of the parent	1,111,315	1,330,183	1,567,301	2,965,400	**6,784,850**
Leverage ratio	48.33%	53.49%	55.50%	50.98%	**39.51%**

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Development Trend

(1) High-performance NdFeB PMs industry is strongly supported by government industrial policies

High-performance NdFeB PMs are national key new materials and high-tech products, and have always been strongly supported by relevant national industrial policies. Since the implementation of the "Fourteenth Five-Year Plan for National Economic and Social Development and the Outline of Long-Term Goals for 2035 of the People's Republic of China", all localities, all departments have formulated a series of detailed policies around the "Fourteenth Five-Year Plan". Following the implementation of various policies, especially the promotion of intelligent manufacturing and green manufacturing, REPMs have made contribution by its indispensable core position, and this industry has also made fast development.

(2) High-performance REPM are widely used, and the market demand is growing rapidly

High-performance REPM are essential core materials in the fields of clean energy and energy conservation and environmental protection. They help reduce the power consumption of various motors and have significant energy-saving effects. The downstream applications of REPMs are broad, are in line with the energy-saving and environmental protection concepts vigorously advocated by the nation, and are of great significance to the nation's realization of energy-saving and emission reduction goals, making outstanding contributions to the early realization of reaching "carbon peak and carbon neutrality" in the world.

With the world's consensus on global climate change, carbon emission reduction has become a key aspect of environmental protection. In response to climate change, governments around the world have taken active actions to promote new energy and reduce carbon emissions. In particular, China plans to achieve carbon peak and carbon neutrality by 2030 and 2060, respectively. REPMs show their inherent advantages in reducing carbon emissions. According to Frost & Sullivan Report, more than 50% of the world's electricity consumption comes from electric motors, and compared with traditional motors, REPM motors can save up to 15% to 20% of energy. In addition, the application of REPMs enables variable-frequency home appliances, NEVs and automotive parts, as well as 3C smart electronic products to achieve lighter weight and miniaturization, which are in line with consumer preferences. According to the Frost& Sullivan, the global consumption of REPMs (mainly including NdFeB PMs) is expected to increase from approximately 209,500 tonnes in 2020 to 305,200 tonnes in 2025.

1. NEVs Sector

NEVs are one of the main applications of high-performance NdFeB PMs. Governments all over the world have implemented policies to facilitate the development of NEV market. The "New Energy Automobile Industry Development Plan (2021-2035)" issued in 2020 mentioned that the sales volume of NEVs will account for around 20% of the total sales volume of new automobiles by 2025. After overcoming various adverse impacts such as the tense supply chain, according to the data of passenger vehicle from China Passenger Cars Association (CPCA) in 2022, domestic retail sales volume of new energy passenger vehicle reached 5,674,000 units, representing a year-on-year increase of 90.0%, accounting for 27.62% of the total retail sales volume of passenger vehicle. It has exceeded the targets set by the "New Energy Automobile Industry Development Plan (2021-2035)" ahead of schedule. In addition, the global NEV market maintains high-speed growth. According to the global sales of new energy passenger vehicles published by CleanTechnica, the global cumulative sales of new energy vehicles reached 10.0912 million, accounting for 14% of the overall vehicle market. As the situation of tense supply chain relieved, it is expected that the production capacity of NEVs enterprises will further improve. As the core parts of electric motor of NEVs, the high-performance NdFeB PMs as the core parts of electric motor of NEVs, its future demands will continue to maintain high-speed growth.

2. Energy-saving VFACs Sector

In 2019, seven departments including the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the "Notice on the Issuance of the Green and Efficient Refrigeration Action Plan" F.G.H.Z. [2019] No. 1054), which specified that by 2022, the energy efficiency access level of household air conditioners will increase by 30%. By 2030, the energy efficiency access level for major refrigeration products will further increase by more than 15%. With the official implementation of "Minimum Allowable Values of the Energy Efficiency and Energy Efficiency Grades for Room Air Conditioners" on 1 July 2020, fixed-frequency air-conditioning products were completely phased out and high-efficiency VFACs have become the mainstream of the market, and the demand for high-performance NdFeB magnetic steel, which are used as core materials for VFAC compressors, will increase significantly in the future. According to statistics of China IOL, the total sales volume of household air conditioners in China amounted to 150,037,400 units in 2022, including 84,290,000 units for domestic sales and 65,747,400 units for export.

According to Frost & Sullivan Report, by 2025, the global output of energy-saving VFACs will reach approximately 214 million units, with a CAGR of approximately 16.6% from 2020 to 2025; the global consumption of high-performance NdFeB PMs for energy-saving VFACs expects to reach approximately 19,700 tonnes, with a CAGR of approximately 16.6% from 2020 to 2025.

3. Wind Power Generation Sector

According to the "14th Five-Year Plan" for Renewable Energy Development jointly issued by nine departments including the National Development and Reform Commission and the National Energy Administration on 1 June 2022, the annual power generation capacity of renewable energy will reach about 3.30 trillion KWHs in 2025. During the "14th Five-Year Plan" period, the increase in renewable energy power generation capacity will account for more than 50% of the increase in overall electricity consumption across the whole society, and the wind power generation capacity and solar power generation capacity will double. In 2022, a total of 23 provinces announced their own "14th Five-Year Plan" energy-related special project plans. The data released by Bloomberg New Energy Finance ("BNEF"), the global new-added installed capacity of wind power was 85.7GW in 2022, among which, the installed capacity of onshore wind power was 76.6GW, the installed capacity of offshore wind power was 9.1GW. In 2022, China continued to take lead globally, with the new-added installed capacity amounting to 48.8GW, which accounted for more than half of the installed capacity globally, surpassing the second largest market, the United States, by nearly 40GW. On March 27, 2023, the Global Wind Energy Council (GWEC) released its 2023 Global Wind Energy Report, which predicts that a rapidly adapting policy environment worldwide has set the stage for accelerated growth in the coming years. By 2024, the newly-added installed capacity for global onshore wind turbine generators will exceed 100GW for the first time. The newly-added installed capacity for global offshore wind power generators will also reach a new high of 25GW by 2025.

At present, there are four main types of wind power motors: dual-feed asynchronous wind power generation system, electrically excited direct-driven wind power generation system, permanent magnet semi-direct-driven and permanent magnet direct-driven synchronous motor; among which semi-direct-driven and direct-driven synchronous motors need to use NdFeB PMs, and its penetration rate is rapidly increasing because of its easy maintenance. In the future, with the rapid increase in the large-scale unit, especially offshore wind power installation capacity, the market share of permanent magnet motor will also be improved, which will further promote the growth of high-performance NdFeB PMs consumption.

4. Industrial Energy-Saving Motors Sector

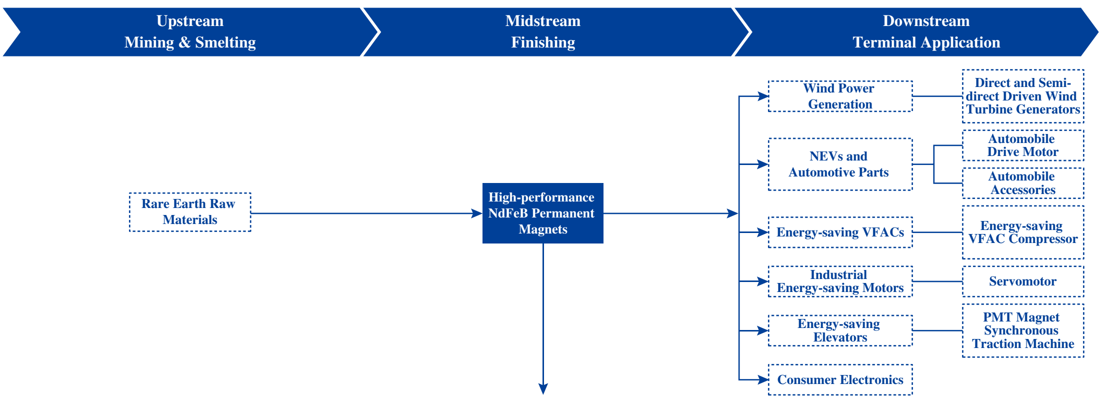
In October 2021, the Ministry of Industry and Information Technology and the State Administration for Market Regulation jointly issued the "Electrical Motor Efficiency Improvement Plan (2021-2023)", which proposed to guide enterprises to implement the renewal and upgrade of key energy-consuming equipment such as motors, give priority to high-efficiency and energy-saving motors, accelerate the elimination of obsolete and low-efficiency motors that do not meet the requirements of the current national energy efficiency standards, and increase the application of high-efficiency and energy-saving motors. In particular, it is proposed to promote variable-frequency speed-regulating permanent magnet motors with level 2 energy efficiency and above for variable load operating conditions. For transmission systems using gearboxes and couplers, low-speed direct-drive and high-speed direct-drive permanent magnet motors are encouraged. On 29 June 2022, other 6 departments including the Ministry of Industry and Information Technology jointly issued the "Action Plan for Industrial Energy Efficiency Improvement", which mentions and implements the improvement action for motor energy efficiency. It is planned that the key materials such as high-performance electromagnetic wire, REPMs, high-inductance and low-loss cold rolled steel sheet are to be innovated and upgraded. The energy-saving certification of electrical machinery, and the efficient remanufacturing of electrical machinery will be pushed forward. Enterprises are motivated to carry out the assessment of energy efficiency and operation and maintenance of equipment, the scientific subdivision of load characteristics and different working conditions aims to accelerate the upgrading of electrical machinery. By 2025, the proportion of new energy-efficient motors will reach more than 70%. The above policies implemented will improve the penetration rate of REPM industrial energy-saving motors in the future, further increasing the demand for REPM materials.

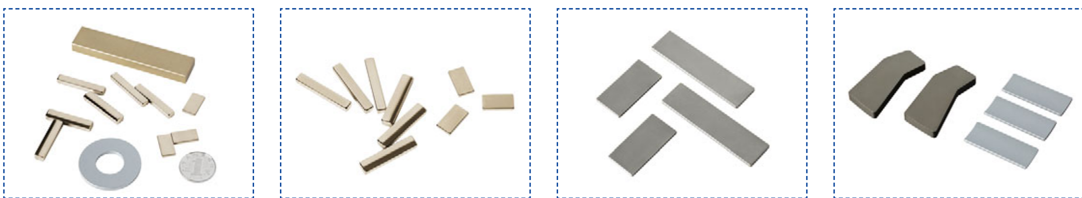
2. Principle Business of the Company During the Reporting Period

During the Reporting Period, there were no major changes in the main business and product usage, business model and major performance drivers of the Company. The details are as follows:

(1) The main business and product usage of the Company

The Company is a high-tech enterprise engaging in the R&D, production and sales of high-performance NdFeB PMs, magnetic components and the recycling and comprehensive utilization of REPMs, and a leading supplier of high-performance REPMs in the fields of new energy and energy conservation and environmental protection. The Company's products are widely used in the sectors such as NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, robotics and industrial servo motors, energy-saving elevators and rail transit, and the Company has established long-term and stable cooperative relationships with leading domestic and foreign companies in various sectors.

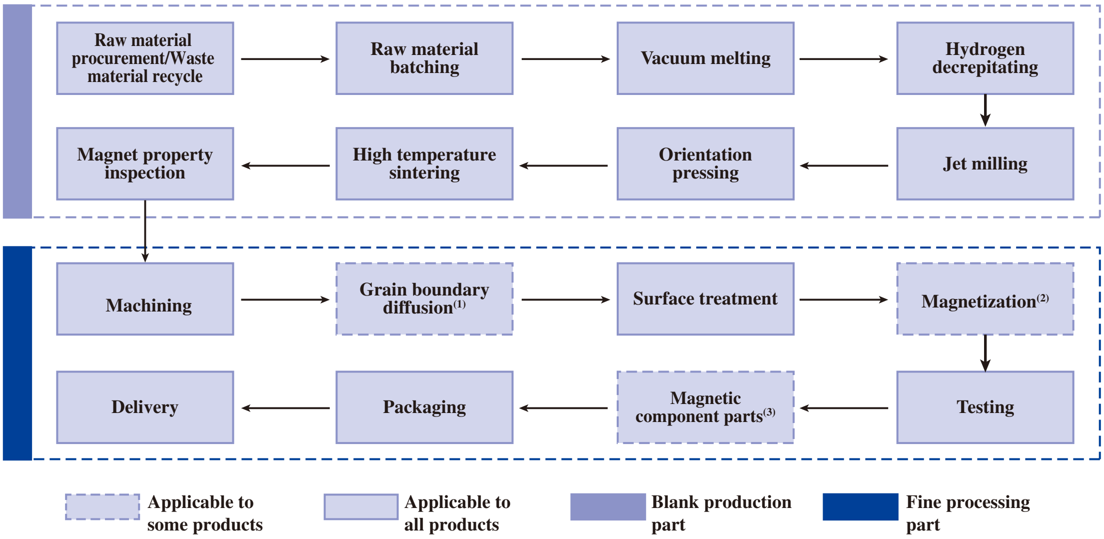




Products of the Company

(2) The business model of the Company

The Company mainly adopts a production management model that determines production by sales. The Company purchases rare earth raw materials and auxiliary metal materials in advance according to the orders on hand, and designs and produces NdFeB PM products. The Company currently has full-product production capacity, specifically covering product research and development, mold development and manufacturing, blank production, finished product processing, surface treatment, testing, production of magnetic component parts, the recycling and comprehensive utilization of rare earth and other processes, and comprehensively control and fine manage each process flow.



Production Workflow

Notes:

(1) According to Frost & Sullivan, the GBD technology can generally reduce the use of medium and heavy rare earth by 50% to 70%. GBD technology is widely applied in the production of our high-performance NdFeB PMs finished products in energy-saving VFACs sector and NEVs and automotive parts sector as production of high-performance NdFeB PMs in these sectors requires higher usage of medium and heavy rare earth as compared to production of high-performance NdFeB PMs in other sectors, and is also applied in the production of certain high-performance NdFeB PM finished products in 3C sector.

(2) We conduct magnetization either before testing or after the delivery of our products to our customers.

(3) We add attachments to our products according to customer requirements.

The Company has formed a relatively mature business model in the close cooperation with leading enterprises in various sectors. These large-scale well-known enterprises have very strict product quality requirements, and the product evaluation and certification cycles are relatively long. In order to meet their quality, technology and management system requirements, the Company has been continuously optimizing the R&D, manufacturing, supply chain management, customer service, corporate culture and other aspects, thus forming a relatively mature business model compatible with the needs of customers.

(3) Business drivers and position in the industry

1. Continuous business growth

During the reporting period, the Company continued to focus on the new energy and energy conservation sectors, focus on core applications such as NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, robots and industrial servo motors, energy-saving elevators and rail transit. The Company's revenue and net profit maintained a significant growth. During the Reporting Period, the Company achieved revenue of RMB7,165.2 million, representing a year-on-year increase of 75.6%; domestic sales revenue of 6,346.4 million, representing a year-on-year increase of 71.5%, and overseas sales revenue of RMB818.8 million, representing a year-on-year increase of 116.4%; realized net profits attributable to owners of the parent of RMB702.7 million, representing a year-on-year increase of 55.1%; realized net profits attributable to owners of the parent after deducting non-recurring gain or loss reached RMB682.3 million, representing a year-on-year increase of 61.2%.

2. Keep market leading in new energy and energy conservation

As for NEVs and automotive parts, the Company is a leading global provider of magnet steel for drive motors in the new energy vehicle industry. With its products used by the world's top 10 NEV manufacturers (including BYD and Tesla), the Company is also a provider of magnetic steel for automotive parts to the Bosch Group for many years. In 2022, the Company's revenue from the NEVs and automotive parts sector reached RMB2,889.1 million, an increase of 175.0% over the same period of last year, and sales volume of the Company's magnetic steel products for NEV drive motors can assemble approximately 2.86 million passenger NEVs in 2021. According to the sales volume of global passenger NEVs of 10.0912 million units published by CleanTechnica in 2022, the global market share of the Company was about 28%.

As for energy-saving VFACs, eight of the world's top ten VFAC compressor manufacturers are the customers of the Company. The Company is an important magnetic steel provider of famous brands such as Midea, Gree, Shanghai Helix, Mitsubishi Electric, etc. In 2022, the Company's revenue from the energy-saving VFACs sector reached RMB1,832.2 million, an increase of 30.9% over the same period of last year. The sales volume of the Company's magnetic steel products for energy-saving VFACs can assemble with approximately 50.28 million VFAC compressors in 2022. According to the data from China IOL, the total sales volume of household air conditioners in China amounted 150,037,400 units in 2022.

As for magnetic steels for wind power generation, four of the world's top five wind turbine generators are the customers of the Company. In 2022, the Company's revenue from the wind power sector reached RMB718.1 million, and the sales volume of the Company's magnetic steel products for this sector can equip wind turbine generators with an approximate aggregate installed capacity of 8.29GW.

In 2022, the Company's revenue from the robots and industrial servo motors sector reached RMB253.0 million, representing an increase of 145.2% over the same period of last year, with major customers including Bosch Rexroth. In addition, in 2022, the Company's revenue from the 3C products sector reached RMB196.4 million, representing an increase of 22.3% over the same period of last year. The Company has also actively expanded into new energy and energy-saving environmental protection sectors such as energy-saving elevators and rail transit, and has become one of the key suppliers of high-performance magnetic steels in such sectors.

3. Core technologies remain leading in the industry

The Company has the industry-leading GBD technology. On one hand, the Company helps customers in the wind power industry reduce their production cost by reducing or even eliminating the addition of medium and heavy rare earth in the production of high performance NdFeB PMs through the formula optimization. On the other hand, in the sectors of NEVs and energy-saving VFACs, the Company has been developing high-grade products using GBD technology and has achieved mass production and delivery based on customers' requirements, and maintained the high-performance of magnetic products while significantly reducing the amount of medium and heavy rare earth. According to Frost & Sullivan, GBD technology can generally reduce the amount of medium and heavy rare earth by 50% to 70%. In 2022, the Company produced 9,965 tonnes of high-performance REPM using the GBD technology, representing a 64.33% year-on-year increase and 77.94% of the Company's total production output for the same period, with an increase of 19.2 percentage points over the same period of the last year. The production output of the ultra-high-grade product was 6,124 tonnes. In June 2022, through cooperation by the Company with Nanchang University of Aeronautics and Astronautics and the Central Iron & Steel Research Institute (鋼鐵研究總院有限公司), the project of "Key Technology Development of High-Performance, Low-Weight Rare Earth Magnets and Industrialization Application of REPM Motors" won the first prize of Jiangxi Provincial Science and Technology Progress Award of the Year 2021. In 2022, the Company's research and development expenses amounted to RMB337.5 million, representing a year-on-year increase of 110.7%, accounting for 4.7% of the revenue.

3. Core Competitiveness of the Company

The Company has been committed to the research, development, production, sales, recycling and comprehensive utilization of high-performance NdFeB PMs and focused on new energy, energy-saving, and environmental protection applications. As one of the fastest-growing companies in the high-performance NdFeB PMs industry, the Company has established a relatively strong customer base and accumulated rich experience in the industry, which helps build a good brand image in the industry and enables it to have relatively prominent competitive advantages, specifically:

(1) The world's leading manufacturer of high-performance REPM

The Company is the world's leading manufacturer of high-performance REPM. In 2022, the Company had an output of high-performance REPM of 12,786 tonnes, including 9,965 tonnes produced using GBD technology and 6,124 tonnes of ultra-high-grade materials. With its huge production capacity, excellent R&D capability, proprietary technology and strong product delivery capability, the Company established market segment leadership in the following key downstream sectors. In the sector of NEVs, the Company's products were used for the production of drive motors by the world's top ten new energy vehicle manufacturers in 2022. In the sector of energy-saving VFACs, eight of the world's top ten VFAC compressor manufacturers are the customers of the Company. In the sector of wind power, four of the world's top five wind power generator manufacturers are the customers of the Company. The Company has actively expanded its business in the fields such as 3C, robotics and industrial servo motors, energy-saving elevators and rail transit, with a leading position in the market.

(2) The Company adheres to long-term principle, and the strategic planning is clear and gradually implemented, with strong delivery capability.

Based on the future market demand, in March 2021, the Company has formulated the development plan from 2021 to 2025: the Company plans to have 23,000 tonnes of production capacity of high-performance REPMs in 2022, and gradually allocates resources and capacity to Ganzhou, Baotou and Ningbo production bases; it is planned to achieve 40,000 tonnes of production capacity of high-performance REPMs in 2025.

As of June 2022, the "High-Performance REPM Base Project" of the Company's Phase I Baotou Production Base has reached the production output, making the Company's annual production capacity of high-performance NdFeB PM blanks increase to 23,000 tonnes. Additionally, the project with an annual output of 3,000 tonnes of high-end magnetic materials and 100 million sets of components, invested by the Company in Ningbo, has commenced construction and is expected to be completed and put into operation in 2023; The company has invested in the construction of a 12,000-ton annual production capacity of "High-Performance REPM Base (Phase II) Project" in Baotou, which commenced in 2022, and has also planned to invest in the construction of a 2,000-ton annual production capacity of magnet materials for energy-efficient motor base in Ganzhou.

The Company planned to invest in the construction of the "Project for Comprehensive Utilization of Waste NdFeB Magnet". After completion of the Project, 5,000 tonnes of waste NdFeB magnet per year will be comprehensively utilized, and the capacity of producing 3,000 tonnes of high-end magnetic material products per year will be developed. With the growing global demand for REPMs and the increasing number of waste NdFeB magnet reaching their life cycle overseas, the recycling of waste NdFeB magnet is conducive to the green and sustainable development of rare earth resources, thereby further enhancing the Company's global competitiveness.

The gradual implementation of the Company's strategic plan provides strong product delivery capabilities for the growing market demand.

(3) The Company's long-term stable strategic cooperation with major rare earth suppliers

Rare earths are China's strategic resources. The Company is headquartered in Ganzhou, Jiangxi Province, the main production area for heavy rare earth. In Baotou, Inner Mongolia, the main production area of light rare earths, the Company has built a high-performance REPM production base. The Company has established a stable strategic cooperation relationship with important rare earth raw material suppliers including China Northern Rare Earth Group Co., Ltd. and China Rare Earth Group Co., Ltd. and has been awarded "Quality Customer（優質客戶）" by China Northen Rare Earth Group for two consecutive years. Meanwhile, the Company has purchased rare earth raw materials in advance based on orders on hand, established a price adjustment mechanism with customers, optimized formulas, improved the process, and taken other measures to reduce the effect of rare earth raw material price fluctuations on the Company's operating results.

(4) Strong production optimization, research and development capability and industry-leading GBD technology

High-performance NdFeB PMs feature high barriers for production technology. The High-performance NdFeB PMs used in energy-saving VFAC compressors and NEV drive motors require the use of GBD technology. By adopting this technology, the Company can reduce the consumption of medium and heavy rare earth while maintaining the high performance of NdFeB PMs, and develop high-grade products. The Company has established a self-developed core technology and patent system with GBD technology as its core, which includes GBD technology, formula system, grain refinement technology, one-time molding technology, production process automation technology and new coating technology against high temperature and high corrosion.

The Company has established a self-developed core technology and patent system with GBD technology as its core, and applied for and obtained a number of domestic and foreign invention patents for the self-developed GBD technology. These core technology and high-grade products have been highly recognized by customers in various fields and have obtained many fixed-point and large-scale orders from international customers. The Company's overseas sales revenue has continued to grow steadily.

(5) Industry-leading ESG practice, supporting the carbon neutrality strategy with practical actions

With the mission of "creating a better life with rare earth", the Company attaches great importance to ESG practice, and is committed to protecting the environment and fulfilling corporate social responsibility. The Company reduces its own carbon emissions through the construction of photovoltaic power stations, technological innovation, lean production, process energy saving, efficiency improvement, equipment replacement and green power conversion, and provides REPMs to new energy and energy saving companies that are industry-leading to help China and the world achieve the carbon neutrality target.

The company is the first in the rare earth permanent magnet (REPM) industry to build a fully recycled, green and traceable REPM industry chain. In 2018, the Company signed the "Cooperation Agreement on 100% Rare Earth Reuse (Recycling) Products" with China Southern Rare Earth Group to produce and supply high performance REPM products in bulk to global customers using medium and heavy rare earth metals from rare earth waste recovery supplied by Southern Rare Earth Group. Meanwhile, the Company obtained the first PAS 2060 carbon neutral certification in the global NdFeB industry from SGS in 2022.

(6) First-mover advantage in the high-performance REPM industry

The high-performance REPM industry features high customer stickiness and entry barriers. Manufacturers of the high-performance REPMs need to meet the specific requirements of downstream customers for product characteristics, quality, quantity and delivery time. Leveraging its professional and technical expertise in high-performance NdFeB PMs, the Company participates in the design of customers' new products, assists customers to optimize product performance, and reduces production costs. It also provides customers with comprehensive high-performance NdFeB PMs technology solutions at the design stage of customers' products. In response to varying requirements of downstream customers for end products, the Company has demonstrated a strong ability to adapt to the professional needs of customers for non-standard products. With its strong R&D capability, execution capability and quality control, the Company can continuously meet the standards set up by customers, thereby successfully building and maintaining strong relationships with customers.

There are also high entry barriers for customer certification in the high-performance REPM industry. High-performance NdFeB PMs are considered as important functional materials in related industries, and their quality is vital to the performance and quality of customers' final products. Once a partnership is established, customers will not easily shift to other suppliers. Therefore, in the high-performance REPM industry, it is difficult and even impossible for new entrants to become qualified suppliers of leading enterprises in downstream industries within a short period of time. In view of high barriers for customer certification, the Company's capacity as a main certified supplier for many leading customers proves the Company's consistent high quality and leading position in the REPM industry.

(7) Sophisticated and stable management team and global business layout

The Company boasts a young and energetic management team with senior industry background and rich experience in management and operation. Members of the team can timely and accurately understand the development trends of the industry, keenly seize market opportunities and formulate sustainable development strategies to lead the Company to become a leader of high-performance REPMs in the world step by step. The Company has continued to improve the quality and technical level of its existing products to further increase the competitiveness of the products. The Company has launched a multi-dimensional incentive system including the equity incentive plan, which has effectively stimulated the enthusiasm and creativity of employees and maintained the stability of its team.

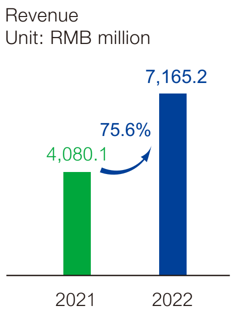
Focusing on long-term business development, the Company has actively deployed overseas markets. It has set up subsidiaries in Hong Kong, China, Europe, Japan, the United States and Mexico, with local talent teams engaged, as the Company's platforms for overseas technological exchanges, logistics service and sales. The Company has seen an increasing degree of internationalization.

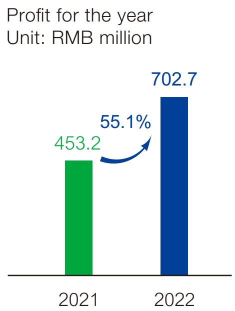
4. Review of Operations during the Reporting Period

In 2022, led by the core value of "Customer Orientation and Value Co-Creation", and guided by the development strategy formulated by the Board of Directors, the management team led all the employees of the Company to move forward courageously, which resulted in consecutive five years of significant growth in sales revenue and historical high production and sales volume, especially the production and sales volume of high-performance REPMs using the GBD technology. The Company further optimized the customer structure, improved the technology and management capabilities, while its performance and delivery capabilities were highly recognized by customers. The first phase of the Baotou plant was completed and put into production on schedule and Ningbo factory is under construction as planned. With its H-shares listed on 14 January 2022, the Company has become the first A+H listed company in the REPM industry, which significantly improved its strength and core competitiveness. In the election of "2022 Jinggang Quality Award (2022年井岡質量獎)", which is the highest governmental quality award of Jiangxi province, the Company won the Fourth Jinggang Quality Award of Jiangxi Province (第四屆江西省井岡質量獎), which reflected the excellent capabilities of the Company in performance management, quality management and self-innovation.

(1) Continuously growing results

During the Reporting Period, the Company continued to focus on the sectors of new energy and energy conservation and environmental protection, as well as core applications, including NEVs and automotive parts, energy-saving VFACs, wind turbine generators, 3C, robotics and industrial servo motors, energy-saving elevators and rail transit, maintaining a significant growth in its revenue and profit. During the Reporting Period, the Company achieved revenue of RMB7,165.2 million, representing a year-on-year increase of 75.6%; domestic sales of RMB6,346.4 million, representing a year-on-year increase of 71.4%; overseas sales of RMB818.8 million, representing a year-on-year increase of 116.4%; realized profit for the year attributable to owners of the parent of RMB702.7 million, representing a year-on-year increase of 55.1%; realized profit for the year attributable to owners of the parent of after deducting non-recurring gain or loss of RMB682.3 million, representing a year-on-year increase of 61.2%.





(2) Leading market position in the sectors of new energy and energy conservation and environmental protection

In 2022, the Company's revenue from the sectors of NEVs and automotive parts reached RMB2,889.1 million, representing an increase of 175.0% as compared with the same period of last year. In 2022, the Company's sales volume of magnetic steel products for drive motors of NEVs can assemble approximately 2.86 million passenger NEVs, according to the sales volume of global passenger NEVs of 10.0912 million units published by CleanTechnica, the global market share of the company was about 28%. As a leading supplier of magnetic steel for drive motors in the global NEV industry, the Company's products have been used by eight of the world's top ten NEV manufacturers. The Company is the magnetic steel supplier of BYD, Tesla and other NEV drive motors. In the April 2022, the Company was awarded the 2021 "Excellent Supplier" by BYD-Fudi Power Co., Ltd; in September 2022, the Company received the "Outstanding Supplier" award from the United Automotive Electronic Systems Co., Ltd. (UAES) again, and in November 2022, the Company won the "2022 Asia Pacific Supplier Innovation Award" at the 2022 Bosch Asia Pacific Supplier Conference awarding ceremony.

In 2022, the Company's revenue from the energy-saving VFACs sector reached RMB1,832.2 million, representing a year-on-year increase of 30.9%. In 2022, the Company's sales volume of magnetic steel products for energy-saving VFACs can assemble approximately 50.28 million units of VFAC compressors. The Company has maintained its leading position in the global energy-saving VFACs sector and eight of the world's top 10 manufacturers of VFAC compressors are the Company's customers. The Company is the major magnetic steel supplier of well-known brands such as Midea and Gree, etc. In December 2022, the Company won the "Excellent Supplier" award in the annual supplier evaluation of Midea's industrial technology business group.

In 2022, the Company's revenue from the wind power generation sector reached RMB718.1 million, the Company's product sales in this sector can be installed with wind turbines having installed capacity of about 8.29 GW, four of the world's top five wind turbine manufacturers are the Company's customers.

In 2022, the Company's revenue from the robots and industrial servo motors sector reached RMB253.0 million, representing an increase of 145.2% over the same period of last year, with major customers including Bosch Rexroth. In 2022, the Company's revenue from the 3C products sector reached RMB196.4 million, representing an increase of 22.3% over the same period of last year. In addition, the Company is also actively expanding into new energy and energy-saving environmental protection sectors such as energy-saving elevators and rail transit, and has become one of the key suppliers of high-performance magnetic steels in such sectors. In August 2022, the world's first permanent magnet maglev rail transit system engineering test line, "Red Rail (紅軌)" was successfully completed in Xingguo County, Ganzhou City. The magnetic steel used for the maglev air rail train "Xingguo" of the test line was supplied by the Company.

(3) Further improve the management and R&D level

With the continuous expansion of the company's business scale, excellent management level is the guarantee to its performance growth. In 2022, the Company continued to implement lean production and achieved significant results, upgraded and launched the new information management system (新信息化管理系統), so that the information level and lean management ability are greatly improved.

In 2022, the Company used GBD technology to produce 9,965 tonnes of high-performance REPM, representing a year-on-year growth of 64.3%. These products accounted for 77.9% of the Company's total product output in the same period, representing an increase of 19.2 percentage points compared to the same period of the previous year. Among these products, the output of ultra-high grade products amounted to 6,124 tonnes. In June 2022, the Company led the "Development of Key Technology for High Performance and Low Heavy Rare Earth Magnets and Industrial Application of REPM Motors" project in cooperation with Nanchang University of Aeronautics (南昌航空大學) and Central Iron & Steel Research Institute (鋼鐵研究總院有限公司), and won the first prize of the 2021 Jiangxi Province Science and Technology Progress Award.

In 2022, the Company's research and development expenses was RMB337.5 million, representing a year-on-year increase of 110.7% and accounting for 4.7% of the revenue. As of the end of 2022, we held 60 authorized patents, including 28 authorized invention patents and 32 authorized utility model patents. During the Reporting Period, 5 new invention patents were authorized, and 13 new invention patents were accepted.

(4) Further improvement in the Company's production capacity

The Company's blanks production capacity has reached an annual production capacity of 23,000 tonnes. The "High-Performance Rare Earth Permanent Magnets Base Project" invested and constructed by the Company in Baotou has been completed by the end of 2021. The project has reached the production output in June 2022, forming a production capacity of 8,000 tonnes/year of high-performance REPMs. The production base will also move from a single factory to a group of factories in multiple locations. The Company plans to build a high-performance NdFeB PMs with an annual production capacity of 40,000 tonnes by 2025 in China.

Location	Production capacity (ton/y)	Status	Time to put into production
Ganzhou City, Jiangxi Province	15,000	Production output reached	2021
Baotou City, Inner Mongolia	8,000	Production output reached[1]	June 2022
Ningbo City, Zhejiang Province	3,000	Under construction[2]	2023~2024
Baotou City, Inner Mongolia	12,000	Under construction[3]	2023~2024
Ganzhou City, Jiangxi Province	2,000	Under planning and construction[4]	2024~2025
Total	40,000		

(1) High-Performance REPM Base Project

(2) Project with an annual output of 3,000 tonnes of high-end magnets and 100 million sets of components

(3) High-Performance REPM Base (Phase II) Project

(4) Base project for magnets used in high-efficiency and energy-saving motors

(5) Implementing the concept of low-carbon development and fulfilling the social responsibility of listed companies

In June 2022, the Company was awarded the Certificate of PAS 2060 Declaration of Achievement of Carbon Neutrality ("Certificate") by SGS, an internationally recognized testing, inspection and certification institution. The Certificate is the world's first certificate of achievement of carbon neutralization in the REPM industry issued by SGS. PAS 2060 is an internationally recognized carbon neutrality standard, which requires enterprises to make efforts to reduce emissions and achieve low-carbon production model on the basis of quantifying greenhouse gas emissions. Obtaining the Certificate of PAS 2060 Declaration of Achievement of Carbon Neutrality indicates that the efforts of the Company in carbon neutrality have been highly recognized by international authoritative organizations.

The green power initiative of the Company has also made important progress. The Company entered into the "Photovoltaic Power Station Contract Energy Management Cooperation Agreement" with Ganzhou Tiancheng Tongchuang Intelligent Energy Co., Ltd. (贛州天誠同創智慧能源有限公司), a wholly-owned subsidiary of Goldwind Technology in respect of the Rooftop Distributed Photovoltaic Power Station Project(the "Ganzhou Photovoltaic Power Station Project" (贛州光伏電站項目)). So far, the Ganzhou Photovoltaic Power Station Project has been completed and grid-connected, with an aggregate installed capacity of 2.6MW. On 17 May 2022, the Company also announced that it has entered into a "Strategic Cooperation Framework Agreement" with the northern branch of China Resources Power Investment Co., Ltd.. Under the framework agreement, the Baotou Company of JL (金力包頭公司) entered into the "3.2 MW Rooftop Distributed Photovoltaic Power Station Energy Management and Rooftop Usage Contract". So far, the Baotou Photovoltaic Power Station Project (包頭光伏電站項目) has published the information about the 2022 competitive configuration optimization results of distributed wind power, distributed photovoltaic power station project of Baotou, and the project will enter the stage of project filling and construction. In July 2022, the Company was awarded as the "China Carbon Company Industry Pacesetter (中國碳公司行業標兵)" in the Second China Carbon Company Election of Sina Finance (第二節新浪財經中國碳公司評選活動).

The Company attaches great importance to social responsibility and is extensively engaged in charitable activities. In 2022, the Company invested a total of RMB1.2 million in public welfare undertakings, of which RMB300,000 was donated to the Red Cross Society of Xingguo County, RMB100,000 was donated to Ningbo Jiangbei Charity Federation (寧波市江北區慈善總會) and RMB810,000 was used to set up scholarships in colleges and universities. In 2022, the Company continued to increase its investment in production safety and environmental protection, with the total expenditure on environmental protection and occupational safety during the Reporting Period approximate to RMB24.4 million, representing a year-on-year increase of 40.6%. The Company pays taxes in accordance with the law. During the Reporting Period, the parent company paid various taxes of RMB180.3 million. In addition, by virtue of its advanced technological R&D capability, continuous fast growth of performance and outstanding contribution to the society and environment, the Company won the "Special Award for Excellent and Strong Enterprise in the Rise of Jiangxi's Industry from 2019 to 2021 (2019-2021年度江西工業崛起優強企業專項獎)". In the election of "2022 Jinggang Quality Award (2022年井岡質量獎)", which is the highest governmental quality award of Jiangxi Province, the Company won the Fourth Session Jinggang Quality Award of Jiangxi Province (第四屆江西省井岡質量獎), which reflected the excellent capabilities of the Company in performance management, quality management and self-innovation.

(6) Continuous improvement and optimization of corporate governance

In April 2022, the Company was awarded the "Best Board of Directors" and Mr. Cai Baogui, Chairman of the Company, won the "Entrepreneurship Award" in the 17th "Golden Round Table Award" of the Board of Directors of Listed Companies in China. In the same month, the Company won the awards of "Best Board of Directors for Investor Relations of Listed Companies in China" and "Best Investor Relations" in the "13th Tianma Award for Investor Relations of Listed Companies in China". In May, the Company won two awards, namely "Excellent IR Team" and "Institutional Friendly Communication Award" in the 2021 national selection activity of "Quanjing Investor Relations Gold Award".

On 22 September, in the "Sixteenth Value Forum of China Listed Companies (第十六屆中國上市公司價值論壇)" hosted by Securities Times, the Company won the honorary awards of "Top 100 ESG Listed Companies in China (中國上市公司ESG百強)" and "Top 50 List Companies in ChiNext (創業板上市公司50強)". On 23 September, the Company won the award of "Best New Stock in Hong Kong and the United States (港美股最佳新股獎)" at the 2022 Sina Finance Overseas Investment Summit (2022新浪財經海外投資峰會).

In July 2022, in the 2021 annual information disclosure assessment of GEM-listed companies by Shenzhen Stock Exchange, the Company obtained the Grade A (Excellent) Assessment Result for the third consecutive year.

V. FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the Company's audited financial statements and notes to financial statements listed in this annual report. Some of the financial data contained hereinunder are extracted from the audited financial statements prepared by the Company in accordance with International Financial Reporting Standards (IFRSs).

(1) Overview

During the Reporting Period, the Company's revenue amounted to RMB7,165.2 million, representing an increase of RMB3,085.1 million from RMB4,080.1 million in 2021. The gross profit of the Company was RMB1,159.0 million, representing an increase of RMB244.1 million from RMB914.9 million in 2021. The basic earnings per share of the Company was RMB0.84.

During the Reporting Period, the profit attributable to owners of the parent amounted to RMB702.7 million, representing an increase of RMB249.5 million or 55.1% from RMB453.2 million in 2021, which was mainly due to the fast and steady growth of the Company's business.

(2) Revenue and Cost of Sales Analysis

During the Reporting Period, the Company generated revenue from sales of NdFeB magnetic steel and other products. Revenue increased by RMB3,085.1 million from RMB4,080.1 million in 2021 to RMB7,165.2 million in 2022. The increase in revenue was mainly due to the continuous increase in the sales of NdFeB magnetic steel during the Reporting Period, in which the sales volume of NdFeB magnetic steel products increased by 1,332.02 tonnes from 10,708.54 tonnes in 2021 to 12,040.56 tonnes in 2022, representing an increase of 12.4%; as a result of the adjustment of product structure and the increase in the price of rare earth raw materials, the average selling price of NdFeB magnetic steel products in 2022 increased as compared with the same period of the previous year.

During the Reporting Period, the revenue generated from the main business of the Company in the sectors such as NEVs and automotive parts, energy-saving VFACs and PM wind turbine generators amounted to RMB6,082.82 million in total, increased by 61.5% compared to 2021.

During the Reporting Period, other business revenue generated from the Company's sales in wastes of rare-earth clement and magnetic mud amounted to RMB1,082.4 million, representing an increase of 245.5% compared to 2021.

By product downstream applications:

	For the year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
– NEVs and automotive parts	**2,889,085**	**47.50**	1,050,677	27.89
– Energy-saving VFACs	**1,832,226**	**30.12**	1,400,090	37.17
– PM wind turbine generators	**718,142**	**11.81**	887,098	23.55
– Other	**643,368**	**10.58**	428,897	11.39
Total	**6,082,821**	**100.00**	3,766,762	100.00

By sales regions:

	For the year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Mainland China	**5,264,074**	**86.54**	3,388,413	89.96
Overseas	**818,747**	**13.46**	378,349	10.04
Total	**6,082,821**	**100.00**	3,766,762	100.00

During the Reporting Period, the cost of sales of the Company mainly consisted of direct materials, direct labour and manufacturing expenses for the production of NdFeB magnetic steel and other products. Cost of sales increased by RMB2,841.1 million from RMB3,165.1 million in 2021 to RMB6,006.2 million in 2022. The increase in cost of sales was mainly due to the continuous increase in both production and sales volume of NdFeB magnetic steel, the significant increase of rare earth raw materials price and higher unit manufacturing costs in the early stage of production at Baotou factory during the Reporting Period.

(3) Gross Profit and Gross Profit Margin

During the Reporting Period, the Company's gross profit was approximately RMB1,159.0 million (RMB914.9 million in 2021), with a gross profit margin of 16.2% (2021: 22.4%). The decrease in gross profit margin was mainly due to:

(i) the high prices of rare earth raw materials in the first two quarters of 2022 and the relative decreased in prices in the third and fourth quarters. As the Company adopted a production-based-on-sales model, it needed to maintain a certain amount of rare earth raw materials in stock, and there was a certain time required from inputs of raw materials, production to recognition of sales revenue, resulting in high product costs in the fourth quarter. Meanwhile, the gross profit margin decreased significantly in the fourth quarter due to the synchronized decrease in product prices in line with the price trend of rare earth raw materials;

(ii) the production of high-end magnets requires accumulation of technology, lean management and quality control, etc. In 2022, the Company's Baotou factory was in the process of capacity uplifting, and the manufacturing cost of the products was high during the improvement process of product output and capacity utilization. The overall gross profit margin of the Baotou factory was approximately 12.64% for the year, thus lowering the overall gross profit margin of the Company.

(4) Other income and gains

The Company's other income and gains, which mainly included government grants, bank interest income and others, increased by 65.2% from RMB51.3 million in 2021 to RMB84.8 million in 2022, which was mainly due to (i) an increase in government grants of RMB30.3 million; (ii) an increase in bank interest income of RMB26.8 million, which was mainly related to proceeds from the listing of H Shares raised by the Company in January 2022.

(5) Selling and Distribution Expenses

The Company's selling and distribution expenses, which mainly consisted of remuneration and benefit expenses of sales staff, traveling expenses and marketing expenses, increased by 44.6% from RMB25.0 million in 2021 to RMB36.1 million in 2022, mainly due to an increase of RMB7.6 million in the remuneration of sales personnels and an increase of RMB2.3 million in the exhibition promotion expenses.

(6) Administrative Expenses

The Company's administrative expenses, which mainly consisted of remuneration and welfare expenses of management personnel, taxes other than income tax expenses, professional service expenses and depreciation and amortization, increased by 8.1% from RMB159.6 million in 2021 to RMB172.5 million in 2022, primarily due to (i) an increase in remuneration of management personnel of RMB16.3 million; (ii) an increase in taxes other than income tax expenses of RMB10.1 million; (iii) an increase in professional service fees and depreciation and amortization expenses of RMB7.02 million; (iv) a decrease in equity incentive expenses of RMB30.4 million.

(7) Research and Development Expenses

The Company's research and development expenses, which mainly consisted of employee remuneration and benefit expenses, consumables and testing materials costs, increased by 110.7% from RMB160.2 million in 2021 to RMB337.5 million in 2022, primarily due to a significant increase in the testing raw material fees and in the machine material consumption fee consumed by R&D projects.

(8) Impairment Losses on Inventories

The Company's impairment losses on inventories, which represented the amount by which the carrying amount of inventories exceeded their recoverable amount, increased by 40.8% from RMB7.3 million in 2021 to RMB10.3 million in 2022, mainly due to fluctuations in the net realizable value of inventories based on the estimated selling price of finished products.

(9) Impairment Losses on Financial Assets, Net

The net impairment losses on financial assets of the Company, which mainly represented impairment provisions for trade receivables and notes receivables, increased from RMB0.9 million in 2021 to RMB11.9 million in 2022, mainly due to that with the business's growth during the Reporting Period, the carrying amount of trade receivables increased, which resulted in the increase of the related bad debts provision.

(10) Other Expenses

The Company's other expenses, which mainly included donation, loss on disposal of non-current assets, realized losses of financial instruments and losses on fair value changes of forward exchange agreement, increased by 522.3% from RMB3.5 million in 2021 to RMB21.9 million in 2022, mainly due to (i) an increase in realized losses of financial instruments of RMB9.3 million; (ii) an increase in losses on fair value changes of forward exchange agreements of RMB10.4 million.

(11) Finance Costs

The Company's finance costs, which mainly included interest expense on interest-bearing bank and other borrowings and other finance costs in relation to the Company's lease liabilities, decreased by 11.4% from RMB77.7 million in 2021 to RMB68.9 million in 2022, mainly due to a decrease in interest-bearing bank borrowings.

(12) Foreign Exchange Differences, Net

The Company's net foreign exchange differences, which represented the losses or gains resulting from translation of currencies at different exchange rates, was recorded a gain of RMB183.3 million in 2022, as compared to a loss of RMB16.5 million in 2021, mainly due to the impact of exchange rate fluctuations.

(13) Share of Losses of Associates

During the Reporting Period, the Company's share of losses of associates primarily represented losses from our investments in Xiexin Chaoneng. Share of losses of associates decreased from RMB3.2 million in 2021 to RMB1.3 million in 2022, mainly due to the disposal of equity interest in Jiangtong Cicai, which generated some loss in 2021.

(14) Income Tax Expenses

The Company's income tax expenses, which included current income tax and deferred income tax, increased by 6.3% from RMB58.4 million in 2021 to RMB62.1 million in 2022, primarily due to the increase in the Company's profit before tax.

(15) Profit for the Year

The Company's profit for the year increased by 55.2% from RMB454.0 million in 2021 to RMB704.6 million in 2022. The Company's profit margin for the year (i.e. profit for the year as a percentage of revenue) decreased from 11.1% in 2021 to 9.8% in 2022.

(16) Cash Flow

Summary of cash flows	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Net cash flows from operating activities	**310,124**	101,791
Net cash flows used in investing activities	**–754,333**	–652,545
Net cash flows from financing activities	**2,435,892**	1,217,738
Net increase in cash and cash equivalents	**1,991,683**	666,984

1. Net cash flow from operating activities

The Company mainly generated cash inflow from operating activities from the payment received from the sales of high-performance NdFeB PMs, and the cash outflow from operating activities was mainly from the purchase of rare earths raw material used in the manufacture of high-performance NdFeB PMs.

The Company's net cash flow generated from operating activities for the year ended 31 December 2022 was RMB310.1 million, mainly due to the Company's profit before tax of RMB766.7 million, and adjusted for non-cash and non-operating items.

2. Net cash flow used in investing activities

The Company's net cash flow used in investing activities mainly included purchase of property, plant and equipment and leasehold land.

The Company's net cash flow used in investing activities for the year ended 31 December 2022 was RMB754.3 million, mainly due to the purchase of property, plant and equipment of RMB549.8 million and the purchase of leasehold land of RMB31.9 million.

3. Net cash flow from financing activities

Net cash flow from financing activities of the Company mainly included new bank borrowings and proceeds from issuance of shares and discounted commercial acceptance notes.

The Company's net cash flow from financing activities for the year ended 31 December 2022 was RMB2,435.9 million. Cash inflows mainly consisted of RMB3,450.4 million of proceeds from issuance of shares and RMB813.2 million of increase in bank loans. Such cash inflows were offset by repayments of bank borrowings of RMB1,228.0 million, dividends paid of RMB209.1 million, and interest paid of RMB68.2 million.

(17) Financial Position

Non-current assets increased by RMB607.7 million from RMB1,485.8 million as of 31 December 2021 to RMB2,093.5 million as of 31 December 2022, primarily due to the increase in property, plant and equipment and right-of-use assets during the Reporting Period. Current assets increased by RMB4,562.0 million from RMB4,565.0 million as of 31 December 2021 to RMB9,127.0 million as of 31 December 2022, primarily due to the increase in the balance of trade and notes receivables, the increase in the balance of inventories and the increase in the balance of cash and cash equivalents during the Reporting Period.

Current liabilities increased by RMB1,543.3 million from RMB2,568.0 million as of 31 December 2021 to RMB4,111.3 million as of 31 December 2022, primarily due to the increase in trade and notes payables during the Reporting Period. Non-current liabilities decreased by RMB195.0 million from RMB516.4 million as of 31 December 2021 to RMB321.4 million as of 31 December 2022, mainly due to the decrease in interest bearing bank and other borrowings and deferred income.

As of 31 December 2022 and 2021, the Company had net current assets of RMB5,015.7 million and RMB1,997.0 million, respectively, and total equity of RMB6,787.8 million and RMB2,966.4 million, respectively. As of 31 December 2022 and 2021, the Company's cash and cash equivalents amounted to RMB3,400.4 million and RMB1,255.5 million, respectively.

(18) Inventories

The Company's inventories consist of raw materials, work in progress and finished goods. We regularly monitor our inventories. Our warehouse personnel are responsible for inspection and storage of our inventories. The following table sets forth the components of the Company's inventories as at the end of the Reporting Period:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials	**543,899**	456,678
Work in progress	**342,093**	339,675
Finished goods	**1,050,935**	532,272
	1,936,927	1,328,625
Less: Impairment provision		
Work in progress	**–1,739**	–3,469
Finished goods	**–4,047**	–956
	–5,786	–4,425
	1,931,141	1,324,200

The Company's inventories increased from RMB1,324.2 million as of 31 December 2021 to RMB1,931.1 million as of 31 December 2022, The Company's finished goods increased primarily due to the increase in our production scale along with the increase in our business.

(19) Property, Plant and Equipment

Property, plant and equipment mainly consisted of buildings, machinery and equipment, furniture and fixtures, motor vehicles, office and other equipment and construction in progress. As of 31 December 2022 and 2021, the net book value of the Company's property, plant and equipment amounted to RMB1,706.6 million and RMB1,038.1 million, respectively. The increase in the Company's plant, property and equipment during the Reporting Period was primarily due to the increase in investment in equipment in relation to additional production lines and automation of production facilities.

(20) Indebtedness and Gearing Ratio

As of 31 December 2022, the Company's interest-bearing bank and other borrowings amounted to RMB1,446.0 million. Among the total borrowings, borrowings amounted to RMB1,246.0 million would be due within one year while RMB200.0 million would be repayable over one year.

As of 31 December 2022, our gearing ratio, calculated by dividing total liabilities by total assets, was 39.5%, compared to 51.0% as of 31 December 2021.

(21) Pledge of Assets

As of 31 December 2022, the net carrying amount of the property, plant and equipment pledged by the Company was approximately RMB138.7 million (as of 31 December 2021: RMB136.5 million); the net carrying amount of the pledged right-of-use assets was approximately RMB27.4 million (as of 31 December 2021: RMB77.3 million). The above pledges were used to obtain bank loans. Please refer to notes 15 and 16 to financial statements for details.

(22) Contingent Liabilities

At of 31 December 2022 and 2021, we did not have any material contingent liabilities.

VI. FUTURE DEVELOPMENT STRATEGY AND BUSINESS PLAN OF THE COMPANY

(1) Development strategy of the Company

The situation at home and abroad in 2022 was more complex and volatile, with multiple adverse factors overlapped. Each country takes energy safety as the priority, resulting in the rebound of fossil energy consumption in most regions. But in the long run, the direction of global green low carbon transformation will not change. At the current stage, the world's major economies are actively carrying out "Carbon Reduction（減碳）" campaigns, and our country has made the important strategic decision of "achieve carbon peak before 2030 and achieve carbon neutrality before 2060（2030年實現碳達峰、2060年實現碳中和）", "decarbonization of energy production and electrification of production and life（能源生產去碳化，生產生活電氣化）" will become the trend of the times. High-performance REPMs have the advantages over traditional magnets such as good energy conservation, small size, light weight and ease to precisely control, and can significantly improve the power density of motors, making it have higher operating efficiency. Compared to traditional motors, REPM motors can save energy up to 15% to 20% and are widely used in the fields such as NEVs and automotive parts, energy-saving VFACs, wind power generation, robotics and industrial servo motors and energy-saving elevators.

As a core components supplier in the field of new energy, energy conservation and environmental protection, the Company will take practical actions to promote the realization of global carbon neutrality and goals of "Fourteenth Five-Year Plan". The Company adheres to the R&D, production and sales of high-performance NdFeB PMs as its main business, by means of the high-speed growth of downstream market and the promotion of industry policies, maintains its leading edges in NEVs and automotive parts, energy-saving VFACs, wind power generation, robotics and industrial servo motors, energy-saving elevators, and actively explores markets of 3C and rail transit, optimizes its product structure and customer structure, and lowers operation risks. Meanwhile, the Company will continue to increase its investments in technological R&D, further implement lean management, wholly elevate the Company's profitability and industry position. The Company's strategic goal is to become a global leader in the REPM industry, which will be achieved by implementing the following strategies:

1. Further scale up production capacity

In order to respond to the increasing demand from downstream industries, the Company plans to expand its existing production capacity of high-performance NdFeB PMs and deepen the penetration of our products in the downstream industries through R&D and upgrading production lines. Currently, the Company's total annual production capacity of high-performance NdFeB PMs blanks amounts to 23,000 tonnes. The Project with an annual output of 3,000 tonnes of high-end magnets and 100 million sets of components invested by the Company in Ningbo is under construction, and expected to be completed and put into operation in 2023; the high-performance REPM base (Phase II) project with an annual capacity of 12,000 tonnes in Baotou invested by the Company has commenced construction in 2022. The Company has also planned to invest in and construct an energy-saving motors Magnets Base Project with an annual capacity of 2,000 tonnes. The Company plans to build a production capacity of 40,000 tonnes/year of high-performance NdFeB PMs blanks by 2025.

The Company plans to invest in and construct a "Project for Comprehensive Utilization of Waste NdFeB magnet" in Mexico, after it put into operation, we will have a production capacity of 5,000 tonnes waste NdFeB magnet comprehensive utilization and a supporting production capacity of 3,000 tonnes of high-end magnet products per year. For details of the "Project for Comprehensive Utilization of Waste NdFeB magnet", please refer to the announcement of the Company dated 13 September 2022. With the growing global demand for REPMs and the increasing number of waste NdFeB magnet reaching their life cycle overseas, the recycling of waste NdFeB magnet is conducive to the green and sustainable development of rare earth resources, thereby further enhancing the Company's global competitiveness.

2. Strengthen our R&D efforts and broaden our product offering

The Company plans to further strengthen our R&D efforts in improving our production techniques, diversifying our current product portfolio and facilitating the cooperation with top-tier customers. In particular, the Company plans to:

1) Continue to carry out R&D projects to consolidate the Company's current technologies and optimize formulations, introduce new high-performance products and technology, timely respond to customers' demands for upgrading products and lead the technology innovation in our industry;

2) Maintain the Company's technological edge in production of high-performance NdFeB PMs, improve with the latest international technological trends and best practices, and further upgrade our proprietary technologies;

3) Increase our investment in R&D including further reducing the use of medium and heavy rare earth in the production of high-performance NdFeB PMs has a wider range of applications;

4) Expand the Company's R&D team by recruiting industry experts and talents, and strengthen our internal trainings and talent cultivation;

5) Upgrade our production facilities by enhancing their automation level to facilitate ramping up the Company's production capacity while ensuring product quality and consistency; and

6) In addition to our existing two R&D centers in Ganzhou and Europe, establish R&D centers or testing centers in Ningbo, U.S. and Europe which is compatible with our global business layout.

3. Expand the Company's global business footprint

As many countries gradually roll out the goals of carbon neutrality, relevant supportive policies have been promulgated to reduce carbon emission. REPMs, by virtue of its inherent energy-saving advantages and wide applications in energy-saving industries, are expected to achieve robust development in the following years domestically and abroad. The Company plans to expand its global footprint and grasp the strategic opportunity period of upward development of the industry to proactively lay out its business in overseas markets. The Company will focus on building overseas technology exchange platform, sales platform and logistics services.

At present, the Company has established subsidiaries in Hong Kong-China, Europe, Japan, United States and Mexico. The Company intends to further develop its existing overseas subsidiaries and extend its global business footprint to more regions and countries to seize more global market shares.

4. Implement the concept of low-carbon development and actively fulfill social responsibility of sustainable development

On 26 July 2022, the Company's Ganzhou Photovoltaic Power Station Project has entered into the list of three-year actions of the Jiangxi Province Development Zone and the selected projects for the development competition of the whole county, and completed the project filing on 10 August 2022. As of 30 January 2023, the Ganzhou Photovoltaic Power Station Project has been completed and grid-connected, with an aggregate installed capacity of approximately 2.6MW. So far, the Baotou Photovoltaic Power Station Project (包頭光伏電站項目) has published the information about the 2022 competitive configuration optimization results of distributed wind power, distributed photovoltaic power station project of Baotou, and the project will enter the stage of project filling and construction. The Company will continue to adhere to the concept of green development in our business operations in the future. In addition to contributing REPMs to assist China in achieving its goal of carbon peak and carbon neutrality, the Company has also actively cooperated with leading new energy companies in a green power initiative based on its business needs.

To better manage environmental, social and climate-related risks, the Company aims to reduce its greenhouse emissions and resource consumption in the foreseeable future. The Company has established a carbon neutrality leading group responsible for setting plans and taking measures to reduce greenhouse gas emissions and energy consumption. The Company expects to reduce its emission/consumption per unit by an average of 5% to 10% on an annual basis in the future until it achieves its long-term goal of carbon neutrality through planning to increase use of green energy and enhance its efforts in recycling of raw materials.

Investors are advised to exercise caution as the above operating targets do not represent the profit forecast of the Company. It is significantly uncertain whether the above operating targets can be realized or it depends on the impact of various factors such as changes in macro policies and market conditions as well as the operating results of the management team.

(2) 2023 Annual Business Plan

Formulated by the Board of Directors of the Company, the Company's business strategy for the year 2023 is "customer-oriented, international deployment, and making new achievements courageously". The Company will continue to enhance lean, quality, production efficiency and informatization management through innovative technologies, replenish industrial chain resources, and continue to increase production capacity to achieve leap-forward development of the Company. To implement the above business policies, the Company's 2023 annual business plan is as follows:

1. Construction Plan For Projects Under Construction

Multi-base production is not only a requirement from customers for supply chain security, but also helps the Company diversify risks, reduce costs and better secure resources. The Company will actively promote the"Project of Realizing an Annual Production Capacity of 3,000 Tonnes of High-end Magnets and 100 million Units/Sets of Component Parts" in Ningbo to complete and put into operation as soon as possible. The Company will promote the project construction of "Project of High-performance REPMs Base (Phase 2) with annual production capacity of 12,000 tonnes" in Baotou, as well as plan to invest in the construction of the High-efficiency and Energy-saving Motors Magnets Base Project in Ganzhou and the construction of "Project for Comprehensive Utilization of Waste NdFeB Magnet" in Mexico to capture the development opportunities in the downstream market, to expand the scale of production capacity and realize scale effect, as well as to improve the Company's competitiveness in various fields to attain constant enhancement of the Company's profitability.

2. Market Development Plan

The Company will continue to focus on the research and development, production and sales of high-performance NdFeB PMs and maintain its leading position in NEVs and automotive parts, energy-saving VFACs, wind power generation, robotics and industrial servo motors, energy-saving elevators and other fields and proactively explore market fields such as 3C and rail transit to optimize the product structure and customer structure.

The Company will stick to the principle of customer orientation, establish a matrix project management model and set up a product development team that mainly comprises of technology R&D, marketing, quality management and after-sale services personnel to completely collect, accurately identify and promptly respond to the customers' needs and to continue to improve the quality and operation of the products to provide customers with full and three-dimensional services.

3. Technology Development and Innovation Plan

Innovative technology is the major indicator of the development of technology enterprises and innovation encourages the quality development of the Company. The Company will strive to create a national enterprise technology center while recruiting talents and further investing in technology R&D to attempt to turn the outcome of technology R&D to the success in developing more clients and receiving more orders. Under the premise of the customer's permission, we will use our professional skills to help customers optimize design, improve performance, reduce costs, comprehensively and accurately identify customer needs, and improve the success rate of research and development in the early stage of designing new products. The intelligent manufacturing R&D center closely cooperates with production to increase the research and development and production of automation equipment.

4. Quality Control and Lean Management Plan

The Company pragmatically carries out the quality policy of "full participation, full control, prevention-oriented, constant improvement and customer satisfaction" and strictly checks on the quality to further reduce the quality cost. The Company reinforces lean management and fine management outcome and enhances operation standardization while strengthening supply chain construction and improving the ability to secure a stable supply to create value for the Company. The Company strengthens informatization construction and implements informatization from the perspective of lean management and intelligent manufacturing.

5. Team Building Plan

Talent is regarded as the greatest asset by the Company. The Company attracts talent with vision, selects talent with performance and retains them with career. The Company will further enhance the incentive mechanism, including share incentives, and will reward the superiors while phasing-out the inferiors to motivates the talent team. The Company will empower employees with programmes and entrust important tasks to staff as trainings. The Company will strive to strengthen and expand the Company's platform to provide a larger career development platform for well-prepared, responsible employees.

Over the past fifteen years since its establishment, the Company has kept in mind the mission of "Employing rare earth to create better life". We uphold our core values of the Company to achieve the unity of knowledge and practice and have implemented the allocation and incentive mechanism of "Build the platform together and share the fruits together". In 2023, the management of the Company will take value creation as the start and the goal of the Company's operation and management and lead all employees to forge into the lead of the industry to strive to enhance the strength of the listed companies and create a better performance to investors and the society in return.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

I STATEMENT OF CHANGES IN SHARE CAPITAL

Details of the movements in the share capital of the Company during the current year are set out in Note 35 to the Consolidated Financial Statements.

II SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

(1) Shareholding of the top ten shareholders

As at 31 December 2022, the shareholding of the top ten shareholders of JL MAG was set out as below

Unit: Share

Name	Nature	Shareholding percentage	Number of shares held at the end of the Reporting Period	Changes during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Shares pledged, marked or frozen	
							Status	Number
Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司)	Domestic non-state owned legal person	28.87%	241,937,600.00	N/A	N/A	241,937,600.00	Pledged	6,800,000.00
HKSCC NOMINEES LIMITED	Oversea legal person	14.97%	125,466,000.00	125,466,000	N/A	125,466,000.00	N/A	N/A
Goldwind Investment Holding Co., Ltd. (金風投資控股有限公司)	Domestic non-state owned legal person	5.64%	47,236,320.00	–11,500,000	N/A	47,236,320.00	N/A	N/A
Ganzhou Industrial Investment Holding Group Co., Ltd. (贛州工業投資控股集團有限公司)	State-owned legal person	5.16%	43,200,000.00	N/A	N/A	43,200,000.00	N/A	N/A
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	Oversea legal person	3.28%	27,474,009.00	-3,427,100	N/A	27,474,009.00	N/A	N/A
Ganzhou Xinsheng Investment Management Center (limited partnership)(贛州欣盛投資管理中心(有限合夥))	Domestic non-state owned legal person	1.76%	14,710,272.00	N/A	N/A	14,710,272.00	N/A	N/A
Tian'an Life Insurance Company-participating products (天安人壽保險股份有限公司－分紅產品)	other	0.72%	6,000,000.00	5,500,000	N/A	6,000,000.00	N/A	N/A
China Universal Asset Management Co., Ltd.– social insurance fund17022 combination (匯添富基金管理股份有限公司－社保基金17022組合)	other	0.65%	5,460,000.00	5,460,000	N/A	5,460,000.00	N/A	N/A
Ganzhou Geshuo Investment Management Center (limited partnership) (贛州格碩投資管理中心(有限合夥))	Domestic non-state owned legal person	0.64%	5,376,984.00	-16,728,600	N/A	5,376,984.00	Pledged	2,190,000.00
BILL & MELINDA GATES FOUNDATION TRUST	Oversea legal person	0.46%	3,866,717.00	-2,952,500	N/A	3,866,717.00	N/A	N/A
Description on the affiliated or acting-in-concert relationships among the above shareholders	(1) Ruide Venture was the controlling shareholder of the Company, which was held as to 40%, 30% and 30%, respectively, by Cai Baogui (蔡報貴), Hu Zhibin (胡志濱) and Li Xinnong (李忻農) who were the de facto controllers of the Company. In particular, Ganzhou Xinsheng was held as to 89.12% by Cai Baogui and 10.88% by Hu Zhibin; Ganzhou Geshuo was held as to 61.00% by Hu Zhibin and 39.00% by Li Xinnong, Cai Baogui, Huzhibin, Li Xinnong, Ruide Venture, Ganzhou Xinsheng and Ganzhou Geshuo are persons acting in concert; and (2) apart from the above shareholders, the Company was not aware of any affiliated or acting-in-concert relationships among other shareholders.							

(2) Interests and short positions of substantial shareholders and other person in the shares and underlying shares under Hong Kong regulations

As of 31 December 2022, to the knowledge of the Directors, the following person (other than the directors, supervisors and the chief executive of the Company) who have or are deemed have interests and short positions in the shares or underlying shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be kept under section 336 of the SFO are as follows:

Name	Class of Shares	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
Cai Baogui[4][5]	A Shares	Interests of controlled corporation	241,937,600 (L)		
	A Shares	Interests of controlled corporation	14,710,272 (L)		
	A Shares	Beneficial owner	640,000 (L)		
	A Shares	Interests of parties acting in concert	6,336,984 (L)		
			263,624,856 (L)	37.00%	31.46%
Hu Zhibin[4]	A Shares	Interests of controlled corporation	241,937,600 (L)		
	A Shares	Beneficial owner	960,000 (L)		
	A Shares	Interests of parties acting in concert	20,727,256 (L)		
			263,624,856 (L)	37.00%	31.46%
Li Xinnong[4][6]	A Shares	Interests of controlled corporation	241,937,600 (L)		
	A Shares	Interests of controlled corporation	5,376,984 (L)		
	A Shares	Interests of parties acting in concert	16,310,272 (L)		
			263,624,856 (L)	37.00%	31.46%
Jiangxi Ruide Venture Investment Co., Ltd.[4]	A Shares	Beneficial owner	241,937,600 (L)	33.96%	28.87%

Name	Class of Shares	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
Xinjiang Goldwind Technology Co., Ltd.[7]	A Shares	Interests of controlled corporation	47,236,320 (L)	6.63%	5.64%
Goldwind Investment Holdings Limited[7]	A Shares	Beneficial owner	47,236,320 (L)	6.63%	5.64%
Ganzhou Rare Earth Group Co., Ltd.	A Shares	Beneficial owner	43,200,000 (L)	6.06%	5.16%
China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.[8]	H Shares	Beneficial owner	34,270,800 (L)	27.31%	4.09%
China Chengtong Holdings Group Ltd.[8]	H Shares	Interests of controlled corporation	34,270,800 (L)	27.31%	4.09%
Rosefinch Fund Management Co., Ltd.	H Shares	Investment Manager	18,834,000 (L)	15.01%	2.25%
CR Alpha Investment II Limited	H Shares	Beneficial owner	11,423,600 (L)	9.10%	1.36%
CCB Financial Holdings Limited[9]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
CCB International (Holdings) Limited[9]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
CCB International Group Holdings Limited[9]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
CCB International Overseas Limited[9]	H Shares	Beneficial owner	6,923,400 (L)	5.52%	0.83%
Central Huijin Investment Ltd.[9]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
China Construction Bank Corporation[9]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
CITIC Corporation Limited[10]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%

Name	Class of Shares	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
CITIC Glory Limited[10]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
CITIC Group Corporation[10]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
CITIC Limited[10]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
CITIC Polaris Limited[10]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
Prudential PLC[11]	H Shares	Interests of controlled corporation	6,923,400 (L)	5.52%	0.83%
CITIC-Prudential Life Insurance Company Limited[10][11]	H Shares	Beneficial owner	6,923,400 (L)	5.52%	0.83%

Notes:

(1) (L) stands for long position; (S) stands for short position; (P) stands for shares available for lending.

(2) Represents the percentage of the number of shares in the relevant class as at 31 December 2022 divided by the number of shares in the relevant class of the Company in issue.

(3) Represents the percentage of the number of shares in the relevant class as at 31 December 2022 divided by the number of all shares of the Company in issue (totalling 837,956,198 shares, including 125,466,000 H Shares and 712,490,198 domestic shares).

(4) Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong, the ultimate controlling shareholders of the Company, have entered into an acting in concert agreement, pursuant to which Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are parties acting in concert. For further details, please refer to "History, Development and Corporate Structure – Our Ultimate Controlling Shareholders and Parties Acting in Concert – Parties Acting in Concert" of the Prospectus of the Company. Under the SFO, each controlling shareholder will be deemed to be interested in the shares beneficially owned by other controlling shareholders.

Jiangxi Ruide Venture Investment Co., Ltd. was held as to 40%, 30% and 30%, respectively, by Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong. Under the SFO, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are deemed to be interested in the 241,937,600 A Shares held by Jiangxi Ruide Venture Investment Co., Ltd..

(5) Mr. Cai is the general partner of Ganzhou Xinsheng Investment Management Center (Limited Partnership) and directly holds 14,710,272 A shares of the Company.

(6) Mr. Li is the general partner of Ganzhou Geshuo Investment Management Center (Limited Partnership) and directly holds 5,376,984 A shares of the Company.

(7) Goldwind Investment Holding Limited directly holds 47,236,320 A shares of the Company. Goldwind Investment Holding Limited is a wholly-owned subsidiary of Xinjiang Goldwind Technology Co., Ltd., which under the SFO is deemed to be interested in 47,236,320 A shares held by Goldwind Investment Holdings Limited.

(8) China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. directly holds 34,270,800 H Shares of the Company, and China Chengtong Holdings Group Ltd. holds 33.95% equity interest of China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd., and pursuant to the SFO, China Chengtong Holdings Group Ltd. is deemed to be interested in 34,270,800 H Shares held by China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd..

(9) CCB International Overseas Limited directly holds 6,923,400 H Shares of the Company. CCB International Overseas Limited is a wholly-owned subsidiary of CCB International (Holdings) Limited, CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, CCB Financial Holdings Limited is a wholly-owned subsidiary of CCB International Group Holdings Limited, and CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, and Central Huijin Investment Ltd. holds approximately 57.11% equity interest in China Construction Bank Corporation. Under the SFO, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation, Central Huijin Investment Ltd. are deemed to be interested in the 6,923,400 H Shares held by CCB International Overseas Limited.

(10) CITIC-Prudential Life Insurance Company Limited directly holds 6,923,400 H Shares of the Company. CITIC Corporation Limited holds 50% equity interest in CITIC-Prudential Life Insurance Company Limited. CITIC Corporation Limited is wholly owned by CITIC Limited. CITIC Glory Limited holds approximately 25.60% equity interest in CITIC Limited. CITIC Polaris Limited holds approximately 32.53% equity interest in CITIC Limited. Both CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. Under the SFO, CITIC Corporation Limited, CITIC Glory Limited, CITIC Polaris Limited, CITIC Limited and CITIC Corporation Limited are deemed to be interested in the 6,923,400 H Shares held by CITIC-Prudential Life Insurance Company Limited.

(11) CITIC-Prudential Life Insurance Company Limited directly holds 6,923,400 H Shares of the Company. Prudential Corporation Holdings Limited holds 50% equity interest in CITIC-Prudential Life Insurance Company Limited. Prudential Corporation Holdings Limited is wholly owned by Prudential Holding Limited, Prudential Holding Limited is wholly owned by Prudential Corporation Asia Limited, and Prudential Corporation Asia Limited is wholly owned by Prudential PLC. Under the SFO, Prudential PLC is deemed to be interested in the 6,923,400 H Shares held by CITIC-Prudential Life Insurance Company Limited.

Save as disclosed above, as at 31 December 2022, there was no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was recorded in the register kept by the Company under section 336 of the SFO.

III ISSUE AND LISTING OF H SHARES

Approved by the Stock Exchange, the 125,466,000 overseas listed foreign shares (H Shares) issued by the Company, before any exercise of the Over-allotment Options, were listed and traded on the Main Board of the Hong Kong Stock Exchange on 14 January 2022. As at the date of this annual report, the minimum public float of JL MAG has met the requirements of the Hong Kong Listing Rules.

IV CHANGES IN THE CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

During the current Reporting Period, there was no change in the controlling shareholder and de facto controllers of Company.

(1) Controlling shareholder

As of 31 December 2022, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong, and the investment holding entities under their control, namely Jiangxi Ruide Venture Investment Co., Ltd., Ganzhou Geshuo Investment Management Center (limited partnership), and Ganzhou Xinsheng Investment Management Center (limited partnership), jointly hold approximately 31.46% interest of the total issued share capital of the Company, which constitutes a group of controlling shareholders of the Company under the Hong Kong Listing Rules.

(2) Legal person shareholder holding 10% or more of shares

Apart from HKSCC Nominees Limited, the Company currently does not have any other legal person shareholder holding 10% or more of shares.

(3) De facto controllers

Name	Relationship with the de facto controllers	Nationality	Whether or not had obtained residential right in other countries or regions
Cai Baogui	Himself	China	No
Hu Zhibin	Himself	China	No
Li Xinnong	Himself	China	No
Major occupation and titles	For details of the major occupation and titles of Cai Baogui, Hu Zhibin and Li Xinnong, please refer to the "Profile of Directors, Supervisors and Senior Management" in this annual report		
Domestic and overseas listed companies controlled in the last 10 years	Not applicable		

CORPORATE GOVERNANCE REPORT

1 CORPORATE GOVERNANCE PRACTICE

(1) Improvement of Corporate Governance in the Reporting Period

The Company has been committed to maintaining and ensuring high-standard cooperate governance practices. In strict accordance with the provisions of the Articles of Association and related laws and regulations, the Company has continued to improve the corporate governance structure, further regulated corporate operations, improved corporate governance, established and improved its internal management and control system. Being highly accountable to investors, the Company has operated with integrity and in a standardized way, and earnestly fulfilled its obligations as a listed company, so as to achieve sound development.

(2) General Meetings of Shareholders

In strict accordance with the Articles of Association and the requirements of domestic and foreign laws and regulations, the Company has regulated the procedures for convening, holding and voting at the general meeting of shareholders to ensure that all shareholders enjoy equal status and rights, fully exercise their rights and undertake corresponding obligations.

(3) Interests and Short Positions of Directors, Supervisors and Other Senior Management in the Shares, Underlying Shares and Debentures

As of the end of the Reporting Period, the interests and short positions of the Directors, Supervisors and Other Senior Management in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were set out the section headed Profile of Directors, Supervisors and Senior Management in this annual report. Save as disclosed in that section, as of 31 December 2022, to the best of the Board's knowledge, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

(4) Securities Transactions by Directors and Supervisors

The Company has adopted a standard of conduct no less than required under the Model Code for the securities transactions of the Directors and Supervisors. The Company has strictly complied with other relevant laws and regulations of Hong Kong and PRC regulatory authorities and adhered to the strictest implementation of the terms of the two places. The Company has made specific enquiries to all directors and supervisors as to whether the directors and supervisors have complied with the Management Measures during the Reporting Period, and all directors and supervisors have complied with all the requirements of the Model Code.

(5) Performance of Duties by Independent Directors

During the Reporting Period, the Board of Directors had complied with provisions of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules on the appointment of at least three independent non-executive directors (representing one third of the Board of Directors), including at least an independent non-executive director who has the relevant professional qualification or accounting or related financial management expertise.

The Company has received from each of the independent non-executive directors a confirmation of his/her independence from the Listing Date to the end of the Reporting Period under Rule 3.13 of the Listing Rules. In the opinion of the Company, all its independent directors were independent during the Reporting Period.

(6) The Company's Independence of Controlling Shareholders

The Company was independent of the controlling shareholders in terms of business, assets, finance, etc. The Company had full and independent business capability and independent management capability.

(7) Horizontal Competition with Controlling Shareholders

During the Reporting Period, none of the controlling shareholders or their respective associates was considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company, as defined in the Hong Kong Listing Rules.

(8) Improvement and Implementation of Internal Control System

1. Further improve internal control system and strengthen internal audit supervision. The Company has sorted out and improved the functions and duties of the Audit Committee of the Board of Directors and the internal audit department, strengthened the exercise of supervision power under the leadership of the Board of Directors and the supervision of the implementation of the Company's internal control system by the internal audit department, and improved the depth and breadth of internal audit. On one hand, the internal audit department has enhanced its supervision on the implementation of the internal control system of the Company and improved the depth and breadth of its internal audit. On the other hand, in order to prevent capital tie-up, the internal audit department has paid close attention to large-amount capital transactions and dynamically tracked the utilization of large-amount capital by related business departments. It has timely reported to the Audit Committee of the Board of Directors when finding any suspected related-party capital transaction and prompted each department to strictly fulfill deliberation and disclosure procedures in accordance with related provisions.

2. The Company has strengthened the internal control awareness and responsibilities of the Board of Directors and key positions, fully understood the importance of internal control in improving corporate management, enhancing risk prevention and control, and facilitating the high-quality development of the Company, specified specific responsible persons, and required them to play an exemplary role.

3. Strengthen internal control training and study. The Company has timely organized directors, supervisors and senior management to participate in regulatory compliance studies to improve their ability in corporate governance. It has provided targeted compliance training for middle-level management and ordinary employees to increase their risk prevention awareness and compliance management awareness to ensure the effective implementation of the internal control system and effectively improved the Company's standardized operation to facilitate the Company's sound and sustainable development.

(9) Assessment and Incentive Mechanism for Senior Management

The Company has formulated the Senior Management Remuneration System based on the "principles of responsibility, incentive, performance and competition", and continuously improved the performance appraisal system for senior management. The Remuneration and Appraisal Committee of the Board determines the remuneration standards of each senior management based on their job responsibilities, work performance and completion of tasks and objectives, which reflects the principle of equal responsibilities and rights, and maintains the attractiveness of the Company's remuneration and its competitiveness in the market. During the Reporting Period, the senior management of the Company actively implemented the relevant resolutions of the shareholders' general meeting and the Board of the Company, and earnestly performed their duties.

(10) Corporate Governance Report (Prepared in accordance with the Listing Rules of Hong Kong)

1. Compliance with the Corporate Governance Code

The Board is committed to upholding a high standard of corporate governance practices with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Company has adopted the applicable corporate governance rules specified in the Corporate Governance Code set out in Appendix XIV of the Listing Rules.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Baogui is our co-founder, the Chairman and the general manager (same nature as the chief executive officer). From the inception of the Group's business, Mr. Cai has been responsible for the overall management, decision-making and strategy planning of our Group and is essential to our Group's growth and business expansion. Since Mr. Cai is the key personnel for our Group's development and he will not undermine our Group's interests in any way under any circumstances, our Board considers that vesting the roles of chairman and general manager in the same person, Mr. Cai, would not create any potential harm to the interest of our Group and it is, on the contrary, beneficial to the management of our Group. In addition, the operation of the senior management and our Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Cai, as both the Chairman and general manager of our Group. Our Board currently comprises two executive directors (including Mr. Cai), three non-executive directors and three independent non-executive directors and therefore has a fairly strong independence element in its composition. Save as disclosed above, the Board of Directors believes that the Company has complied with the applicable provisions set out in the Corporate Governance Code during the Reporting Period.

The Board of Directors will regularly review and strengthen the Company's corporate governance practices to ensure that the Company will continue to comply with the requirements of the Corporate Governance Code.

2 THE BOARD OF DIRECTORS

(1) The Board of Directors

1 The Board of Directors of the Company, as the decision-making body of the Company, has followed good corporate governance practices and procedures. The decisions of the Board of Directors are implemented by the Company's management.

2 The Board of Directors of the Company shall convene regular Board meeting at least four times each year. The Board meeting is convened by the chairman, and all directors and supervisors shall be notified in writing 14 days prior to the meeting. In 2022, a total of eight Board meetings were held by the Company.

3 The directors of the Company may propose to include a proposal in the agenda of the Board meeting and all directors shall have the right to request other relevant information.

4 The Board of the Company has evaluated its own operation and work in the previous year and believes that the Board operated in compliance with domestic and overseas regulatory provisions and corporate rules and regulations, heard opinions of the Party organization, the Supervisory Committee, and the management during the decision-making process, and safeguarded the interests of the Company and the legitimate rights and interests of shareholders.

5 The Board secretary of the Company assists directors in the Board's routine work, continuously provides the directors with the regulations, policies and requirements of domestic and overseas regulatory authorities on corporate governance, and assists the directors in performing their duties in a standardized manner. The Company has purchased liability insurance for its directors to reduce losses possibly suffered by the directors when they duly perform their duties.

(2) Chairman and General Manager

1 Mr. Cai Baogui serves as chairman and general manager of the Company.

2 The chairman attaches importance to communication with independent non-executive directors.

3 The chairman advocates the culture of openness and active discussion, encouraging the directors to make full and in-depth discussions on decision-making matters of the Company at Board meetings.

(3) Composition of the Board

1 As of the annual report date, the Board of the Company consists of seven members (see the profile of directors, supervisors, and other senior management and employees in this annual report), including two executive directors and five non-executive directors (including three independent non-executive directors, accounting for at least one third of the total directors of the Board).

2 The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence under Rule 3.13 of the Listing Rules. The Company confirmed that all its independent directors satisfy the requirements for independence under Rule 3.13 of the Listing Rules.

(4) Appointment, Reelection and Removal

1 The term of office of all directors of the Company is three years, and an independent non-executive director shall not be reelected if he/she assumes office for more than six years. The system and procedures for the appointment, re-election and removal of Directors are set out in the Articles of Association of the Company. Pursuant to the Articles of Association, directors shall be elected, replaced or removed from office prior to the expiration of their term of office by Shareholders at a Shareholders' general meeting. Each term of office of a Director shall be three years. Director may be re-elected and re-appointed upon expiry of his/her term of office. The Shareholders' general meeting may, in compliance with relevant laws, administrative regulations, and relevant regulations of the securities regulatory authority of the place where the Company's shares are listed, remove any director whose term has not expired by ordinary resolution, but this does not affect the director's claims for damages pursuant to any contract.

2 All directors of the Company are elected by the general meeting of shareholders.

3 For new directors, the Company will arrange professional consultants to prepare detailed information for the new directors, informing them of the regulatory requirements of each region where the Company is listed, and reminding them of their rights, responsibilities and obligations as directors.

(5) Nomination Committee

1 The Board of the Company has set up a Nomination Committee, in which Mr. Xu Feng, an independent non-executive director of the Company, serves as chairman of the Committee and Mr. Cai Baogui, chairman of the Company, and Mr. Yuan Taifang, an independent non-executive director serves as members of the Committee.

The Nomination Committee mainly proposes suggestions to the Board on the scale and composition of the Board, the selection criteria, procedures and candidates for directors and senior management, and considers the Board diversity from a number of aspects, including but not limited to gender, age, cultural and education background and directors' professional experience; develops and regularly reviews the policies in relation to the Board diversity. The Procedures for Nomination of Director Candidates of the Company is available on the website of the Company (http://www.jlmag.com.cn/).

2 In assessing and selecting candidates for directors, the Nomination Committee will consider the following criteria: (1) character and integrity; (2) qualifications, including professional qualifications, skills, knowledge and experience relevant to the Company's business and strategies, and the diversity factors referred to in the Board Diversity Policy of the Company; (3) any measurable objectives adopted to achieve diversity of the Board; (4) the independence standard for the appointment of independent non-executive directors as set out in Rule 3.13 of the Hong Kong Listing Rules; (5) being able to devote sufficient time to perform his/her duties as a member of the Board and serving as a member of the committees under the Board; and (6) complying with the relevant requirements of applicable laws and regulations for the appointment of directors.

3 The Nomination Committee may engage professionals when performing its duties. The reasonable costs incurred will be borne by the Company.

4 During the year, the Nomination Committee did not convene any meetings.

5 According to the Director Nomination Policy, the nomination procedures for directorship by the Nomination Committee are: (1) the Nomination Committee convenes a meeting and invites the members of the Board to nominate candidates, if any, for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration; (2) for the purpose of appointing any candidate for the Board, the Nomination Committee shall perform due diligence on the individual candidate, taking into full consideration the aforesaid assessment criteria and make recommendations for the Board's consideration and approval; (3) in respect of the re-appointment of any existing members of the Board, the Nomination Committee shall make recommendations on their overall contribution and service to the Company, as well as their level of participation and performance in the Board, while taking into account the aforesaid assessment criteria, for the Board to consider, facilitating candidates to stand for re-election at general meetings.

(6) Duties of Directors

1 All non-executive directors of the Company enjoy the same powers as executive directors. Additionally, independent non-executive directors have specific powers. The Articles of Association and the Rules of Procedure for the Board have specific provisions for the powers of directors, non-executive directors (independent non-executive directors included), which are available on the website of the Company (http://www.jlmag.com.cn/).

2 All directors of the Company can devote enough time and effort to the handling of corporate affairs.

3 All directors of the Company have confirmed that they have complied with the provisions of the Model Code during the Reporting Period.

4. The Company has the mechanism to ensure that the Board can access independent opinions and advice, that is every director, upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties. The implementation and effectiveness of such mechanism was reviewed by the Board, and the Board considers that such mechanism has been implemented properly and effectively.

5. The Company has arranged appropriate liability insurance coverage for the directors, supervisors and officers.

(7) Directors' Trainings and Continuous Professional Development

The Company organizes and arranges directors to participate in training, provides relevant funds, and maintains related records. During the Reporting Period, directors have been regularly briefed on the amendments or latest versions of related laws, rules and regulations. Each new director appointed shall receive formal, comprehensive and customized orientation at the first time of his/her appointment so that he/she gains a proper understanding of the business and operations of the Company and that he/she is fully aware of the requirements for directors under the Listing Rules and related duties and obligations under related legal provisions. The Company will arrange internal briefings for directors and provide them with reading materials on related topics in due course. The Company encourages all directors to attend related trainings, and the costs incurred so shall be borne by the Company.

The individual training record of each Director received for the year is summarised below:

Name of Directors	Attending or participating in relevant seminars/reading materials
Executive Directors	
Mr. Cai Baogui	✓
Mr. Lyu Feng	✓
Non-executive Directors	
Mr. Hu Zhibin	✓
Mr. Li Xinnong	✓
Mr. Li Fei(1)	✓
Mr. Huang Weixiong(2)	✓
Independent Non-executive Directors	
Mr. You Jianxin	✓
Mr. Xu Feng	✓
Mr. Yuan Taifang	✓

Notes:

(1) Mr. Li Fei resigned as a non-executive Director on 17 March 2023.

(2) Mr. Huang Weixiong resigned as a non-executive Director on 22 April 2022.

(8) Attendance Record of Directors

For the year ended 31 December 2022, the record of the directors attending the Board meetings, Board Committees' meetings and general meetings are as follows:

Name	Board	Remuneration and Appraisal Committee	Audit Committee	Nomination Committee	Strategy Committee	Number of general meetings attended
	Number of Board meetings and Board Committees' meetings attended/number of Board meetings and Board Committees' meetings held for the year ended 31 December 2022					
Executive Directors						
Mr. Cai Baogui	8/8	N/A	N/A	N/A	2/2	2
Mr. Lyu Feng	8/8	2/2	N/A	N/A	N/A	2
Non-executive Directors						
Mr. Hu Zhibin	8/8	N/A	4/4	N/A	N/A	2
Mr. Li Xinnong	8/8	N/A	N/A	N/A	N/A	2
Mr. Li Fei	8/8	N/A	N/A	N/A	N/A	2
Mr. Huang Weixiong(1)	2/2	N/A	N/A	N/A	N/A	0
Independent Non-executive Directors						
Mr. You Jianxin	8/8	2/2	4/4	N/A	2/2	2
Mr. Xu Feng	8/8	2/2	N/A	N/A	2/2	2
Mr. Yuan Taifang	8/8	N/A	4/4	N/A	N/A	2

Notes:

(1) Mr. Huang Weixiong resigned as the director of the Company on 22 April 2022. During the year ended 31 December 2022, Mr. Huang Weixiong attended two out of the two Board meetings during his term of office.

(9) Data Provision and Use

1 The agenda and other reference documents for the Company's Board meetings and meetings of special committees are distributed in advance to enable members to have sufficient time to study and make reasonable decisions.

2 All directors of the Company have full and timely access to all relevant information. The secretary to the Board organizes the preparation of materials for Board meetings and prepares explanatory materials for each resolution to enable the Directors to fully understand the content of the resolution. The management is responsible for organizing the provision of information and materials required by the Directors. The Directors may request the management, or request via the management, the relevant departments of the Company to provide information or provide relevant explanations, and may seek advice from professional advisors when necessary.

3 REMUNERATION AND APPRAISAL COMMITTEE

1 The Board of the Company has set up a Remuneration and Appraisal Committee, in which independent non-executive director Mr. You Jianxin serves as chairman of the committee and executive director Mr. Lyu Feng and independent non-executive director Mr. Xu Feng serve as members of the committee. The principal functions of the Remuneration and Appraisal Committee include reviewing and advising the Board on the terms of remuneration packages, bonuses and other remuneration payable to the Directors and senior management.

2 The Remuneration and Appraisal Committee consults the chairman and president regarding the remuneration proposals for other executive directors. Through the assessment by the Remuneration and Appraisal Committee, it is believed that the executive directors of the Company fulfilled the responsibilities specified in the Director Service Contract in 2022.

3 The Remuneration and Appraisal Committee may engage professionals when performing its duties and the reasonable costs incurred shall be borne by the Company. It is stipulated by the Company that senior management and related departments shall actively cooperate with the Remuneration and Appraisal Committee in its work.

4 During the year, two meetings were convened by the Remuneration and Appraisal Committee. The following matters had been considered at the Remuneration and Appraisal Committee meetings:

(1) The fifth meeting of the third session of the Remuneration and Appraisal Committee under the Board of Directors was held on 16 March 2022, which considered and approved the Proposal on the Adjustment of Independent Directors (Under the Third Session of the Board of Directors), Allowance (《關於調整第三屆董事會獨立董事津貼的議案》), the Proposal on Purchasing Liability Insurance for the Company, Directors, Supervisors and Senior Management (《關於為公司及董事、監事、高級管理人員購買責任保險的議案》), the Proposal on the Amendment of the Implementing Rules of Assessment Plan for Senior Management's Performance and Annual Salary (《關於修訂〈高管績效年薪考核方案實施細則〉的議案》), the Proposal on the Assessment Report in respect of the Remuneration and Performance of the Senior Management of the Company in 2021 (《關於公司2021年度高管薪酬績效考核報告的議案》), the Proposal on the Set-up of Performance Assessment Indicators for the Senior Management in 2022 (《關於2022年度高管績效考核指標設定的議案》) and the Proposal on Adjustment of Allowance for Non-Independent Directors of the Third Session of the Board of Directors (《關於調整第三屆董事會非獨立董事津貼的議案》); and

(2) The sixth meeting of the third session of the Remuneration and Appraisal Committee under the Board of Directors was held on 13 October 2022, which considered and approved the Proposal on the Fulfilment of the Conditions for Releasing Restrictions during the Second Unlocking Period of the 2020 Restricted Share Incentive Plan of the Company (《關於公司2020年限制性股票激勵計劃第二個解除限售期解除限售條件成就的議案》), the Proposal on the Fulfilment of the Conditions for Vesting of First Grant & Second Vesting Period of the Reserved Part Granted in 2020 and the First Vesting Period of the Remaining Reserved Part Granted in 2021 of the 2020 Restricted Stock Incentive Plan of the Company (《關於公司2020年限制性股票激勵計劃首次授予及2020年授予預留部分第二個歸屬期、2021年授予剩餘預留部分第一個歸屬期歸屬條件成就的議案》), the Proposal on the Repurchase and Cancellation of the Restricted Stocks Granted, but not yet Released, to Certain Objects under the 2020 Restricted Share Incentive Plan (《關於回購註銷2020年限制性股票激勵計劃部分激勵物件已獲授但尚未解除限售的限制性股票的議案》) and the Proposal on the Invalidation of Certain Type II Restricted Shares Granted but not yet Vested (《關於作廢部分已授予尚未歸屬的第二類限制性股票的議案》).

4 ACCOUNTABILITY AND AUDIT

(1) Financial Reporting

1. The directors are responsible for supervising accounts preparation in each financial period so that all accounts truly and fairly present the business condition, operating results and cash flow performance of the Company during the same period. The Board of the Company approved the Annual Financial Report (2022) and guarantees that the information contained in the financial report is free of any false records, misleading statements or material omissions and will assume joint and several liabilities for the authenticity, accuracy and completeness of the information contained therein.

2. The Company provides directors with information on finance, production, operation, etc. each month so that directors can timely track the latest information of the Company.

3. The Company has implemented the internal control mechanism so that the management and related departments provide sufficient financial data, related explanations and data to the Board and the Audit Committee.

4. The external auditor of the Company has stated the auditors responsibilities on the Independent Auditor's Report in the financial report.

(2) Internal Controls and Risk Management

1 The Company has formulated and implemented internal control and risk management systems. The Board is the decision-making body for internal control and risk management, and is responsible for reviewing the effectiveness of the Company's internal control and risk management. The Board and the Audit Committee of the Company receive information on the Company's internal control and risk management regularly (at least once a year) from the management. Significant internal control and risk issues are reported to the Board and the Audit Committee. The Company has set up internal controls and risk management and internal audit departments, and is equipped with sufficient professionals. The internal controls and risk management and internal audit departments report to the Audit Committee on a regular basis (at least once a year). The Company's internal control and risk management systems are designed to manage risks and cannot ensure that all risks are eliminated.

2 In terms of internal control, the Company has formulated and continuously improved the Internal Control Manual based on the Articles of Association and the current management system, combined with the domestic and overseas regulatory rules and the actual situation of the Company's production, operation and management, to realize all-element internal control of internal environment, risk assessment, control activities, information and communication and internal supervision. At the same time, the Company continued to supervise and evaluate the internal control of the Company. Through regular testing, enterprise self-inspection, audit inspection and other comprehensive and all-level inspections, the headquarter and all enterprises were included in the scope of internal control evaluation, and internal control evaluation reports were prepared. The Board reviews the Company's internal control evaluation report annually. For details of the internal control of the Company during the Reporting Period, please refer to the internal control evaluation report, details of which are set out in the Company's overseas regulatory announcement dated 30 March 2023. Based on the work of identifying significant deficiencies in the Company's internal control in relation to financial reporting and non-financial reporting, as at the record date for the internal control assessment report, the Company was not subject to any significant deficiency in internal control in relation to financial reporting, nor was any significant deficiency identified in internal control in relation to non-financial reporting. The Company has formulated and implemented an information disclosure system and an insider registration system. The Company regularly evaluates the implementation of the system and discloses it in accordance with relevant regulations.

3 In terms of risk management, based on the Articles of Association and the current management system, the Company has formulated a risk management system and established a risk management organization system, in combination with the domestic and overseas regulatory rules and the actual situation of the Company's production, operation and management. The Company organizes annual risk assessment every year, identifies major and important risks, implements risk management responsibilities, formulates major and important risk response strategies and measures in combination with internal control, and regularly tracks the implementation of major risk response measures to ensure the Company's major risks can receive sufficient attention, monitoring and response. The Company has comprehensively identified significant environmental, social and governance risks related to its operations, including environmental protection, climate change, clean technology development and innovation, anti-corruption, occupational health and safety, community relations, etc., and has formulated relevant measures to address them, and the Company also requires relevant departments to implement relevant measures in their operations and management. For more details, please refer to the Environmental, Social and

Governance Report 2022 published on the same date as this report. The Company attaches great importance to business ethics and abides by high-level code of business ethics. Based on its mission, vision and values, it has formulated a clear ethical code of conduct, and formed the business conduct code system consisting of the Supplier Management Procedure, the Anti-Money Laundering Management System, the Anti-fraud Management System and the Company Reporting Management System. Internally, JL MAG establishes an internal auditing and reporting mechanism which broadens reporting channels and specifies reporting handling procedures, and implements reporter confidentiality system to protect the reporting rights of employees; Externally, JL MAG signs the Commitment Letter on Anti-Bribery of Suppliers and integrity clauses with suppliers to regulate the behaviors of suppliers. During the Reporting Period, the Company and its employees were not involved in litigation cases related to corruption.

4 During the Reporting Period, the Board of Directors reviewed and evaluated the internal control and risk management of the Company. The Board considered that the internal control and risk management of the Company were effective and adequate.

(3) Audit Committee

1 The Board of the Company has set up an Audit Committee, in which Mr.Yuan Taifang, an independent non-executive director serves as the chairman of the Committee and Mr. You Jianxin (an independent non-executive director) and Mr. Hu Zhibin (a non-executive director) serve as members of the committee. The primary functions of the Audit Committee include reviewing and supervising the Group's financial reporting process and internal control system, reviewing connected transactions and making recommendations to the Board.

2 During the year, four meetings were convened by the Audit Committee under the Board of Directors. The following matters had been considered at the Audit Committee meetings:

(1) The fifth meeting of the third session of the Audit Committee under the Board of Directors was held on 16 March 2022, which considered and approved the Proposal on the Full Text and Summary of the 2021 Annual Report and 2021 Annual Results of the Company (《關於公司2021年度報告全文、報告摘要及2021年度業績的議案》), the Proposal on the 2021 Financial Accounting Report of the Company (《關於〈公司2021年度財務決算報告〉的議案》), the Proposal on the 2021 Profit Distribution Proposal (《關於2021年度利潤分配預案的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage of the Proceeds from A Share in 2021 (《關於〈公司2021年度A股募集資金存放與實際使用情況的專項報告〉的議案》), the Proposal on the 2021 Internal Control Self-assessment Report of the Company (《關於〈公司2021年度內部控制自我評價報告〉的議案》), Proposal on the Correction of Accounting Errors during Previous Period (《關於前期會計差錯更正的議案》), Proposal on the Appointment of Audit Firm of the Company in 2022 (《關於聘請公司2022年度審計機構的議案》), Proposal on the Closure of Investment Project for Proceeds Raised from Convertible Bonds and the Usage of Surplus Proceeds to Permanently Supplement the Working Capital (《關於可轉債募集資金投資項目結項並使用節餘募集資金永久性補充流動資金的議案》) and the 2021 Internal Audit Work Report and 2022 Internal Audit Work Plan (《2021年度內部審計工作報告及2022年度工作計劃》);

(2) The sixth meeting of the third session of the Audit Committee under the Board of Directors was held on 15 April 2022, which considered and approved the Proposal on the 2022 First Quarterly Report of the Company (《關於〈公司2022年第一季度報告〉的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage of the Proceeds from A Share in the First Quarter of 2022 (《關於〈公司2022年度第一季度A股募集資金存放與使用情況的專項報告〉的議案) and the 2022 First Quarterly Internal Audit Work Report (《2022年一季度內部審計工作報告》);

(3) The seventh meeting of the third session of the Audit Committee under the Board of Directors was held on 12 August 2022, which considered and approved the Proposal on the 2022 Half-year Report and its Summary and 2022 Half-year Results Announcement of the Company (《關於公司2022年半年度報告、報告摘要及2022年半年度業績公告的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage by the Company of the Proceeds from A Share in the Half Year of 2022 (《關於〈公司2022年半年度A股募集資金存放與使用情況的專項報告〉的議案》) and the First Half of 2022 Audit Work Report (《2022年上半年審計工作報告》); and

(4) The eighth meeting of the third session of the Audit Committee under the Board of Directors was held on 13 October 2022, which considered and approved the Proposal on the 2022 Third Quarterly Report of the Company (關於〈公司2022年第三季度報告〉的議案》, the Proposal on the Special Report in respect of the Deposit and Actual Usage by the Company of the Proceeds from A Share in the Third Quarter of 2022 (《關於〈公司2022年第三季度A股募集資金存放與使用情況的專項報告〉的議案》) and the 2022 Third Quarterly Audit Work Report (《2022年第三季度審計工作報告》).

3 The Audit Committee may engage professionals when performing its duties and the reasonable costs incurred shall be borne by the Company. It is stipulated by the Company that senior management and related departments shall actively cooperate with the Audit Committee in its work.

4 The Audit Committee has assessed the adequacy of the resources, employees' qualifications and experience of the Company in terms of accounting and financial reporting, as well as the adequacy of the training courses and related budgets received by related employees during the Reporting Period. The Audit Committee believes that the management has fulfilled its responsibility of establishing an effective internal control system. The reporting and complaint mechanism is specified in the internal control system of the Company, with channels such as online reporting, reporting by letter, petition reception, complaint mailbox available so that employees can report and make complaints about behaviors that violate the Company's internal control system. The Audit Committee has reviewed and approved the system and will review such reporting and complaint mechanism annually to ensure its effectiveness.

5 DELEGATION OF BOARD POWERS

(1) The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. The Board shall implement resolutions of the Shareholders' general meeting; decide on the business plans, investment plans and the setting of internal management organizations of the Company, formulate the annual financial budget, final account and profit distribution plans of the Company, and appoint the senior management.

(2) The Board granted senior management the power and responsibility to conduct the daily management, administration and operation of the Company. The delegated functions and work tasks are periodically reviewed. Moreover, the management of the Company provides adequate consultancies for the Board and the special committees of the Board when appropriate to facilitate the Directors in making informed decisions

(3) For the purpose of supervising the specific affairs of the Company, the Board has established a Strategy Committee except for the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. The Board has delegated several duties to each special committee of the Board. The main functions of the Strategy Committee include researching and making recommendations on the Company's long-term development strategy planning and major issues that are crucial to the Company's development, and reviewing and evaluating the implementation of the Group's development strategies and plans. The third session of the Strategy Committee of the Board consists of three members. Among them, Mr. Cai Baogui, chairman of the Company, serves as chairman of the committee and independent non-executive directors Mr. You Jianxin and Mr. Xu Feng serve as members. During the year, two meetings were convened by the Strategy Committee under the Board of Directors. The following matters had been considered at the Strategy Committee meetings:

1. The second meeting of the third session of the Strategy Committee under the Board of Directors was held on 16 March 2022, which considered and approved the Proposal on the 2021 Sustainability Report & Environmental, Social and Governance Report of the Company (《公司2021年可持續發展報告暨環境、社會與公司治理報告的議案》), the Proposal on Investment in the Construction of a Base Project for Magnets Used in High-Efficiency and Energy-Saving Motors in Ganzhou (《關於在贛州投資建設高效節能電機用磁材基地項目的議案》), the Proposal on Investment in the Construction of a Base Project for High-Performance REPMs (Phase II) in Baotou (《關於在包頭投資建設高性能稀土永磁材料基地項目(二期)的議案》), the Proposal on the Amendment of the Working Rules of Strategy Committee under the Board of Directors (《關於修訂〈董事會戰略委員會工作細則〉的議案》), the Proposal on the General Mandate to Issue Additional A or H Shares of the Company (《關於增發公司A股或H股股份一般性授權的議案》) and the Proposal on the Request to the General Meeting to Authorize the Board of Directors to Handle Matters in Relation to the Small-scale Rapid Financing (《關於提請股東大會授權董事會辦理小額快速融資相關事宜的議案》);

2. The third meeting of the third session of the Strategy Committee under the Board of Directors was held on 31 August 2022, which considered and approved the Proposal on the Investment of a Wholly-Owned Subsidiary in the Construction of the Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico (《關於全資子公司在墨西哥投資建設廢舊磁鋼綜合利用項目的議案》).

(4) Each committee shall report its decisions or suggestions to the Board. Working rules have been formulated for each special committee. The Working Rules of the Audit Committee, the Working Rules of the Remuneration and Appraisal Committee, the Working Rules of the Nomination Committee and the Working Rules of the Strategy Committee can be accessed from the website of the Company (http://www.jlmag.com.cn/).

6 INVESTOR RELATIONS

(1) The Company has adopted the Shareholders' Communication Policy. We adhere to the basic principle of fair disclosure of information and open communication with our shareholders, while ensuring that the Company's shareholders, in appropriate circumstances, are provided with timely access to comprehensive, equal and understandable information about the company. On one hand, it enables shareholders to exercise their rights in an informed manner, and on the other hand it allows shareholders and the investment community to strengthen communication with the Company. The Shareholders' Communication Policy is published on the Company's website (http://www.jlmag.com.cn/).

(2) The Company has attached great importance to investor relations. The management has participated in roadshows to introduce the Company's development strategy, production and operation performance, and other issues that are paid attention to by investors. The Company has set up a special department to be responsible for communication with investors. To the extent of compliance with regulatory requirements, the Company will strengthen communication with investors through meetings with institutional investors, investor hotline and online platforms.

(3) During the Reporting Period, the Company proposed individual resolutions and proposals on each practically separate matter at the general meeting. All resolutions were voted on to ensure the interests of all shareholders. The Company shall send a meeting notice to all shareholders 20 days before convening an annual general meeting and 15 days before convening an extraordinary general meeting (excluding the date on which the meeting is hold).

(4) Some members of the Board, the Supervisory Committee and senior management of the Company, through the extraordinary general meetings and annual general meetings held from time to time, conduct in-depth exchanges with investors.

(5) The Company stipulates that the Board secretary shall be responsible for establishing an effective channel for communication between the Company and shareholders, setting up a special unit to contact shareholders, and timely feeding back the opinions and suggestions of shareholders to the Board or the management. The Company has published detailed contact information in the column "Investor Relations" on the website of the Company.

(6) The Board of the Company has reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the Reporting Period. Having considered the multiple channels of communication and above specific measures in place, the Board is satisfied that the Shareholders' Communication Policy has been properly in place for 2022 and is effective.

7 COMPANY SECRETARY

(1) The Board secretary of the Company is nominated by the chairman and appointed by the Board. The Board secretary is a senior manager of the Company, and shall be accountable to the Company and the Board. The Board secretary offers suggestions to the Board on governance and arranges orientation and professional development of directors.

(2) As of the date of this annual report, Mr. Lu Ming and Ms. Zhang Xiao are the joint company secretaries of the Company. Mr. Lu Ming is the primary contact person of Ms. Zhang Xiao at the Company.

(3) During the Reporting Period, the company secretaries of the Company have accepted relevant professional training for no less than 15 hours in accordance with Section 3.29 of the Listing Rules.

8 BOARD DIVERSITY POLICY

The Company has adopted the board diversity policy ("Board Diversity Policy") which sets out the goal and method for achieving and maintaining the diversity of the Board to improve its efficiency. According to the Board Diversity Policy, when selecting candidates for the Board, the Company seeks to realize the diversity of the Board by taking into account multiple factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational backgrounds, race, and years of service. The Company recognizes and embraces the benefits of having a diversified Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talents. The Company has taken and will continue to take measures to promote gender diversity at all levels of the Company, including but not limited to the Board and the senior management. Particularly, our CFO (responsible for the Group's finance and budgeting) is a female and a member of the senior management team of the Company. The Nomination Committee will review the implementation of the board diversity policy at least annually and make recommendation on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness. Looking forward, the Company will continue to carry forward gender diversity on the Board. The Board will make every effort to include female directors into the Board (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of directors under the Articles) and the Nomination Committee will use its best endeavors and on suitable basis to, during the year of 2023, identify and recommend suitable female candidates to the Board for its consideration on appointment of a director. The Company will try its best to appoint at least one female director no later than 31 December 2023. On 30 March 2023, the Board approved the nomination of Ms. Cao Ying as a candidate for the third session of the Board as an independent non-executive director of the Company, the appointment of which is subject to the approval of the shareholders of the Company by way of an ordinary resolution at the 2022 annual general meeting. For further details of Ms. Cao's appointment, please refer to the announcement of the Company dated 30 March 2023.

The Company has adopted and will continue to adopt measures to promote the diversity of employees in all levels. All eligible employees will equally have the opportunities in employment, trainings and career development. The Company will, when recruiting middle-level and senior managers, continue to ensure gender diversity. In this way, the Company will be able to have a number of senior management positions for females and invite potential females to join the Board in due course, so as to ensure the gender diversity of the Board. The Group will continue to attach importance to the training for female talents and provide them with long-term development opportunities. Currently, the male to female ratio of the Company's employees (including senior management) is approximately 2:1, and after prudent consideration, the Board is of the view that we have achieved the gender diversity of employees.

9 Anti-corruption Policy

The Company attaches great importance to business ethics and abides by high-level code of business ethics. Based on its mission, vision and values, it has formulated a clear ethical code of conduct, and formed the business conduct code system consisting of the Supplier Management Procedure, the Anti-money Laundering Management System, the Anti-fraud Management System and the Company Reporting Management System. Internally, the Company establishes an internal auditing and reporting mechanism which broadens reporting channels and specifies reporting handling procedures, and implements reporter confidentiality system to protect the reporting rights of employees. Externally, JL MAG signs the Commitment Letter on Anti-bribery of Suppliers and integrity clauses with suppliers to regulate the behaviors of suppliers. During the Reporting Period, the Company and its employees were not involved in litigation cases related to corruption.

10 DIVIDEND POLICY

The Company's profit distribution policy maintains continuity and stability while taking into account the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company. The Company preferentially adopts the profit distribution method of cash dividends. The Company's profit distribution plan for each financial year is carried out in accordance with the policies and procedures stipulated in the Articles of Association. The Board of the Company shall comprehensively consider factors such as the characteristics of the industry, the development stage, its own business model, the level of profitability and whether there is any significant capital expenditure arrangement to formulate the profit plan for the corresponding year, and listen to opinions of minority shareholders, and independent directors shall express their independent opinions. The Board will review the dividend policy on an annual basis and does not guarantee that dividends will be declared or paid in any particular amount during any particular period.

11 SHAREHOLDERS' RIGHTS

The Company treats all shareholders equally to ensure that shareholders can fully exercise their rights and protect their legal rights and interests. The Company is able to convene and hold shareholders' general meetings in strict accordance with the requirements of relevant laws and regulations. The Company's governance structure ensures that all shareholders, especially minority shareholders, enjoy equal rights and undertake corresponding obligations.

(1) Right to convene extraordinary general meetings

Shareholders individually or collectively hold more than 10% of the shares with voting rights at the proposed meeting may sign one or more written requests in the same form to request the Board to convene an extraordinary general meeting and state the topics of the meeting. If the Board does not issue a notice of convening the meeting within 10 days after receiving the aforesaid written request, the shareholders who made such request may request the Supervisory Committee to convene an extraordinary general meeting. If the Supervisory Committee does not issue a notice of convening a meeting within 5 days after receiving the aforesaid written request, shareholders who individually or collectively hold more than 10% of the shares with voting rights at the proposed meeting for more than 90 consecutive days may convene and preside over the meeting by themselves. As far as possible, the procedures for convening a meeting shall be the same as that for convening a general meeting by the Board. If a shareholder convenes and holds a meeting because the Board and the Supervisory Committee fail to meet the aforesaid requirements, the reasonable expenses incurred shall be borne by the Company and deducted from the amount owed to the negligent director by the Company.

(2) To put forward proposals at general meetings

Shareholders individually or collectively holding more than 3% of the total voting shares of the Company shall have the right to propose a new proposal in writing to the Company and submit it to the convener 10 days before the shareholders' general meeting, the content of the proposal shall fall within the scope of duties of the shareholders' general meeting, with clear topics and specific resolutions, and in compliance with the laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the relevant provisions of the Articles of Association. The Company shall include the matters within the scope of duties of the shareholders' general meeting in the proposal and submit it to the shareholders' general meeting for consideration.

(3) Making enquiries to the Board

The Company maintains a website (www.jlmag.com.cn) for the public to access information about the Group's businesses and projects, major corporate governance policies and announcements, financial reports and other information.

Shareholders and investors may send written enquiries to the Company's headquarter to make any enquiries to the Board at 81 West Jinling Road, Economic and Technological Development Zone, Ganzhou City, Jiangxi Province, PRC; or in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong, or email to jlmag_info@jlmag.com.cn.

12 ARTICLES OF ASSOCIATION

The Articles of Association of the company has been amended after consideration and approval at the annual general meeting convened on 20 May 2022. For details, please refer to the announcement of the Company dated 30 March 2022 and the circular dated 12 April 2022. Save as disclosed above, there were no material changes in the Memorandum of the Association of the Company for the year ended 31 December 2022. The latest Articles of Association of the Company is available on the Company's website and the website of the Stock Exchange.

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present its report together with the audited financial statements of the Company for the Reporting Period.

1 BUSINESS REVIEW

(1) Principal Activities

The Company was incorporated in the People's Republic of China on 19 August 2008 under the laws of China and was converted into a joint stock limited company on 26 June 2015. The Company's H Shares were listed on the Stock Exchange on 14 January 2022. The Company is a high-tech enterprise integrating R&D, production and sales of high-performance REPMs, magnetic components and the recycling and comprehensive utilization of REPMs, and a leading supplier of high-performance REPMs in the fields of new energy and energy-saving and environmental protection. The Company's products are widely used in NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, robots and industrial servo motors, energy-saving elevators, rail transit and other sectors, and have established long-term and stable cooperative relationships with leading domestic and foreign enterprises in various fields.

As at the end of the Reporting Period, details of the Company's subsidiaries are set out in Note 1 to the financial statements. An analysis of the Company's revenue and operating profit for the Reporting Period by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

(2) Business Review and Analysis of Key Indicators of Financial Performance

A review of the Company's business during the Reporting Period, which includes a discussion of the main risks and uncertainties faced by the Company, an analysis of the Company's performance by using key performance indicators, particulars of important events affecting the Company during the year, and an indication of likely future development in the Company's business, could be found in the sections headed "Chairman's Statement", "Highlight" and "Management Discussion and Analysis" in this annual report. A discussion on relationships with its key stakeholders is included in the sections headed "Changes in Share Capital and Shareholdings of Substantial Shareholders" and "Corporate Governance Report", which constitutes part of this report of the Board of Directors.

(3) Environmental, Social and Governance Performance

The Company believes that promoting sustainable development is as important as achieving long-term business growth. Therefore, the Company continues to strive to maintain a high level of sustainability in its business operations. The Company will endeavour to enhance the sustainability initiatives of the Company's management in all areas of good corporate governance, environmental protection and workplace practices.

To demonstrate the Company's commitment to stakeholders in terms of transparency and accountability, the Company will publish an independent ESG Report in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The report will demonstrate the Company's commitment to sustainable development during the year under review and will also involve significant economic, environmental and social achievements and impacts arising from the activities of the Company and its joint ventures. The report can be viewed or downloaded in electronic form on the official websites of the Stock Exchange and the Company.

2 RESULTS AND DIVIDEND

The annual results of the Company for the Reporting Period are set out in the consolidated statement of profit or loss of this annual report.

The Board of Directors of the Company has resolved to recommend a declaration of a final dividend of RMB2.60 (tax included) for every 10 Shares, or approximately RMB217.9 million in aggregate for the year ended 31 December 2022. In addition, the Company will issue six new shares for every ten existing shares out of share premium.

The above recommendation is subject to the approval of the 2022 annual general meeting of the Company. It is expected that the above distribution will be distributed to eligible shareholders within two months upon the convening of the general meeting.

Information on the period of closure of register of members and the record date for determining entitlement to the final dividend and the capitalisation issue will be announced in due course.

Taxation

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is obligated to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H Shares of the Company when distributing the cash dividends or issuing bonus shares by way of capitalisation from retained earnings. Any H shares of the Company which is not registered under the name of an individual shareholder, including those registered under the name of HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H Shares intend to change their shareholding status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority to withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H Shares of the Company as at the record date. If the individual holders of H Shares are residents of Hong Kong, Macau or countries which had an agreed tax rate of 10% for cash dividends or bonus shares by way of capitalisation form retained earnings with China under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of H Shares are residents of countries that had an agreed tax rate of less than 10% with China under relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld, the Company would apply for the relevant agreed preferential tax treatment provided that the relevant shareholders submit the evidence required by the notice of the tax agreement to the share register of the Company. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares are residents of countries that had an agreed tax rate of over 10% but less than 20% with China under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreements. In the case that the individual holders of H Shares are residents of countries that had an agreed tax rate of 20% with China, or which had not entered into any tax agreement with China, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect《(關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》) (Cai Shui [2014] No. 81) and Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect《(關於深港股票市場交易互聯互通機制試點有關税收政策的通知》) (Cai Shui [2016] No.127). For dividend income received by mainland investors from investing in H Shares of the Company through Shanghai-Hong Kong Stock Connection and Shenzhen-Hong Kong Stock Connection, the Company shall withhold income tax at a rate of 20% for individual investors and securities investment funds, while the Company will not withhold income tax on dividend income for enterprise investors, and the tax payable shall be declared and paid by the enterprises themselves. With regard to dividend income received by Hong Kong market Investors (Including both enterprises and individuals) from investing in A Shares of the Company through Shenzhen-Hong Kong Stock Connection, the Company will withhold income tax at the rate of 10%, and file tax withholding returns with the competent tax authority. Where there is any tax resident of a foreign country out of the investors and the rate of income tax on dividends is less than 10%, as provided for in the tax treaty between the country and the PRC, the enterprise or individual may personally, or entrust a withholding agent to, file an application for the tax treatment under the tax treaty with the competent tax authority of the Company. Upon review, the competent tax authority will refund tax based on the difference between the amount of tax has been collected and the amount of tax payable calculated at the tax rate as set out in the tax treaty.

3 FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years is set out in the section headed "Summary of Financial Information" of this annual report. This summary does not form part of the audited consolidated financial statements.

4 PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Company during the Reporting Period are set out in Note 15 to the Financial Statements.

5 SHARE CAPITAL

Details of changes in share capital of the Company during the Reporting Period are set out in Note 35 to the Financial Statements of this annual report.

6 EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, during the Reporting Period, the Company did not enter into any equity-linked agreement.

7 RESERVES

Details of changes in the reserves of the Company during the Reporting Period are set out in Note 37 to the Financial Statements of this annual report. As of the end of the Reporting Period, the reserves of the Company available for distribution to shareholders amounted to approximately RMB1,307.2 million.

8 BORROWINGS

Details of the borrowings of the Company during the Reporting Period are set out in Note 32 to the Financial Statements.

9 MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

On 29 January 2023, the Company established its wholly-owned subsidiary JL MAG MEXICO, S.A. DE C.V. ("JL MAG MEXICO") in Monterrey, New Leon, Mexico, through its wholly-owned subsidiaries JL Tech (Hong Kong) and JL HK. JL Tech (Hong Kong) and JL HK hold 99.99% and 0.01% of the shares, respectively. It has completed the registration procedures and obtained the registration certificate. The registered capital is MXN200,000 and the business term is from 13 January 2023 to long-term. The business scope is mainly engaged in the recovery of rare earth and magnetic materials; R&D and production of various magnetic materials and related magnetic components; import and export of all kinds of goods, including but not limited to various commodities and technologies, as well as import and export of business consulting services. As of the reporting date, the Company has not completed the capital injection.

On 30 March 2023, the 18th meeting of the 3rd board of the Company approved the 2022 final cash dividend at RMB2.60 (tax included) per 10 shares to shareholders, amounting to RMB217,869,000 in total, and approved to transfer share premium into share capital with six new shares issued for every ten existing shares. The proposal is still subject to the approval of the shareholders at the forthcoming Annual General Meeting.

10 CHARITABLE DONATIONS

During the Reporting Period, the Company's charitable donations amounted to RMB1.2 million.

11 PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, considering that 6 participants receiving the initial grant under the Company's Restricted Share Incentive Plan resigned before the expiry of the lock-up period, according to the Proposal on the Repurchase and Cancellation of the Restricted Stocks Granted, but not yet Released, to Certain Participants under the 2020 Restricted Share Incentive Plan (《關於回購註銷2020年限制性股票激勵計劃部份激勵對象已獲授但尚未解除限售的限制性股票的議案》), which was considered and approved by the Company at the sixth meeting of the third session of the Board and the fifth meeting of the third session of the Supervisory Committee on 22 September 2021, the Company repurchased and cancelled a total of 8,960 Class I restricted A Shares granted to 6 participants but subject to lock up restrictions (the repurchase price per share was RMB13.3875 and the total repurchase fund was RMB119,952). The above repurchase and cancellation were completed on 6 April 2022. For details, please see the announcement of the Company dated 6 April 2022.

On 25 October 2022, considering that 4 participants receiving the Type I Restricted Shares under the Company's Restricted Share Incentive Plan resigned, the Company held the seventeenth meeting of the third session of the Board and the fifteenth meeting of the third session of the Supervisory Committee, respectively, which considered and approved the Proposal on the Repurchase and Cancellation of the Restricted Stocks Granted, but not yet Released, to Certain Participants under the 2020 Restricted Share Incentive Plan (《關於回購註銷2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票的議案》). Accordingly, the Company repurchased and cancelled a total of 14,016 Class I restricted A Shares granted to 4 participants but subject to lock up restrictions (the repurchase price per share was RMB13.1375 and the total repurchase fund was RMB184,135.2). For details, please see the announcement of the Company dated 25 October 2022. As at the end of the Reporting Period, the above repurchase and cancellation of restricted shares has not been completed.

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

12 PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

13 DIRECTORS

During the Reporting Period, the Board of our Company was comprised of Mr. Cai Baogui (蔡報貴) and Mr. Lyu Feng (呂鋒) as executive Directors; Mr. Hu Zhibin (胡志濱), Mr. Li Xinnong (李忻農), Mr. Li Fei (李飛) and Mr. Huang Weixiong (黃偉雄) as non-executive Directors; and Mr. You Jianxin (尤建新), Mr. Xu Feng (徐風) and Mr. Yuan Taifang (袁太芳) as independent non-executive Directors.

On 22 April 2022, Mr. Huang Weixiong resigned as a non-executive Director of the Company due to a change in his work commitments. For further details, please refer to the announcement of the Company dated 22 April 2022.

On 30 March 2022 and 20 May 2022, the Company respectively held the eleventh meeting of the third session of the Board and the 2021 annual general meeting, which approved the resolution on Adjustment to Allowances of Non-executive Directors of the Third Session of the Board (《關於調整第三屆董事會非執行董事津貼的議案》) and the resolution on Adjustment to Allowances of Independent Non-executive Directors of the Third Session of the Board (《關於調整第三屆董事會獨立非執行董事津貼的議案》), pursuant to which, the annual allowances of Mr. Hu Zhibin, Mr. Li Xinnong and Mr. Li Fei as non-executive Directors and Mr. You Jianxin, Mr. Xu Feng and Mr. Yuan Taifang as independent non-executive Directors, were increased from RMB100,000 per annum (before tax) to RMB150,000 per annum (before tax) with effect from 20 May 2022. For further details, please refer to the announcement of the Company dated 30 March 2022 and the circular dated 12 April 2022.

On 17 March 2023, Mr. Li Fei resigned as a non-executive Director of the Company due to a change in his work commitments. For further details, please refer to the announcement of the Company dated 17 March 2023.

As at the date of this annual report, the Board of our Company was comprised of Mr. Cai Baogui and Mr. Lyu Feng as executive Directors; Mr. Hu Zhibin and Mr. Li Xinnong, as non-executive Directors; and Mr. You Jianxin, Mr. Xu Feng and Mr. Yuan Taifang as independent non-executive Directors.

14 SUPERVISORS

The date of this report, the supervisors were Ms. Sun Yixia, Mr. Li Hua and Mr. Liang Qilu.

15 BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of directors, supervisors and senior management of the Company as at the date of this annual report are set out in the section headed "Profile of Directors, Supervisors and Senior Management" of this annual report.

16 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the directors has entered into a service contract with the Company. The main particulars of these service contracts comprise, among other things, (a) a term of service of three years from the date of their appointments approved by the shareholders, and (b) termination provisions in accordance with their respective duties.

Each of the independent non-executive directors has entered into a service contract with the Company, pursuant to which they have agreed to serve as independent non-executive directors for a term of three years. Each of the supervisors has entered into a contract with the Company in respect of compliance with the relevant laws, regulations, the Articles of Association and relevant provisions applicable to arbitration in the PRC. The term of such contracts is three years commencing from the date when their respective appointments are approved.

Save as disclosed above, none of the directors or supervisors has a service contract with the Company which is not terminable within one year without payment of compensation, excluding statutory compensation.

17 CONTRACTS WITH DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, during the Reporting Period, there was no other transaction, arrangement or contract in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the directors, supervisors or the controlling shareholders had a material interest, whether directly or indirectly.

18 REMUNERATION OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

During the Reporting Period, details of the remuneration of the directors and supervisor and the five highest paid individuals of the Company are set out in Notes 6 and 7 to the Consolidated Financial Statements of this annual report, respectively.

19 DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the directors and the supervisors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or might compete, either directly or indirectly, with the business of the Company.

20 NON-COMPETITION AGREEMENT

To avoid any potential competition between the business of the controlling shareholders and the Company, on 20 June 2019, each of the ultimate controlling shareholders, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong (acting in concert with each other) entered into a non-competition agreement in favor of the Company (the "Non-competition Agreement"), pursuant to which each of the controlling shareholders irrevocably undertakes to the Company that (1) he will not take advantage of his position as a controlling shareholder and de facto controller of the Company to prejudice the interests of the Company or other shareholders; (2) he or any entity controlled by him has not and will not, in any ways (including but not limited to sole proprietorship, joint venture or ownership of shares and other interests in another company through investment, acquisition or merger), directly or indirectly, engaged or engage in any business or activities that compete or may compete with any business or activities of the Company within or outside the PRC; (3) if he or any entity controlled by him has any business opportunity to engage in, participate in, or own shares in any business that may compete with the business of the Company, he or such entity controlled by him will offer the business opportunity to the Company; (4) if the future business engaged in by him or any entity controlled by him directly or indirectly competes with or may compete with the Company and if the Company proposes an objection against such business, he or such entity controlled by him shall transfer or terminate such competing business in a timely manner, or transfer all of his shares in the abovementioned business to an independent third party and provide the Company with the pre-emptive right, so as to ensure fairness and reasonableness and safeguard the interests of the Company and other shareholders; and (5) he will strictly abide by the abovementioned undertakings. In the event of any violation, they will immediately stop such violation and agree to compensate for the losses so caused. For details of the Non-competition Agreement, see the section headed "Relationship with Controlling Shareholders – Non-competition Agreement" in the Prospectus.

The controlling shareholders have undertaken that they complied with the Non-competition Agreement during the Reporting Period. The independent non-executive directors have conducted the review of the aforementioned compliance and also reviewed the relevant undertakings and are satisfied that the Non-competition Agreement has been fully complied with during the period.

21 INDEMNITY OF DIRECTORS AND SUPERVISORS

At no time during the Reporting Period was there any permitted indemnity provision previously existing or being in force for the benefit of any of the directors or supervisors (whether made by the Company or otherwise) or any associated companies (if made by the Company). The Company has arranged appropriate liability insurance coverage for the directors, supervisors and officers.

22 MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Reporting Period.

23 LOAN AND GUARANTEE

Details of the Company's interest-bearing bank and other borrowings during the Reporting Period are set out in Note 32 to the Financial Statement. During the Reporting Period, the Company did not make any loan or provide any guarantee for any loan, directly or indirectly, to the Company's directors, supervisors, senior management, the controlling shareholders or their respective connected persons.

24 SHARE INCENTIVE PLAN

The Company adopted the Restricted Share Incentive Plan on 26 August 2020. Summary of the principal terms of the Restricted Share Incentive Plan is as follows:

(1) Purpose

The purpose of the Restricted Share Incentive Plan is to establish and improve the Company's long-term incentive mechanism, attract and retain outstanding personnel, to motivate senior management and core technical and business personnel of the Company, to effectively combine together the interest of our Company and the Shareholders and the core team of the Company and to promote the long-term development of the Company.

(2) Incentive participants, maximum entitlement

As of the date of this annual report, eligible participants of the Restricted Share Incentive Plan include 222 grantees (including Type I Restricted Shares and Type II Restricted Shares) in total who are eligible to the restricted shares, including the Directors, core management personnel and core technical and business personnel of the Company, but excluding independent non-executive Directors and Supervisors.

The total number of shares available for grant under the Restricted Share Incentive Plan is 13,203,200, approximately 1.58% of the total share capital of the Company as at the date of this annual report and approximately 1.85% of the total issued A Shares of the Company as at the date of this annual report.

The number of A Shares to be issued to a grantee upon exercise of his or her share options under the Restricted Share Incentive Plan at any time must not exceed 1% of the Company's total issued A Shares, and number of A Shares and maximum awards which may be granted to a grantee (including exercised, cancelled and unexercised restricted shares) within any 12-month period shall not exceed 0.1% of the Company's total issued A Shares.

(3) The grant price and basis of determination, adjustment of grant price and fair value of restricted shares

Grant price

The initial grant price of each of the Type I Restricted Shares and Type II Restricted Shares is RMB21.62 per share. The grantees are entitled to purchase additional restricted shares issued by the Company to grantees at the price of RMB21.62 per share upon the satisfaction of the granting conditions or vesting conditions.

Basis of determination

The grant price of the Restricted Share Incentive Plan must not be lower than the nominal value of the share, and must not be lower than the higher of:

(1) Standard 1, the average trading price of the company's shares on the trading day immediately before the announcement of the draft Restricted Share Incentive Plan;

(2) Standard 2, one of the average trading price of the company's underlying shares for 20, 60 or 120 trading days preceding the date of the announcement of the draft Restricted Share Incentive Plan.

Adjustment of grant price

The repurchase rice of the restricted shares (including Type I Restricted Shares and Type II Restricted Shares) shall be the granting price, subject to the adjustment as follows upon the occurrence of the relevant circumstances below:

(a) conversion of capital reserves into share capital, dividends distribution or share splits: $P=P_0\div(1+n)$

(b) share allotment: $P=P_0x(P_1+P_2xn)\div[P_1x(1+n)]$

(c) reduction in share capital: $P=P_0\div n$

(d) dividends distribution: $P=P_0-V$

P_0 is the granting price of the restricted shares; P is the repurchase price after adjustment; n is the number of the newly issued shares after the relevant conversion of shares, dividends distribution, share splits, share allotment or reduction in share capital; P_1 is the closing price of our shares on the Registration Date; P_2 is the share allotment price; V is the amount of distributed dividends per share.

Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, the grant price in 2022 was then adjusted to RMB13.1375 per share.

Fair value of restricted shares

See Note 36 to the Financial Statements for the fair value of restricted shares under the Restricted Share Incentive Plan and its determination basis.

(4) Lock-up period and unlocking arrangement (Type I Restricted Shares)

The Type I Restricted Shares are subject to different lock-up periods, starting from 22 September 2020, being the registration date of the restricted shares under the first grant (the "Registration Date"), which shall be 12 months, 24 months, and 36 months. The Type I Restricted Shares shall not be transferred, pledged or used to repay debts during the lock-up period.

The initially granted Type I Restricted Shares shall be unlocked and available for disposal during the following period conditional upon the satisfaction of exercising conditions:

(1) the first unlocking period: as to 40% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 12 month anniversary of the Registration Date to the last trading day before the 24 month anniversary of the Registration Date;

(2) the second unlocking period: as to 30% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 24 month anniversary of the Registration Date to the last trading day before the 36 month anniversary of the Registration Date; and

(3) the third unlocking period: as to 30% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 36 month anniversary of the Registration Date to the last trading day before the 48 month anniversary of the Registration Date.

(5) Vesting period and arrangement (note) (Type II Restricted Shares)

Initially granted Type II Restricted Shares

The initially granted Type II Restricted Shares shall be vested during the following period conditional upon the satisfaction of exercising conditions:

(1) the first vesting period: as to 40% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 12 month anniversary of the Grant Date to the last trading day before the 24 month anniversary of the Grant Date;

(2) the second vesting period: as to 30% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 24 month anniversary of the Grant Date to the last trading day before the 36 month anniversary of the Grant Date; and

(3) the third vesting period: as to 30% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 36 month anniversary of the Grant Date to the last trading day before the 48 month anniversary of the Grant Date.

Note: Vesting period(s) shall have the same meaning as exercise period(s) under the Restricted Share Incentive Plan.

Reserved Type II Restricted Shares

If the reserved Type II Restricted Shares are granted within the year of 2020, the reserved shares shall be vested during the following period:

(1) the first vesting period: as to 40% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 12 month anniversary of the Reserved Grant Date to the last trading day before the 24 month anniversary of the Reserved Grant Date;

(2) the second vesting period: as to 30% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 24 month anniversary of the Reserved Grant Date to the last trading day before the 36 month anniversary of the Reserved Grant Date; and

(3) the third vesting period: as to 30% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 36 month anniversary of the Reserved Grant Date to the last trading day before the 48 month anniversary of the Reserved Grant Date.

If the reserved Type II Restricted Shares are granted in the year of 2021, the reserved ones shall be vested during the following period:

(1) the first vesting period: as to 60% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 12 month anniversary of the Reserved Grant Date to the last trading day before the 24 month anniversary of the Reserved Grant Date; and

(2) the second vesting period: as to 40% of the aggregate number of shares underlying the granted restricted shares from the first trading day after the 24 month anniversary of the Reserved Grant Date to the last trading day before the 36 month anniversary of the Reserved Grant Date.

(6) Terms

The Type I Restricted Shares under the Restricted Share Incentive Plan are valid for a maximum of 48 months from the date of completion of registration of the grant of restricted shares to the date of release of all restricted shares or cancellation of repurchase; the Type II Restricted Shares are valid for a maximum of 48 months from the date of grant of restricted shares to the date of full vesting or lapsing.

The following table sets out the remaining valid period of the Type I Restricted Shares and Type II Restricted Shares under the Company's Restricted Share Incentive Plan.

	Registration Date/ Grant Date	Remaining Valid Period
Type I Restricted Shares	22 September 2020	For the date of this report to 21 September 2024
Initially Granted Type II Restricted Shares in 2020	26 August 2020	For the date of this report to 25 August 2024
Reserved Type II Restricted Shares granted in 2020	29 October 2020	For the date of this report to 28 October 2024
Reserved Type II Restricted Shares granted in 2021	26 August 2021	For the date of this report to 25 August 2024

(7) Restricted shares held and exercised by grantees during the Reporting Period

The details of restricted shares held and exercised by the grantees of the Type I Restricted Shares during the Reporting Period are shown in the following table:

Unit: Shares

		Number of restricted shares							
Name of the grantees	Position	Held and locked at the beginning of the Reporting Period	Unlocked during the Reporting Period	Granted during the Reporting Period	Cancelled during the Reporting Period	Held and locked at the end of the Reporting Period	Unlocking period (Note 2)	Grant date	Grant price of the restricted shares (RMB/share)
Cai Baogui	Chairman and General Manager	384,000	192,000	–	–	192,000	Four years	26 August 2020	Note 1
Hu Zhibin	Director	576,000	288,000	–	–	288,000	Four years	26 August 2020	Note 1
Lyu Feng	Vice Chairman and Vice General Manager	76,800	38,400	–	–	38,400	Four years	26 August 2020	Note 1
Huang Changyuan	Vice General Manager	76,800	38,400	–	–	38,400	Four years	26 August 2020	Note 1
Mao Huayun	Vice General Manager	76,800	38,400	–	–	38,400	Four years	26 August 2020	Note 1
Xie Hui	Financial controller	38,400	19,200	–	–	19,200	Four years	26 August 2020	Note 1
Yu Han	Vice General Manager	172,800	86,400	–	–	86,400	Four years	26 August 2020	Note 1
Other 211 grantees (Note 4)	Core employees	1,041,920	509,472	–	8,960 (Note 3)	523,488	Four years	26 August 2020	Note 1
Total	–	2,443,520	1,210,272	–	8,960	1,224,288	–	–	–

Note:

(1) According to the Restricted Share Incentive Plan, the grant price of the Type I Restricted Shares was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price of the Type I Restricted Shares in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, the grant price of the Type I Restricted Shares in 2022 was then adjusted to RMB13.1375 per share.

(2) For details of the unlocking period, please refer to "(4) Lock-up period and unlocking arrangement (Type I Restricted Shares)" in this section.

(3) During the Reporting Period, considering that 6 participants receiving the initial grant under the Restricted Share Incentive Plan resigned in 2021 before the expiry of the lock-up period, the Company repurchased and cancelled a total of 8,960 Class I restricted A Shares granted to 6 participants but subject to lock up restrictions (the repurchase price per share was RMB13.3875 and the total repurchase fund was RMB119,952).

(4) As at the end of the Reporting Period, out of 211 grantees, 10 are former employees.

The details of restricted shares held and exercised by the grantees of the Type II Restricted Shares during the Reporting Period are shown in the following table:

Unit: Shares

		Number of restricted shares						
Name of the grantees	Position	Vested at the end of the Reporting Period	Granted during the year	Can be vested during the year	Vested during the year	Lapsed during the year	Unvested at the end of the Reporting Period	Exercise price
Lyu Feng	Vice Chairman and Vice General Manager	528,000	–	286,080	–	–	528,000	Note 1
Huang Changyuan	Vice General Manager	307,200	–	153,600	–	–	307,200	Note 1
Mao Huayun	Vice General Manager	307,200	–	153,600	–	–	307,200	Note 1
Xie Hui	Financial controller	230,400	–	115,200	–	–	230,400	Note 1
Yu Han	Vice General Manager	307,200	–	153,600	–	–	307,200	Note 1
Lu Ming	Secretary of the Board, deputy general manager	307,200	–	153,600	–	–	307,200	Note 1
Yi Pengpeng	Deputy general manager	307,200	–	153,600	–	–	307,200	Note 1
Other 223 grantees (Note 3)	Core employees	3,433,600	–	–	1,525,568	36,864	1,871,168	Note 1
Total	–	5,728,000	–	2,954,048	1,525,568	36,864	4,165,568	–

Note:

(1) According to the Restricted Share Incentive Plan, the grant price of the Type II Restricted Shares was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price of the Type II Restricted Shares in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, the grant price of the Type II Restricted Shares in 2022 was then adjusted to RMB13.1375 per share.

(2) For details of the corresponding vesting period for Type II Restricted Shares, see "(5) Vesting period and arrangement (Type II Restricted Shares)" in this section.

(3) As at the end of the Reporting Period, out of 223 grantees, 10 are former employees.

The Type I Restricted Shares under Restricted Incentive Share Plan were granted to grantees on 26 August 2020 and registration was completed on 22 September 2020. The initial grant of Type II Restricted Shares for 2020 was completed to grantees on 26 August 2020, the reserved portion of the grant for 2020 was completed to grantees on 29 October 2020 and the remaining reserved portion of the grant for 2021 was completed to grantees on 26 August 2021. Accordingly, there was no grant of restricted shares during the Reporting Period. There were no outstanding restricted shares at the beginning and end of the reporting period. There were no restricted shares outstanding at the beginning and end of the Reporting Period.

(8) Accounting policies, accounting treatments and financial impacts

The specific accounting policies for the Restricted Share Incentive Plan are set forth in Note 2.4 to the Consolidated Financial Statements.

25 RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company, or its holding company, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of the Company or any other corporation.

26 MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Company's largest customer accounted for approximately 12.71% of the Company's total revenue. The total revenue from the Company's five largest customers accounted for approximately 47.88% of the Company's revenue.

During the Reporting Period, the Company's largest supplier accounted for approximately 32.14% of the Company's total amount of procurement. The Company's five largest suppliers accounted for approximately 76.70% of the Company's total amount of procurement.

During the Reporting Period, none of the directors or any of their close associates or any shareholders (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) has any equity interest in the Company's five largest customers or the Company's five largest suppliers.

27 EMPLOYEE AND REMUNERATION POLICY

The Company had total 5,003 employees as at the end of the Reporting Period. The employment contracts signed by the Company with its employees cover matters such as position, term of employment, wage, employee benefits and liabilities for breach and grounds for termination.

Remuneration of the Company's employees, including executive directors, includes basic salaries, allowances, bonuses and other employee benefits, and is determined based on their experience, qualifications and general market conditions.

28 RETIREMENT BENEFITS

The employees of the Company are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the Company are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Company with respect to this retirement benefits scheme is to make the required contributions under the scheme.

29 RELATED PARTY TRANSACTIONS

Details of related party transactions in the normal course of business are set out in Note 41 to the Financial Statements. Save as disclosed above, none of these related party transactions constitutes connected transactions or continuing connected transactions as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed the transactions in this annual report.

30 CONTINUING CONNECTED TRANSACTIONS

There was no continuing connected transaction for the Company during the Reporting Period.

31 SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

32 AUDITORS

There has been no change in auditors since the Listing Date. The consolidated financial statements of the Company for the Reporting Period contained in this annual report was audited by the Ernst & Young. Ernst & Young and Ernst & Young Hua Ming LLP, as the Company's international auditor and PRC auditor, respectively will be re-appointed at the 2022 annual general meeting.

The remuneration for the audit services of Ernst & Young and Ernst & Young Hua Ming LLP for the year ended 31 December 2022 was RMB4.7 million. In addition, Ernst & Young (China) Advisory Limited provided transfer pricing services to the Company for a remuneration of RMB0.12 million.

33 COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company is in compliance with applicable laws and regulations in material respects.

34 MATERIAL LEGAL, LITIGATION AND ARBITRATION

As at the end of the Reporting Period, the Company was not involved in any material litigation or arbitration, and the directors of the Company were not aware of any material litigation or claims that were pending or threatened against the Company.

35 IMPACTS OF COVID-19

As of the date of this annual report, to the best of the Company's directors' knowledge, the COVID-19 pandemic will not have a material adverse impact on the Company's financial position and results of operations as the Company has properly maintained appropriate levels and controls to cope with the COVID-19 pandemic during the Reporting Period.

36 ENVIRONMENTAL POLICY AND PERFORMANCE

For details of the Group's environmental performance, please refer to the "2022 Environmental, Social and Governance Report" published on the same date as this report.

37 RISK FACTORS

(1) Risks relating to price fluctuations of rare earth raw materials

Rare earth is the main raw materials for NdFeB magnetic steel production. China is an important supplier of rare earth raw materials in the world. Sharp fluctuations in the prices of rare earth raw materials will bring an adverse effect on the production and sales of the Company within a short period. Especially when entering 2023, the price of rare earth raw materials fluctuated significantly, which brought challenges to the Company's growth of revenue and profit, and there is a risk of great fluctuations in the future.

Countermeasures: The Company is headquartered in Ganzhou of Jiangxi Province, the main source of heavy rare earths. In Baotou, Inner Mongolia, the main source of light rare earths, the Company has invested in the construction of a high-performance rare earth permanent magnet production base (phase I) with a capacity of 8,000 tonnes. The Company has established stable cooperation relationships with important rare earth raw material suppliers, including China Northern Rare Earth Group High-Tech Co., Ltd. and China Rare Earth Group Co., Ltd.. Meanwhile, the Company has purchased rare earth raw materials in advance based on orders on hand, established a price adjustment mechanism with customers, optimized formulas, improved production process, and taken other measures to reduce the adverse impact of rare earth raw material price fluctuations on the Company's operating results.

(2) Policy risks

The high-performance NdFeB permanent magnet produced by the Company are mainly used in the fields of new energy, energy conservation and environmental protection, such as new energy vehicles and automotive parts, energy-saving VFACs, wind power generation, 3C, robotics and industrial servo motors, energy-saving elevators and rail transit, etc. Although the abovementioned fields are the key sectors encouraged by the state, they are deeply impacted by national policies. If the downstream demand is not as strong as expected due to the discontinuity of the country's incentive policies, the Company's future operating results may be adversely impacted.

Countermeasures: We will actively pay close attention to the issuance of or adjustments to industry policies by related national functional departments, and actively explore corresponding measures to respond to related policy risks based on our characteristics and on the premise of legal compliance.

(3) Risks relating to exchange rate fluctuations

The Company has steadily developed overseas markets and its overseas business gradually increased. The Company settles its sales revenue with overseas customers mainly in foreign currencies. In recent years, as affected by the global economic situation, the exchange rate between RMB an USD, RMB and EUR is more volatile. During the Reporting Period, the Company avoided the impacts of exchange rate fluctuation mainly through methods such as foreign exchange forward exchange settlement (外匯遠期結匯). However, significant fluctuations in foreign exchange rates not only affect the Company's revenue of sales denominated in foreign currencies, but also affect the Company's exchange gains and losses. Therefore, exchange rate risk may generate adverse impacts on the Company's performance.

Countermeasures: The Company will pay close attention to the global financial market and relevant national policies on exchange rates for analysis and judgment, and select appropriate exchange rate management tools for active management of exchange rate risks. When the spot rate is higher than forward rate, the Company avoids foreign exchange rate risk mainly though timely settlement of foreign exchange. When the fluctuation of foreign exchange rates becomes more significant and the spot rate is lower than forward rate, the Company prudently adopts methods such as hedging to reduce the foreign exchange risk.

(4) Risks relating to large amounts of trade receivables and their recovery

The goods payment settlement cycle for the Company's downstream customers is relatively long. As the sales of the Company continue to expand, its scale of trade receivable increases accordingly. The Company's poor collection of trade receivables or the failure of customers to make timely payments under contracts will affect the Company's capital turnover speed and cash flows from operating activities, thus causing an adverse impact on the Company's production, operation and performance.

Countermeasures: The management of the Company has always attached great importance to the management of trade receivables. The Company has conducted a reasonable evaluation on customers and granted appropriate credit periods according to customer evaluation results to ensure the safety of trade receivables from the source. It has also identified the persons accountable for sales results and payment collection targets and regarded the completion of sales and payment collection tasks as an important indicator for routine performance assessment. The Company regularly conducts aging analysis and timely arranges the payment collection, so that the risk of trade receivables is controlled within a controllable range. Currently, the Company's overall collection of trade receivables is in good condition, with a low probability of bad debts losses. It has prudently made provisions for bad debts in accordance with the principle of prudence.

38 USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING (IPO)

The H Shares of the Company were listed on the Stock Exchange on 14 January 2022. The Company's net proceeds from the global offering amounted to approximately HK$4,032.1 million (adjusted for the actual issue expenses).

On 30 March 2022, the Company reviewed and approved the resolution at the eleventh meeting of the third session of the Board in respect of the investment in the construction of Baotou Production Base Phase 2 Project by JL MAG (Baotou) Technology Co., Ltd. ("Baotou Company"), a subsidiary of the Company, with a total planned fund of RMB700 million. The Company has fully assessed and analyzed the current construction progress of the production bases in Ningbo and Baotou. As the construction progress of the second phase of the Baotou production base exceeded the scheduled progress, and to improve the efficiency of capital use, the Company intends to change the use of the proceeds by allocating a proportion of the proceeds for "the Baotou Production Base Phase 2 Project and daily operating capital of Baotou Company", which were originally planned to be used in the "construction of Ningbo production base" and change the use of the proceeds by allocating a proportion of the proceeds for "working capital and general corporate purposes", which were originally intended to be used for "research and development". In accordance with the Articles of Association of the Company and relevant laws and regulations. The proposed change in the use of proceeds from the global offering was considered and approved by the Shareholders of the Company by way of ordinary resolution at the first extraordinary general meeting of 2022. For further details, please refer to the announcement dated 11 July 2022, the circular dated 9 August 2022 and the announcement dated 24 August 2022 of the Company. The Company intends to use the net proceeds in the same manner and proportions and expected timeline as described in the Prospectus and the circular of the Company dated 9 August 2022. The use of net proceeds, the use of unutilized net proceeds and the expected timeline for the use of the remaining unutilized net proceeds as at the end of the Reporting Period are as follows:

No.	Use of proceeds	Net proceeds (HK$ million)	Percentage of net proceeds (%)	Amount utilized as at the end of the Reporting Period (HK$ million)	Unutilized net proceeds as at the end of the Reporting Period (HK$ million)	Expected timeline for the use of the unutilized net proceeds
1	Construction of Ningbo production base	806.4	20.0%	806.4	–	N/A
2	Potential acquisitions	1,008.0	25.0%	61.5	946.5	By the end of 2023
3	Research and development	403.2	10.0%	113.4	289.8	By the end of 2024
4	Repayment of loans for the construction of Baotou Production Base project	403.2	10.0%	403.2	–	N/A
5	Baotou Production Base Project (Phase II) and Baotou Company's daily operation capital	604.8	15.0%	604.8	–	N/A
6	Working capital and general corporate purposes(3)	806.4	20.0%	645.8	160.6	By the end of 2023
	Subtotal	4,032.1	100.0%	2,635.1	1,396.9	

Note 1: The difference between the net proceeds in the table and the data disclosed in the 2021 Annual Report of the Company was due to the adjustments for the actual issue expenses;

Note 2: The amount used as of the end of the Reporting Period and the unutilised amount as of the end of the Reporting Period have been translated using the exchange rate as at 30 December 2022;

Note 3: The expected timetable for the full utilization of the net unused proceeds from the plan for "working capital and general corporate purposes" was deferred mainly due to a significant increase of net cash flow generated from operating activities of the Company in the second half of 2022 with a sufficient working capital.

REPORT OF THE SUPERVISORY COMMITTEE

To all the shareholders,

In 2022, in accordance with the Articles of Association and relevant domestic and overseas regulations, the Supervisory Committee of JL MAG and all its supervisors strictly performed their supervisory duties, actively participated in the supervision of the decision-making process, carefully reviewed and effectively regulated major decisions of the Company, and endeavored to safeguard the interests of the shareholders and the Company.

During the Reporting Period, the Supervisory Committee convened seven meetings in total, at which, among others, Proposals on the Annual Report, the Financial Report, the Internal Control Evaluation Report, the Report on the Work of the Supervisory Committee and equity incentives were considered and approved.

In addition, the Supervisory Committee organized supervisors to attend the general meeting of shareholders and be present at the Board meetings. The Supervisory Committee also organized some supervisors to participate in the training class for directors (supervisors) of listed companies held by the China Securities Regulatory Commission (CSRC), Jiangxi branch, which further improved the supervisors' ability and level of supervision.

Through supervision and regulation on the production, operation and financial management of JL MAG, the Supervisory Committee and all the supervisors believed that, JL MAG had resolutely implemented the decisions and arrangements made by the Board, focused on production and operation targets; the production operation of the Company was generally stable throughout the year, with operating results better than expected. The Supervisory Committee had no objection to the matters of supervision during the Reporting Period.

Firstly, the Board of Directors and senior management of JL MAG performed their duties under laws and regulations. The Board of Directors earnestly fulfilled the rights and obligations conferred by relevant domestic and overseas regulatory requirements and the Articles of Association and made scientific decisions on the material events of the Company in accordance with laws and regulations. The management carefully implemented resolutions of the Board, strengthened lean management, and optimized industrial structure, striving to reach the annual production and operation targets set by the Board of Directors. During the Reporting Period, no directors or senior management of JL MAG were found to violate laws, regulations, and the Articles of Association or damage the interests of the Company or shareholders.

Secondly, the 2022 Annual Report and Financial Reports, among others, prepared by JL MAG conform to the requirements of domestic and overseas securities regulatory authorities and relevant systems. The information disclosed therein is true, accurate and complete, which objectively and fairly presents the operating results and financial condition of JL MAG. The dividend distribution scheme takes into account both the long-term benefits of the Company and shareholders' benefits. No violation of confidentiality provisions in the persons who were responsible for financial report preparation and review has been found.

Thirdly, the internal control system of JL MAG is sound and effective, with no material defect found.

In 2023, the Supervisory Committee of JL MAG and all its supervisors will continue to adhere to the principle of diligence and integrity, earnestly fulfill the supervisory duties conferred by shareholders, strictly review major decisions, strengthen procedure control and process supervision, increase the efforts to supervise the affiliated branches (subsidiaries), and endeavor to safeguard the interests of the Company and shareholders.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Overview

As at the date of this report, our Board consists of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The Board is responsible, and has general authority for, the management and operation of our Company.

As at the date of this report, our Supervisory Committee consists of three Supervisors, including the Chairman of the Supervisory Committee and an employee Supervisor.

Our senior management is responsible for the daily operations of our Company.

Board

Our Board consists of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth key information about the Directors.

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Cai Baogui (蔡報貴)	52	Chairman, executive Director and general manager	August 2008	August 2008	Responsible for overall planning and strategic development, management and business operations of the Group
Mr. Lyu Feng (呂鋒)	55	Vice chairman, executive Director and deputy general manager	August 2008	April 2016	Responsible for participating in the decision-making of material matters of the Company and responsible for the supply chain management of the Company
Mr. Hu Zhibin (胡志濱)	51	Non-executive Director	August 2008	August 2008	Responsible for participating in the decision-making of material matters of the Company
Mr.Li Xinnong (李忻農)	54	Non-executive Director	August 2008	August 2008	Responsible for participating in the decision-making of material matters of the Company
Mr. You Jianxin (尤建新)	62	Independent non-executive Director	January 2017	January 2017	Responsible for supervising and providing independent advice on the operation and management of the Company
Mr. Xu Feng (徐風)	50	Independent non-executive Director	July 2021	July 2021	Responsible for supervising and providing independent advice on the operation and management of the Company
Mr. Yuan Taifang (袁太芳)	55	Independent non-executive Director	January 2017	January 2017	Responsible for supervising and providing independent advice on the operation and management of the Company

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Chairman and Executive Director

Mr. Cai Baogui (**蔡報貴**), aged 52, is one of our founders and the Chairman, executive Director and general manager of our Company. After being appointed as the chairman and the general manager of the Company in August 2008, Mr. Cai was subsequently re-designated as an executive Director in July 2021, and is primarily responsible for the overall planning and strategic development, management and business operations of the Group.

Mr. Cai has been an executive partner of Ganzhou Xinsheng Investment Management Center (Limited Partnership) (贛州欣盛投資管理中心(有限合夥)) since December 2020, a director of Ganzhou Xiexin Chaoneng Magnetic Co., Ltd. (贛州協鑫超能磁業有限公司) since June 2019, a director of China Permanent Magnet New Energy Group Co., Ltd. (中國永磁新能源集團有限公司) since December 2011. He has been the chairman of A-TECH Wind Power (Jiangxi) Co., Ltd. (力德風力發電(江西)有限責任公司) since March 2008, and the chairman of A-TECH Electronics Technology (Xinyu) Co., Ltd. (力德電子科技(新余)有限公司) since August 2006. Mr. Cai served as the production manager and secretary to the factory operation committee of Dongguan Deyuan Plastic Products Co., Ltd. (東莞德源塑膠製品有限公司) from 1994 to 2002. From 1993 to 1994, he was a lecturer at Nanchang University (南昌大學).

Mr. Cai graduated from Nanchang University with a bachelor's degree in fine chemical engineering in July 1993. Mr. Cai graduated from Tsinghua University with a master's degree in EMBA in January 2022.

Executive Director

Mr. Lyu Feng (**呂鋒**), aged 55, is the vice Chairman, executive Director and the deputy general manager of the Company. After being appointed as a Director of the Company in April 2016, Mr. Lyu was subsequently re-designated as an executive Director in July 2021, and is primarily responsible for participating in the decision-making of material matters and supply chain management of the Company.

Since August 2008, Mr. Lyu has been an assistant general manager and the deputy general manager of the Company successively. Since August 2020, he has been a director of JL MAG Baotou, primarily responsible for supervising its daily business operations and management. He has been appointed as a director and the general manager of JL Processing since 2014, and a director of Sichuan JCC Rare Earth Magnet Co., Ltd. (四川江銅稀土磁材有限公司) since August 2016. From 1997 to 2008, he was the deputy general manager of a Hunan Xiangjia Medical Equipment Co., Ltd. (湖南湘佳醫用器材有限公司). From July 1995 to August 1997, he was the deputy general manager of Foshan Huatong Medical Material Products Co., Ltd. (佛山市華通醫用材料製品有限公司). From September 1991 to September 1993, he was the heat treatment technician of Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司) (formally known as Zhengzhou Aviation Equipment Factory (鄭州航空機載設備廠)).

Mr. Lyu graduated from Beijing University of Aeronautics and Astronautics with a bachelor's degree in metallic materials and heat treatment in July 1991, and subsequently obtained a master's degree in business administration from Jiangxi University of Science and Technology in January 2016.

Non-executive Directors

Mr. Hu Zhibin (**胡志濱**), aged 51, is one of our founders and a non-executive Director of our Company. After being appointed as a Director of the Company in August 2008, Mr. Hu was subsequently re-designated as a non-executive Director in July 2021, and is primarily responsible for participating in the decision-making of material matters of the Company.

Mr. Hu has been the chairman and general manager of Shenzhen Ruizhou Industrial Co., Ltd. (深圳市瑞洲實業股份有限公司) since March 2019, an executive director of Zhongrui Menghao (Ningbo) Investment Management Co., Ltd. (中瑞盟灝(寧波)投資管理有限公司) since December 2017, the chairman of Zhongrui Runhe (Ningbo) Investment Management Co., Ltd. (中瑞潤和(寧波)投資管理有限公司) since November 2016. He has been appointed as a director of Lanxi (Ningbo) Assets Management Co., Ltd. (瀾溪(寧波)資產管理有限公司) since June 2016, an executive director and the general manager of Zhongrui Intelligence International Holding Co., Ltd. (中瑞智慧國際控股有限公司) since September 2014, a director of China Permanent Magnet New Energy Group Co., Ltd. (中國永磁新能源集團有限公司) since December 2011, an executive director and the general manager of Shenzhen Guoke Ruicheng Technology Co., Ltd. (深圳市國科瑞成科技有限公司) since August 2010, a director and the general manager of A-TECH Wind Power (Jiangxi) Co., Ltd. (力德風力發電(江西)有限責任公司) since March 2008, a director of A-TECH Electronics Technology (Xinyu) Co., Ltd. (力德電子科技(新余)有限公司) since August 2006, the chairman of the board of directors of Rachee (Hongkong) Limited since April 2004, and an executive director and the general manager of Shenzhen Rachee Science & Technique Industrial Co., Ltd. (深圳市瑞成科訊實業有限公司) since November 2001. From June 1996 to February 2005, he served as the general manager of Shenzhen Ocean Power Chemical Technology Co., Ltd. (深圳海川化工科技有限公司). From July 1994 to May 1996, he worked as an assistant engineer at Shengli Oilfield (勝利油田).

Mr. Hu graduated from Nanchang University with a bachelor's degree in fine chemical engineering in July 1994, and subsequently obtained a master's degree in finance from the University of International Business and Economics in June 2004.

Mr. Li Xinnong (**李忻農**), aged 54, is one of our founders and a non-executive Director of our Company. After being appointed as a Director of the Company in September 2008, Mr. Li was subsequently re-designated as a non-executive Director in July 2021, and is primarily responsible for participating in the decision-making of material matters of the Company.

Mr. Li has been the chairman of the board of directors of Xinyu Boxun Automobile Co., Ltd. (新余博迅汽車有限公司) since October 2017. He has been a director of Jiangxi Jiufa Zhuanyongche Co., Ltd. (江西玖發專用車有限公司) since July 2014. He has been an executive director and the general manager of Hunan Boxun Investment Holding Group Co., Ltd. (湖南博迅投資控股集團有限公司) since November 2013. He has been a director of China Permanent Magnet New Energy Group Co., Ltd. (中國永磁新能源集團有限公司) since December 2011. He has been a director of A-TECH Electronics Technology (Xinyu) Co., Ltd. (力德電子科技(新余)有限公司) since August 2006. He served as a deputy chief engineer of Vitop Bioenergy (China) Co., Ltd. (天年生物(中國)有限公司) from August 1995 to January 1998.

Mr. Li obtained a master's degree in engineering from Beijing University of Aeronautics and Astronautics in March 1995.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Independent Non-executive Directors

Mr. Yuan Taifang (**袁太芳**), aged 55, was appointed as an independent Director of the Company in January 2017, primarily responsible for overseeing the operations and management of the Company and providing independent advice.

Since October 2020, Mr. Yuan has been an independent director of Ganzhou Water Co., Ltd. (贛州水務股份有限公司). Since August 2020, he has served as a supervisor of Ganzhou Consulting Service Management Co., Ltd. (贛州解惑諮詢管理有限公司). Since July 1990, Mr. Yuan has successively been a lecturer (of the School of Economics and Management) and a professor of accounting of Gannan Normal University.

Mr. Yuan graduated from Gannan Normal College University (贛南師範大學) with a bachelor's degree in mathematics in July 1990, and subsequently obtained a master's degree in business administration from Jiangxi University of Finance and Economics in January 2007. Mr. Yuan was qualified as a Certified Public Accountant in the PRC in April 1998.

Mr. You Jianxin (**尤建新**), aged 62, is an independent non-executive Director of the Company. Mr. You was appointed as an independent Director of the Company in January 2017, primarily responsible for overseeing the operation and management of the Company and providing independent advice.

Mr. You has been a director of Shanghai Zhida Technology Development Co., Ltd. (上海摯達科技發展有限公司) since February 2020. Since January 2020, he has been a director of Shanghai SAIC Hengxu Investment Management Co., Ltd. (上海上汽恒旭投資管理有限公司). Since September 2019, he has served as an independent non-executive director of Shanghai Huahong Jitong Smart System Co., Ltd. (上海華虹計通智能系統股份有限公司). Since September 2019, he has been an independent non-executive director of Shanghai International Airport Co., Ltd. Since June 2019, he has served as an independent non-executive director of Nantong Tongyi Space Technology Co., Ltd. Since January 2020, he has served as an independent non-executive director of Anhui JEE Technology Co., Ltd. (安徽巨一科技股份有限公司).

Since June 1998, Mr. You has been a professor and PhD tutor of the School of Economics and Management, Tongji University. From December 1999 to January 2008, Mr. You was the dean of the School of Economics and Management, Tongji University. From November 1993 to June 1998, he served as the deputy chief of the Office of Academic Affairs at Tongji University. From June 1994 to June 1998, Mr. You was an associate professor at the School of Economics and Management, Tongji University. At the School of Economics and Management, Tongji University, he was a lecturer from June 1990 to June 1994, and a teaching assistant from July 1984 to June 1990.

Mr. You graduated from Tongji University with a bachelor's degree in management engineering in July 1984, and subsequently obtained a master's degree and a doctorate in management science and engineering from Tongji University in January 1992 and December 1999, respectively.

Mr. Xu Feng (**徐風**), aged 50, was appointed as an independent non-executive Director of the Company in July 2021, primarily responsible for supervising and providing independent advice on the operations and management of the Company.

Mr. Xu has been the chairman of Xuzhou Hengsheng Zhigu Technology Development Co., Ltd. (徐州恒盛智谷科技發展有限公司) since June 2020. Since March 2017, he has served as an executive director of Jiangxi Hengke Dongfang Science and Technology Park Operation Co., Ltd. (江西恒科東方科技園運營有限公司). Since September 2013, he has been an executive director of Ganzhou Hengke Dongfang Industrial Co., Ltd. (贛州恒科東方實業有限公司). Since March 2011, Mr. Xu has served as the chairman of Jiujiang Hengsheng Technology Development Co., Ltd. (九江恒盛科技發展有限責任公司). From 2007 to 2011, he served as the chairman of Jiujiang Xinchangjiang Real Estate Co., Ltd. (九江市新長江置業有限公司). From 2000 to 2007, he served as the general manager of an advertising company.

Mr. Xu graduated from Jiujiang College in July 1995. He graduated from Tsinghua University with an EMBA degree in January 2012 and later graduated from the University of Minnesota in the United States with a doctor's degree in business administration in August 2020.

Supervisory Committee

The Supervisory Committee of the Company consists of three members. The following table sets forth key information about the supervisors of the Company:

Name	Age	Position	Date of joining our Group	Date of appointment as supervisor	Function and responsibility
Sun Yixia (孫益霞)	48	Chairman of the Supervisory Committee	October 2009	June 2013	Responsible for the overall operation of the Supervisory Committee and the supervision of the Board, senior management and the business operations of the Group
Li Hua (李華)	49	Supervisor	December 2020	April 2021	Responsible for the supervision of the Board, senior management and the business operations of the Group
Liang Qilu (梁起祿)	37	Employee supervisor	February 2010	March 2023	Responsible for the supervision of the Board, senior management and the business operations of the Group

Ms. Sun Yixia (孫益霞), aged 48, was appointed as the chairman of the Supervisory Committee of the Company in March 2023, primarily responsible for the overall operation of the Supervisory Committee and the supervision of the Board, the senior management and the business operations of the Group. Since October 2009, Ms. Sun has served successively as the director and the manager of the human resources department, responsible for the human resources and administrative management of the Company as well as employee supervisor.

From July 2008 to October 2009, Ms. Sun served as the head of the human resources department of Ganzhou City Development Investment Group (贛州城市開發投資集團). From March 2007 to July 2008, she served as the deputy manager of the administrative department of Jiangxi Yameida Science and Technology Limited Co., Ltd. (江西亞美達科技有限公司). From May 1998 to March 2007, she served as the secretary to the general manager of Ganzhou Chia Tai Industrial Co., Ltd. (贛州正大實業有限公司).

Ms. Sun completed her undergraduate program in human resources management through online courses from Zhejiang University in July 2011.

Mr. Li Hua (李華), aged 49, was appointed as a supervisor of the Company in April 2021, primarily responsible for the supervision of the Board, senior management and the business operation of the Group. Mr. Li has served as an audit manager of the Company since December 2020, primarily responsible for reviewing the Company's business and management, assets and capital utilization.

From July 2018 to October 2019, Mr. Li was the deputy general manager of the audit and supervision center of Zhefu Holding Group Co., Ltd. (浙富控股集團股份有限公司). From August 1996 to August 2009, he successively served as the accountant, auditor and audit manager of Jiangling Motors Corporation Co., Ltd. (江鈴汽車股份有限公司) and Jiangling Holding Co., Ltd. (江鈴控股有限公司).

Mr. Li graduated from Jiangxi University of Finance and Economics and obtained a bachelor's degree in accounting in July 1996.

Mr. Liang Qilu (梁起祿), aged 37, born in 1987, with a high-school diploma. He was appointed as the employee supervisor of the Company in March 2023 mainly responsible for the supervision of the Board, senior management and the business operation of the Group.

In May 2015, he won the honorable title of National Model Worker. From 2007 to 2008, he worked at the production department of Guangdong Changhong Electronics Co., Ltd. as an employee; from 2009 to 2010, he acted as the production line leader of Division 2, the Manufacturing Department of Ganzhou Guangbao Lixin Technology Co., Ltd. (贛州光寶力信科技有限公司); from June 2010 to June 2015, he acted as the equipment maintenance team leader of the pump room in the Equipment Division of the Company; from July 2017 to April 2021, he served as an employee supervisor of the Company; since June 2015, he successively served as the Forming Section leader, Packaging Section leader, Power Equipment Section, the assistant section leader of the packaging line, and the technician of Technical Department Three of the Company.

Senior Management

The senior management of the Company is responsible for the daily management of our business. The following table sets forth the key information about the senior management of our Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a member of senior management	Function and responsibility
Cai Baogui (蔡報貴)	52	General manager	August 2008	August 2008	Responsible for the overall planning, management and business operations of the Group
Lyu Feng (呂鋒)	55	Deputy general manager	August 2008	June 2013	Responsible for the supply chain management of the Company
Huang Changyuan (黃長元)	42	Deputy general manager	August 2008	June 2013	Responsible for the marketing of the Company
Mao Huayun (毛華雲)	49	Deputy general manager	August 2009	June 2013	Responsible for the production, research and development of the Company
Lu Ming (鹿明)	46	Deputy general manager and secretary to the Board	September 2009	June 2013	Responsible for the investment and financing, strategic planning and capital operation of the Company
Yu Han (于涵)	42	Deputy general manager	June 2011	April 2013	Responsible for the marketing of the Company
Xie Hui (謝輝)	44	Finance director	July 2013	July 2013	Responsible for the financial management of the Company
Yi Pengpeng (易鵬鵬)	40	Deputy general manager	March 2019	March 2020	Responsible for the technical research of the Company and development and the management of JL MAG Ningbo Technology (金力永磁（寧波）科技有限公司)
Su Quan (蘇權)	37	Deputy general manager	November 2008	March 2023	Responsible for the human resources of the Company and the management of Jinli Permanent Magnet (Baotou) Technology Co., Ltd.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Cai Baogui (蔡報貴), is the Chairman and general manager of the Company. For his biographical details, please refer to "Board – Chairman and Executive Director" in this section.

Mr. Lyu Feng (呂鋒), is the deputy chairman, executive Director and deputy general manager of the Company. For his biographical details, please refer to "Board – Executive Director" in this section.

Mr. Huang Changyuan (黃長元), aged 42, has successively served as the assistant general manager and deputy general manager of the Company since August 2008, and is primarily responsible for the Group's marketing. From September 2003 to February 2006, he served as the deputy engineer of procurement of Dongguan Kanghua Hospital (東莞康華醫院), and from March 2006 to April 2008 he served as the manager of the procurement contract department of Dongguan Renkang Hospital (東莞仁康醫院).

Mr. Huang graduated from the Beijing Institute of Technology with a bachelor's degree in aircraft design and engineering in July 2003, and subsequently obtained a master's degree in business administration from Jiangxi University of Science and Technology in June 2015.

Mr. Mao Huayun (毛華雲), aged 49, has successively served as the chief engineer and deputy general manager of our Company since August 2009, and is primarily responsible for the production, research and development of our Company.

From 2004 to July 2008, Mr. Mao served as the manager of high-tech research and development department of Ningbo Yunsheng High-Tech Magnetics Co., Ltd. (寧波韻升高科磁業有限公司). From December 2000 to 2004, he served as an engineer of research and development of Ningbo Yunsheng High-Tech Magnetics Co., Ltd. From July 1998 to December 2000, he was the heat treatment engineer of Ningbo Shuanglin Auto Component Co., Ltd. (寧波雙林汽車部件股份有限公司).

Mr. Mao graduated from Xi'an University of Architecture and Technology with a bachelor's degree in metal press forming in July 1998.

Mr. Lu Ming (鹿明), aged 46, has successively served as the senior manager of the department of finance and investment, the deputy general manager and the secretary to the Board of the Company since September 2009, and was appointed as a joint company secretary of the Company in July 2021. He is primarily responsible for the investment and financing, strategic planning and capital operations of the Company.

From September 1999 to December 2005, he served as the head of the secretary office of the board of directors of Sinopec Beijing Yanshan Petrochemical Co. Ltd. (中石化北京燕山石油化工股份有限公司).

Mr. Lu graduated from Tianjing University with a bachelor's degree in fine chemicals and management engineering in July 1999, and subsequently obtained a master's degree in business administration from Tsinghua University in July 2006.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Yu Han (于涵), aged 42, has successively served as the assistant to deputy manager, deputy director, special assistant to general manager and deputy general manager of the Company since June 2011, and is primarily responsible for the marketing of the Company.

From March 2008 to March 2011, Mr. Yu was under the employment of Qingdao Hisense International Marketing Co., Ltd. (青島海信國際營銷有限公司). During such employment, on his secondment in its European branch from June 2009 to March 2011, he served as the sales manager. From July 2003 to May 2005, he was the assistant of the project manager of China Far East International Trading Corporation (中國遠東國際貿易總公司).

Mr. Yu obtained his master's degree in marketing from the University of the West of England in February 2008.

Ms. Xie Hui (**謝輝**), aged 44, was appointed as the Finance director of the Company in July 2013, and is primarily responsible for the financial management of the Company.

Prior to joining the Group, Ms. Xie was the deputy chief financial officer of China Zhongwang Holdings Limited (中國忠旺控股有限公司) from July 2009 to December 2012. From August 2004 to June 2009, she was the audit manager of PricewaterhouseCoopers Zhong Tian Certified Public Accountants. From August 2001 to July 2004, she served as an associate audit manager of China Audit Asia Pacific CPA (中審亞太會計師事務所).

Ms. Xie graduated from Dongbei University of Finance and Economics with a bachelor's degree in CPA specialization in July 2001. Subsequently, she obtained a master's degree in business administration from Tsinghua University in July 2013, and was qualified as a Certified Public Accountant in China in 2008. She is currently a non-practising member of The Chinese Institute of Certified Public Accountants.

Mr. Yi Pengpeng (**易鵬鵬**), aged 40, has been successively served as the chief technology officer and deputy general manager of the Company since March 2019, and is primarily responsible for the technical research and development and the management of JL MAG Ningbo Technology.

From June 2011 to March 2019, Mr. Yi served as the chief engineer and deputy general manager of Ningbo Songke Magnetic Materials Co., Ltd. (寧波松科磁材有限公司).

Mr. Yi obtained a doctorate in materials physics and chemistry from Ningbo Institute of Materials Technology and Engineering, Chinese Academy of Sciences in July 2011.

Mr. Su Quan (**蘇權**), age 37. Since November 2008, he has successively served as sales manager, assistant general manager, supervisor and chairman of the Supervisory Committee of the Company. He currently acts as the deputy general manager of the Company, and is mainly responsible for human resources management and management of Jinli Permanent Magnet (Baotou) Technology Co., Ltd.(金力永磁（包頭）科技有限公司).

Mr. Su Quan graduated from Beijing University for Business Administration with a diploma in business administration in July 2007.

Joint Company Secretaries

Mr. Lu Ming (鹿明)

Mr. Lu Ming was appointed as a joint company secretary of the Company on 2 July 2021. Mr. Lu is also the deputy general manager and secretary to the Board of the Company. Please see "Senior Management" in this section for details of the biography of Mr. Lu.

Ms. Zhang Xiao (張瀟)

Ms. Zhang Xiao was appointed as a joint company secretary of the Company on 2 July 2021. Ms. Zhang is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, and has extensive experience in the field of corporate secretarial services. She is an associate member of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute.

2 CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

Name	Position	Status	Gender	Age	Start date of the term of office	End date of the term of office	Number of shares held at the beginning of the period	Number of shares increased during the period	Number of shares reduced during the period	Other changes	Number of shares held at the end of the period	Reason for changes
Cai Baogui	Chairman of the Board of Directors, general manager Director	In office	Male	52	23 April 2021	23 April 2024	640,000	–	–	–	640,000	–
Hu Zhibin	Director	In office	Male	51	23 April 2021	23 April 2024	960,000	–	–	–	960,000	–
Li Xinnong	Director	In office	Male	54	23 April 2021	23 April 2024	–	–	–	–	–	–
Lyu Feng	Deputy chairman, deputy general manager	In office	Male	55	23 April 2021	23 April 2024	1,290,880[1]	–	232,600	–	1,058,280[1]	Implementation of shares reduction plan
You Jianxin	Independent director	In office	Male	62	23 April 2021	13 January 2023	–	–	–	–	–	–
Xu Feng	Independent director	In office	Male	50	19 July 2021	23 April 2024	–	–	–	–	–	–
Yuan Taifang	Independent director	In office	Male	55	23 April 2021	13 January 2023	–	–	–	–	–	–
Sun Yixia	Chairman of Supervisory Committee	In office	Female	48	30 March 2022	23 March 2024	–	–	–	–	–	–

Name	Position	Status	Gender	Age	Start date of the term of office	End date of the term of office	Number of shares held at the beginning of the period	Number of shares increased during the period	Number of shares reduced during the period	Other changes	Number of shares held at the end of the period	Reason for changes
Li Hua	Supervisor	In office	Male	49	23 April 2021	23 April 2024	–	–	–	–	–	–
Qilu Liang	Employee Supervisor	In office	Male	36	24 March 2023	23 April 2024	–	–	–	–	–	–
Huang Changyuan	Deputy general manager	In office	Male	42	23 April 2021	23 April 2024	840,800	–	–	–	840,800	–
Mao Huayun	Deputy general manager	In office	Male	49	23 April 2021	23 April 2024	1,920,800	–	480,200	–	1,440,600	Implementation of shares reduction plan
Lu Ming	Deputy general manager, secretary of the Board	In office	Male	46	23 April 2021	23 April 2024	834,880	–	–	–	834,880	–
Yu Han	Deputy general manager	In office	Male	42	23 April 2021	23 April 2024	964,000	–	–	–	964,000	–
Xie Hui	Financial director	In office	Female	45	23 April 2021	23 April 2024	831,680	–	142,900	–	688,780	Implementation of shares reduction plan
Yi Pengpeng	Deputy general manager	In office	Male	40	23 April 2021	23 April 2024	204,800	–	25,600	–	179,200	Implementation of share reduction plan
Quan Su	Deputy general manager	In office	Male	37	30 March 2023	23 April 2024	–	–	–	–	–	–
Quan Su	Chairman of Supervisory Committee	Resigned	Male	37	24 June 2015	17 March 2023	–	–	–	–	–	
Li Fei	Resigned Director	Resigned	Male	47	23 April 2021	17 March 2023	–	–	–	–	–	–
Huang Weixiong	Resigned Director	Resigned	Male	46	23 April 2021	22 April 2022	–	–	–	–	–	–
Total	–	–	–	–	–	–	8,487,840	–	881,300	–	7,606,540	–

Note: [1] As of the end of the Reporting Period, in addition to 1,058,280 A Shares of the Company held directly by Mr. Lyu Feng, as a general partner of Ganzhou Huirui Investment Management Center (Limited Partnership) ("Ganzhou Huirui"), he also indirectly holds 2,787,264 A Shares of the Company through Ganzhou Huirui.

3 CONTRACTUAL INTERESTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2022 or during any time of this year, none of the directors or supervisors entered into any material contract to which JL MAG or any of its shareholding companies, any subsidiary or any fellow subsidiary of JL MAG was a party to make such director or supervisor entitled to any material interest.

4 CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all directors and supervisors. None of the directors or supervisors has or will have a service contract with the Company which is not terminable within one year without payment of compensation, excluding statutory compensation.

5 REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out the remuneration of Directors, supervisors and senior management during the Reporting Period:

Unit: RMB ten thousand

Name	Position	Gender	Age	Status	Total pre-tax remunerations received from the Company	Whether receiving remunerations from any related party of the Company
Cai Baogui	Chairman, general manager	Male	52	In office	187.06	No
Hu Zhibin	Director	Male	51	In office	13.33	Yes
Li Xinnong	Director	Male	54	In office	13.33	Yes
Lyu Feng	Deputy chairman, deputy general manager	Male	55	In office	168.81	No
You Jianxin	Independent director	Male	62	In office	13.33	No
Xu Feng	Independent director	Male	50	In office	13.33	Yes
Yuan Taifang	Independent director	Male	55	In office	13.33	No
Su Quan	Deputy general manager, former Chairman of the Supervisory Committee	Male	37	In office	81.68	No
Li Hua	Supervisor	Male	49	In office	29.97	No
Sun Yixia	Chairman of Supervisory Committee, former employee supervisor	Female	48	In office	31.17	No
Huang Changyuan	Deputy general manager	Male	42	In office	151.58	No
Mao Huayun	Deputy general manager	Male	49	In office	175.91	No
Lu Ming	Deputy general manager, secretary of the Board	Male	46	In office	156.81	No
Yu Han	Deputy general manager	Male	42	In office	156.81	No
Xie Hui	Finance director	Female	45	In office	149.79	No
Yi Pengpeng	Deputy general manager	Male	40	In office	144.64	No
Li Fei	Director	Male	47	Resigned	13.33	Yes
Huang Weixiong	Director	Male	46	Resigned	0	No
Total	–	–	–	–	1,514.21	–

The Company has formulated the Remuneration System for directors, supervisors and senior management based on the "principles of responsibility, incentive, performance and competition", continuously improved the performance appraisal system for them. The Remuneration and Appraisal Committee of the Board determines the remuneration standards for each director, supervisor, and senior management based on their job responsibilities, job performance, and achievement of task objectives, reflecting the principle of equal responsibility and rights, and maintaining the attractiveness of the company's remuneration and competitiveness in the market.

6 INFORMATION OF EMPLOYEES OF THE COMPANY

As at 31 December 2022, the Company had 5,003 employees and there was no resigned or retired employee for which the Company was liable to bear costs.

7 CHANGES IN THE CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL

During the Reporting Period, there was no significant change in the Company's core technical team and key technical personnel.

8 REMUNERATION POLICY

Based on the existing organizational structure and management model, in order to maximize the enthusiasm of employees for work, the Company has formulated a complete remuneration system and performance assessment system while ensuring objectiveness, justice, employee incentives, and interest protection. According to this system, remunerations are paid to employees according to their duties and performance. The labor contract system is adopted in the Company. Under the Labor Law of the People's Republic of China, related laws, regulations and normative documents, the Company will sign a Labor Contract and a Confidentiality Agreement with each employee; pay salaries to employees, contribute pension insurance premiums, medical care insurance premiums, work injury-related insurance premiums, unemployment insurance premiums, maternity insurance premiums, and housing provident fund for employees, and pay and withhold individual income tax for them.

9 TRAINING

According to the requirements for systematic orientation and diversified on-the-job training, the Company offers all-around training to employees at multiple levels, through multiple channels, in multiple fields and various forms, including orientation for new employees, special business training for incumbent employees, professional technical training, engineering change management, lean production management training, work safety and occupational hygiene training, market development and skills development.

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report
To the shareholders of JL Mag Rare-Earth Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of JL Mag Rare-Earth Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 184, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Impairment of trade receivables	
As at 31 December 2022, trade receivables of the Group were RMB2,192 million, accounting for 19.5% of the total assets. The impairment for trade receivables was RMB26 million, accounting for 1.2% of the trade receivables. An impairment analysis was performed at the end of the reporting period, using a provision matrix to measure expected credit losses. The provision rates were initially based on the Group's historical observed default rates. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. The Group is required to use significant accounting estimates and judgments when determining the historical loss rate of trade receivables. Therefore, we regard this matter as a key audit matter. The Group's accounting policies and estimation of impairment of trade receivables are disclosed in note 2.4 and details of the Group's impairment of trade receivables are disclosed in note 23 to the consolidated financial statements.	We have performed relevant audit procedures, including but not limited to: 1) Evaluating the design, implementation, and effectiveness of key internal controls over the impairment of trade receivables; 2) Assessing the appropriateness of the Group's accounting policy over impairment; 3) Obtaining and reviewing the credit risk portfolio which was categorised by credit risk characteristic and testing the accuracy of the ageing of trade receivables; reviewing the impairment matrix model used by the management to estimate impairment of trade receivables; reviewing the calculation of expected credit loss rate, historical loss rate and forward-looking adjustments of trade receivables; analysing the rationality of expected credit loss rate, historical loss rate and forward-looking adjustments of trade receivables, and recalculating the expected credit losses; 4) Performing the confirmation procedure of trade receivables on sampling basis and checking subsequent settlement; and 5) Reviewing the completeness of the relevant disclosures in the notes to the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year ended 31 December 2022, the Group derived revenue mainly from the sales of high-performance NdFeB permanent magnet materials. For the year ended 31 December 2022, the Group generated revenue on sale of NdFeB permanent magnet materials amounted to RMB6,083 million. Revenue from the sale of goods is recognised when control of goods (i.e. NdFeB permanent magnet materials) is transferred to the customers. As revenue is one of the Group's key performance indicators and the inherent risk of misstatement in revenue recognition is high, we identified the recognition of the Group's revenue as a key audit matter. The Group accounting policies are disclosed in note 2.4 and details of the Group's revenue are disclosed in note 5 to the consolidated financial statements.	We have performed relevant audit procedures, including but not limited to: 1) Evaluating the design, implementation, and effectiveness of key internal controls over the revenue recognition and disclosure; 2) Reviewing the sales agreement terms, invoices, and documents supporting the control transfer on sampling basis to evaluate the management's judgment as to the point in time whether control of that good transfers to the customer and whether the amount was appropriate; 3) Reviewing documents supporting the control transfers and other evidence on sampling basis before and after 31 December 2022 to evaluate whether the revenue was recorded in the appropriate accounting period; 4) Performing confirmation procedures for transaction and balances and alternative procedures for those without response; 5) Performing analytical review procedures on the change of the revenue and gross profit margin of the major products; and 6) Reviewing the adequacy and reasonableness of corresponding disclosure in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bennett S.H. Wai.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**Year ended 31 December 2022 RMB'000**	Year ended 31 December 2021 RMB'000
Revenue	5	**7,165,187**	4,080,072
Cost of sales		**(6,006,159)**	(3,165,133)
Gross profit		**1,159,028**	914,939
Other income and gains	8	**84,771**	51,308
Selling and distribution expenses		**(36,107)**	(24,971)
Administrative expenses		**(172,478)**	(159,620)
Research and development expenses		**(337,476)**	(160,159)
Impairment losses on inventories		**(10,279)**	(7,303)
Impairment losses on financial assets, net		**(11,936)**	(876)
Other expenses	9	**(21,947)**	(3,527)
Finance costs	10	**(68,879)**	(77,724)
Foreign exchange differences, net		**183,286**	(16,453)
Share of losses of associates		**(1,288)**	(3,195)
PROFIT BEFORE TAX	11	**766,695**	512,419
Income tax expenses	12	**(62,110)**	(58,445)
PROFIT FOR THE YEAR		**704,585**	453,974
Attributable to:			
Owners of the parent		**702,687**	453,224
Non-controlling interests		**1,898**	750
		704,585	453,974
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For profit for the year (RMB)		**0.84**	0.65
Diluted			
– For profit for the year (RMB)		**0.84**	0.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
PROFIT FOR THE YEAR	**704,585**	453,974
Other comprehensive income that may be reclassified to profit or loss in subsequent years, net of tax:		
Exchange differences on translation of foreign operations	**(269)**	2,151
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(269)**	2,151
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**704,316**	456,125
Attributable to:		
Owners of the parent	**702,343**	455,349
Non-controlling interests	**1,973**	776
	704,316	456,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2022

	Notes	**31 December 2022 RMB'000**	31 December 2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,706,646**	1,038,124
Right-of-use assets	16(a)	**223,193**	199,333
Other intangible assets	17	**4,734**	4,654
Investments in associates	18	**5,136**	3,499
Deferred tax assets	19	**1,738**	5,002
Equity investments designated at fair value through other comprehensive income	20	**13,306**	–
Other non-current assets	21	**138,739**	235,212
TOTAL NON-CURRENT ASSETS		**2,093,492**	1,485,824
CURRENT ASSETS			
Inventories	22	**1,931,141**	1,324,200
Trade receivables	23	**2,192,191**	1,231,485
Notes receivables at amortised cost	24	**548,736**	383,411
Notes receivables at fair value through other comprehensive income ("FVOCI")	24	**97,088**	15,750
Prepayments, other receivables and other assets	25	**46,903**	37,833
Financial assets at fair value through profit or loss	26	**143,471**	7,226
Restricted cash	27	**729,863**	244,040
Cash and cash equivalents	27	**3,400,384**	1,255,467
Other current assets	28	**37,185**	65,548
TOTAL CURRENT ASSETS		**9,126,962**	4,564,960
TOTAL ASSETS		**11,220,454**	6,050,784
CURRENT LIABILITIES			
Trade and notes payables	29	**2,603,486**	1,017,661
Contract liabilities	30	**23,895**	29,594
Other payables and accruals	31	**227,261**	162,558
Interest-bearing bank and other borrowings	32	**1,246,027**	1,350,883
Lease liabilities	16(b)	**4,143**	2,222
Tax payables		**3,264**	5,106
Financial liabilities at fair value through profit or loss	33	**3,219**	–
TOTAL CURRENT LIABILITIES		**4,111,295**	2,568,024
NET CURRENT ASSETS		**5,015,667**	1,996,936
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,109,159**	3,482,760

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Year ended 31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,109,159**	3,482,760
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**200,000**	411,810
Lease liabilities	16(b)	**7,069**	4,628
Deferred income	34	**82,700**	92,293
Deferred tax liabilities	19	**31,616**	7,678
TOTAL NON-CURRENT LIABILITIES		**321,385**	516,409
NET ASSETS		**6,787,774**	2,966,351
EQUITY			
Equity attributable to owners of the parent			
Share capital	35	**837,956**	710,974
Reserves	37	**5,946,894**	2,254,426
		6,784,850	2,965,400
Non-controlling interests		**2,924**	951
TOTAL EQUITY		**6,787,774**	2,966,351

Executive Director: Cai Baogui

Chief Financial Officer: Xie Hui

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital RMB'000 (note 35)	Treasury shares* RMB'000	Share premium* RMB'000	Share incentive reserve* RMB'000	Reserve fund* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	710,974	(33,018)	1,174,139	117,816	138,185	5,619	851,685	2,965,400	951	2,966,351
Profit for the year	-	-	-	-	-	-	702,687	702,687	1,898	704,585
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(344)	-	(344)	75	(269)
Total comprehensive income for the year	-	-	-	-	-	(344)	702,687	702,343	1,973	704,316
Share incentive plan expense	-	-	-	27,297	-	-	-	27,297	-	27,297
Tax implications related to a share incentive plan (notes 12 and 19)	-	-	-	(6,423)	-	-	-	(6,423)	-	(6,423)
Dividends declared	-	-	-	-	-	-	(209,108)	(209,108)	-	(209,108)
Other equity changes of the associate	-	-	(1,837)	-	-	-	-	(1,837)	-	(1,837)
Issue of shares	125,466	-	3,145,295	-	-	-	-	3,270,761	-	3,270,761
Repurchase obligation for shares issued under a share incentive plan	(9)	121	-	(111)	-	-	-	1	-	1
Vesting of Type I Restricted Shares	-	16,354	12,484	(12,484)	-	-	-	16,354	-	16,354
Exercise of Type II Restricted Shares	1,525	-	85,102	(66,565)	-	-	-	20,062	-	20,062
Transfer from retained profits	-	-	-	-	63,668	-	(63,668)	-	-	-
At 31 December 2022	837,956	(16,543)	4,415,183	59,530	201,853	5,275	1,281,596	6,784,850	2,924	6,787,774

	Attributable to owners of the parent										
	Share capital RMB'000 (note 35)	Treasury shares* RMB'000	Share premium* RMB'000	Share incentive reserve* RMB'000	Equity component convertible bonds RMB'000	Reserve fund* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	415,977	(54,949)	432,860	39,589	107,343	88,478	3,494	534,509	1,567,301	175	1,567,476
Profit for the year	–	–	–	–	–	–	–	453,224	453,224	750	453,974
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	2,125	–	2,125	26	2,151
Total comprehensive income for the year	–	–	–	–	–	–	2,125	453,224	455,349	776	456,125
Share incentive plan expense	–	–	–	69,084	–	–	–	–	69,084	–	69,084
Tax implications related to a share incentive plan (notes 12 and 19)	–	–	–	27,737	–	–	–	–	27,737	–	27,737
Dividends declared	–	–	–	–	–	–	–	(86,341)	(86,341)	–	(86,341)
Issue of shares	15,726	–	495,911	–	–	–	–	–	511,637	–	511,637
Redemption of convertible bonds	–	–	1,381	–	(1,862)	–	–	–	(481)	–	(481)
Vesting of Type I Restricted Shares	–	21,931	18,594	(18,594)	–	–	–	–	21,931	–	21,931
Exercise of Type II Restricted Shares	3,373	–	41,780	–	–	–	–	–	45,153	–	45,153
Conversion of convertible bonds	16,875	–	442,636	–	(105,481)	–	–	–	354,030	–	354,030
Transfer from share premium	259,023	–	(259,023)	–	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	–	–	49,707	–	(49,707)	–	–	–
At 31 December 2021	710,974	(33,018)	1,174,139	117,816	–	138,185	5,619	851,685	2,965,400	951	2,966,351

* These reserve accounts comprise the consolidated reserves of RMB5,946,894,000 and RMB2,254,426,000 in the consolidated statements of financial position as at 31 December 2022 and 2021, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**766,695**	512,419
Adjustments for:			
Finance costs	10	**68,879**	77,724
Loss on disposal of non-current assets	8/9	**212**	1,365
Share of losses of associates		**1,288**	3,195
Gain on disposal of an associate	8	**–**	(4,292)
Fair value changes of forward exchange agreements	8/9	**10,445**	(4,572)
Realised losses/(gains) of wealth management products	8/9	**9,308**	(13,430)
Depreciation of property, plant and equipment	11	**86,808**	60,829
Depreciation of right-of-use assets	11	**7,657**	5,713
Amortisation of other intangible assets	11	**669**	599
Amortisation of non-current assets	11	**17,231**	11,451
Amortisation of a share incentive plan	11	**27,297**	69,084
Impairment of inventories	11	**10,279**	7,303
Impairment losses of financial assets	11	**11,936**	876
Foreign exchange differences		**(153,234)**	–
		865,470	728,264
Increase in inventories		**(617,220)**	(400,626)
Increase in trade receivables		**(1,101,521)**	(485,767)
Increase in notes receivables		**(248,333)**	(156,098)
(Increase)/decrease in prepayments, other receivables and other assets		**(9,381)**	54,789
Increase in deferred tax assets		**(3,160)**	(5,002)
Decrease/(increase) in other current assets		**28,363**	(50,386)
Increase in trade and notes payables		**1,585,825**	407,632
Increase in other payables and accruals		**328,225**	110,541
(Decrease)/increase in contract liabilities		**(5,699)**	11,549
Increase/(decrease) in deferred tax liabilities		**23,938**	(5,112)
(Decrease)/increase in deferred income		**(9,593)**	34,264
Increase in restricted cash		**(485,823)**	(80,617)
Cash generated from operations		**351,091**	163,431
Income tax paid		**(40,967)**	(61,640)
Net cash flows from operating activities		**310,124**	101,791

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2022

	Notes	**Year ended 31 December 2022 RMB'000**	Year ended 31 December 2021 RMB'000
Net cash flows from operating activities		**310,124**	101,791
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for leasehold land		**(31,869)**	(91,321)
Purchases of items of property, plant and equipment		**(549,806)**	(563,204)
Purchases of items of other long-term assets		**–**	(20,495)
Proceeds from disposal of items of property, plant and equipment		**536**	1,493
Additions to other intangible assets		**(795)**	(817)
Investment in an associate		**(5,727)**	(1,000)
Purchases of wealth management products		**(595,345)**	(411,431)
Proceeds from sale of wealth management products		**428,673**	434,230
Net cash flows used in investing activities		**(754,333)**	(652,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**3,450,438**	566,154
Share issue expenses		**–**	(9,363)
New bank loans	38	**813,179**	1,046,707
Repayment of bank loans	38	**(1,228,009)**	(445,256)
Settlement of letters of credit	38	**(230,449)**	(27,614)
Increase in discounted commercial acceptance notes	38	**–**	250,341
Principal portion of lease payments	38	**(3,835)**	(2,414)
Redemption of convertible bonds		**–**	(7,599)
Dividends paid	38	**(209,108)**	(86,341)
Trade receivable factor		**53,989**	–
Expenses relating to initial public offering		**(142,131)**	(23,918)
Interest paid	38	**(68,182)**	(42,959)
Net cash flows from financing activities		**2,435,892**	1,217,738
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,991,683**	666,984
Cash and cash equivalents at beginning of year		**1,255,467**	593,012
Effect of foreign exchange rate changes, net		**153,234**	(4,529)
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**3,400,384**	1,255,467

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability incorporated in the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 300748.SZ) on 21 September 2018. On 14 January 2022, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKSE") (stock code: 06680.HK). The registered office of the Company is located at 81 West Jinling Road, Economic and Technological Development Zone, Ganzhou City, Jiangxi Province, PRC.

During the year, the Company and its subsidiaries were involved in the research and development, and the production and sale of NdFeB permanent magnet materials.

In the opinion of the directors, the holding company of the Company is Jiangxi Ruide Venture Investment Co., Ltd. The ultimate controlling shareholders are Mr. Cai Baogui, Mr. Li Xinnong and Mr. Hu Zhibin, which are acting in concert with each other.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name*	Place and date registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			% Direct	% Indirect	
Ganzhou Jinli Magnets Processing Co., Ltd. ("JL Processing") *	PRC/Mainland China 29 February 2012	RMB35,000,000	100	–	Production
Jiangxi Jinli Bonded Magnetic Co., Ltd. ("JL Bonded") *	PRC/Mainland China 12 January 2017	RMB20,000,000	80	–	Production
Jinli Permanent Magnet (Ningbo) Investment Co., Ltd. ("JL Ningbo Investment") *	PRC/Mainland China 21 December 2018	RMB50,000,000	100	–	Investment
JL MAG RARE-EARTH (NINGBO) CO., LTD. ("JL Ningbo Technology")	PRC/Mainland China 15 January 2020	RMB1,000,000,000	100	–	Production
Jinli Permanent Magnet (Baotou) Technology Co., Ltd. ("JL Baotou") *	PRC/Mainland China 18 August 2020	RMB1,210,000,000	100	–	Production
Jiangxi Jincheng Permanent Magnet New Materials Co., Ltd. *	PRC/Mainland China 19 August 2022	RMB300,000,000	100	–	Production
JL Mag Rare-Earth (Hong Kong) Co., Limited ("JL HK")	Hong Kong 5 September 2014	HKD38,821,580	100	–	Trading and investment
JL Mag Rare-Earth (Europe) B.V. ("JL Europe")	The Netherlands 8 October 2012	EUR100	–	85	Trading
JL Mag Rare-Earth (U.S.A.) Inc. ("JL USA")	The United States of America ("USA") 29 November 2018	USD600,000	–	100	Trading
JL Mag Rare-Earth Japan ("JL Japan")	Japan 6 September 2016	JPY30,000,000	–	100	Trading
JL Mag GREEN TECH (Hong Kong) Co., Ltd. ("JL Tech (Hong Kong)")	Hong Kong 19 July 2022	HKD50,000	–	100	Investment

* The English names of these entities registered in the PRC represent the best efforts made by management of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for forward exchange agreements, notes receivables at FVOCI and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives and the annual depreciation rates used for this purpose are as follows:

	Estimated useful lives	Annual depreciation rates
Buildings	20 to 40 years	2.375% to 4.75%
Machinery and equipment	5 to 10 years	9.5% to 19%
Motor vehicles	4 to 6 years	15.83% to 23.75%
Furniture and fixtures	5 to 10 years	9.5% to 19%
Office and other equipment	3 to 6 years	15.83% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Other intangible assets

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The principal estimated useful lives of other intangible assets are as follows:

Software	5 to 10 years
Non-patented technology	10 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenses

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	3 to 5 years
Motor vehicles	2 to 5 years
Office and other equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

The subsequent measurement of financial assets depends on their classification as follows: (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs;

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs;

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables and accruals, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

When the Company is obliged to acquire own equity instruments in accordance with share incentive plan, the consideration paid or payable is deducted directly from equity and is disclosed separately in the statement of changes in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share incentive plan

The Company operates a share incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the share price at the grant date, further details of which are given in note 36 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding share incentive plans is reflected as additional share dilution in the computation of earnings per share.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

In accordance with applicable PRC regulations, the Company and its subsidiaries operating in Mainland China have currently enrolled in a series of pension schemes regulated by various provincial and municipal governments, under which each of the entities operating in Mainland China is required to contribute a percentage of its employees' salaries to the pension fund under the government's regulations. The contributions are charged to profit or loss as they become payable in accordance with the rules of the pension schemes. Contributions to the defined contribution plan by the Group for its employees are fully and immediately vested when the contributions are made and may not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Declared final dividends are disclosed in the notes to the consolidated financial statements.

Foreign currencies

The financial statements is presented in Renminbi, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Renminbi. As at the end of the year, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the year and their statements of profit or loss are translated into Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on past days due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the consolidated financial statements.

Estimation of inventories under net realisable value

In accordance with the Group's accounting policy for inventories, the Group's management tests whether inventories suffered any impairment based on estimates of the net realisable value of the inventories. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realisable value of inventories. For inventories held for executed sales contracts, management estimates the net realisable value based on the contracted price. For raw materials and work-in-progress, management has established a model in estimating the net realisable value at which the inventories can be realised in the normal course of business after considering the Group's manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the reporting period which reflect conditions that existed at the end of the reporting period.

It is reasonably possible that if there is a significant change in circumstances including the Group's business and the external environment, outcomes within the next financial year would be significantly affected. Further details are included in note 22 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the business of the Group mainly includes the manufacturing and sale of high performance NdFeB materials.

The Group focuses on the manufacture and sale of high performance NdFeB materials, and no separate operating segment information is provided for resource allocation and performance assessment. Therefore, no detailed segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Mainland China	**6,346,375**	3,701,658
Other countries/regions	**818,812**	378,414
	7,165,187	4,080,072

The revenue information above is based on the locations of the customers.

(b) The Group's non-current assets are substantially located in Mainland China.

Information about major customers

Revenue derived from customers which individually accounted for 10% or more of the Group's total revenue is as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Customer A	**N/A***	772,551
Customer B	**910,460**	737,882
Customer C	**793,279**	N/A*
	1,703,739	1,510,433

* The corresponding revenue of the customer during the year did not contribute over 10% of the total revenue of the Group.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Revenue from contracts with customers		
– Sale of NdFeB magnet materials	6,082,821	3,766,762
Revenue from other sources		
– Sale of rare-earth materials	1,081,670	312,375
– Rental income	696	935
	7,165,187	4,080,072

Revenue from contracts with customers

Disaggregated revenue information

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Type of goods		
Sale of NdFeB magnet materials	6,082,821	3,766,762
Geographical markets		
Mainland China	5,264,074	3,388,413
Other countries/regions	818,747	378,349
	6,082,821	3,766,762
Timing of revenue recognition		
Goods transferred at a point in time	6,082,821	3,766,762

5. REVENUE (CONTINUED)

Revenue from contracts with customers (continued)

The following table shows the amount of revenue recognised in the reporting period that was included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of NdFeB magnet materials	**28,916**	16,751

All sales of NdFeB magnet are recognised as revenue for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors and chief executive's) Regulation, is as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Fees:	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**3,556**	4,681
Performance related bonuses	**2,228**	1,347
Equity-settled share option expense	**6,562**	13,366
Social insurance and housing fund	**245**	236
	12,591	19,630

During the year, certain directors were granted with restricted shares in respect of their services to the Group, under the share incentive plan of the Company, further details of which are set out in note 36 to the consolidated financial statements. The fair value of such restricted shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above directors' and chief executive's remuneration disclosures.

6. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Directors' and supervisors' remuneration for each year is as follows:

Year ended 31 December 2022

	Position	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Restricted share incentive RMB'000	Social insurance and housing fund RMB'000	Total RMB'000
Baogui Cai	Chairman and General Manager	911	960	1,160	102	3,133
Zhibing Hu	Director	133	–	1,740	–	1,873
Xinnong Li	Director	133	–	–	–	133
Feng Lyu	Vice Chairman and Deputy General Manager	728	960	3,662	89	5,439
Fei Li	Director	133	–	–	–	133
Weixiong Huang*	Former Director	–	–	–	–	–
Jianxin You	Independent Director	133	–	–	–	133
Taifang Yuan	Independent Director	133	–	–	–	133
Quan Su	Chairman of the Supervisory Committee and Assistant to the General Manager	673	144	–	18	835
Yixia Sun	Employee Supervisor	230	81	–	18	329
Hua Li	Supervisor	216	83	–	18	317
Feng Xu	Independent Director	133	–	–	–	133
		3,556	2,228	6,562	245	12,591

* Weixiong Huang was appointed as a director on 23 April 2021 and resigned on 22 April 2022.

6. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Directors' and supervisors' remuneration for each year is as follows: (continued)

Year ended 31 December 2021

	Position	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Restricted share incentive RMB'000	Social insurance and housing fund RMB'000	Total RMB'000
Baogui Cai	Chairman and General Manager	1,850	–	3,410	95	5,355
Zhigang Cao	Former Director	33	–	–	–	33
Zhihong Xie	Former Director	–	–	–	–	–
Zhibing Hu	Director	100	–	5,115	–	5,215
Xinnong Li	Director	100	–	–	–	100
Feng Lyu	Vice Chairman and Deputy General Manager	665	956	4,841	61	6,523
Fei Li	Director	67	–	–	–	67
WeiXiong Huang*	Former Director	–	–	–	–	–
Jianxin You	Independent Director	100	–	–	–	100
Zhanheng Chen	Former Independent Director	58	–	–	–	58
Taifang Yuan	Independent Director	100	–	–	–	100
Feng Xu	Independent Director	42	–	–	–	42
Quan Su	Chairman of the Supervisory Committee and Assistant to the General Manager	570	138	–	16	724
Qinglian Zhu	Supervisor	–	–	–	–	–
Shan Su	Supervisor	–	–	–	–	–
Lujun Liu	Employee Supervisor	392	120	–	16	528
Yixia Sun	Employee Supervisor	210	56	–	16	282
Qilu Liang	Employee Supervisor	103	4	–	16	123
Hua Li	Supervisor	291	73	–	16	380
		4,681	1,347	13,366	236	19,630

* Weixiong Huang was appointed as a director on 23 April 2021 and resigned on 22 April 2022.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2022 and 2021 included two and three directors, respectively, details of whose remuneration are set out in note 6 above. Details of the remuneration for the years of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Salaries, allowances and benefits in kind	**2,293**	1,400
Performance related bonuses	**2,550**	1,816
Restricted share incentive	**3,768**	7,439
Social insurance and housing fund	**239**	109
	8,850	10,764

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	2
HK$3,500,001 to HK$4,000,000	**2**	–
	3	2

During the reporting period, restricted shares were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 36 to the consolidated financial statements. The fair value of such restricted shares, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

There was no payment during the reporting period or payable as at the end of the reporting period as an inducement for those highest paid employees to join or upon joining the Company. There was no payment during the reporting period or payable as at the end of the reporting period as a compensation for the loss of the office.

8. OTHER INCOME AND GAINS

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Other income		
Government grants	**44,215**	13,915
Bank interest income	**39,556**	12,717
Others	**209**	71
	83,980	26,703
Other gains		
Gains on disposal of items of property, plant and equipment	**744**	–
Fair value changes of forward exchange agreements	**–**	4,572
Gains on wealth management products	**–**	13,430
Gain on disposal of an associate	**–**	4,292
Others	**47**	2,311
	791	24,605
	84,771	51,308

9. OTHER EXPENSES

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Donations	**1,211**	2,159
Losses on disposal of non-current assets	**956**	1,365
Realised losses of financial instruments	**9,308**	–
Fair value changes of forward exchange agreements	**10,445**	–
Others	**27**	3
	21,947	3,527

10. FINANCE COSTS

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Interest expense	**66,588**	75,492
Other finance costs	**2,291**	2,232
	68,879	77,724

11. PROFIT BEFORE TAX

	Notes	**Year ended 31 December 2022 RMB'000**	Year ended 31 December 2021 RMB'000
Cost of raw materials and consumables		**5,471,067**	2,473,473
Depreciation of property, plant and equipment*	15	**86,808**	60,829
Depreciation of right-of-use assets*	16	**7,657**	5,713
Amortisation of other intangible assets*	17	**669**	599
Amortisation of other non-current assets		**17,231**	11,451
Research and development costs		**337,476**	160,159
Lease payments not included in the measurement of lease liabilities		**671**	393
Auditor's remuneration**		**4,700**	3,323
Expenses related to the initial public offering on the Hong Kong stock exchange		**63**	10,367
Employee benefit expense (including directors' remuneration):			
Wages, salaries and welfare		**447,443**	343,928
Expenses for the share incentive plan	36	**27,297**	69,084
Pension and other social insurances		**52,994**	35,291
Exchange (gains)/losses, net		**(183,286)**	16,453
Impairment losses on inventories		**10,279**	7,303
Impairment losses on financial assets, net		**11,936**	876
Losses on disposal of property, plant and equipment	8/9	**(212)**	(1,365)
Government grants	8	**44,215**	13,915

* The depreciation of property, plant and equipment during the year ended 31 December 2022 are included in "Cost of sales", "Administrative expenses" and "Research and development expenses" in the consolidated statements of profit or loss. The depreciation of right-of-use assets and amortisation of other intangible assets during the year ended 31 December 2022 are included in "Cost of sales" and "Administrative expenses" in the consolidated statements of profit or loss.

** During the year ended 31 December 2022, auditors' remuneration included audit service provided by Ernst & Young and Ernst & Young Hua Ming LLP, amounting to RMB4.7 million (2021: RMB3.2 million).

12. INCOME TAX

In general, the Group's entities in the Mainland China are subject to PRC corporate income tax at the standard rate of 25% on their respective estimated taxable profits during the year ended 31 December 2022. The Company is entitled to tax concessions including a preferential tax rate of 15%, as it is established in Ganzhou, Jiangxi. JL Baotou, which is established in Inner Mongolia, is entitled to a preferential tax rate of 15%. No provision for the United States corporate income tax, the Japan corporate tax, or the Hong Kong profit tax has been made during the year ended 31 December 2022, as there was no tax assessable income subject to the United States corporate income tax, the Japan corporate tax, or the Hong Kong profit tax during the year.

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Current income tax		
Charge for the years	**39,105**	64,684
Underprovision/(overprovision) in prior years	**2,227**	(225)
Deferred income tax (note 19)	**20,778**	(6,014)
Total tax charge	**62,110**	58,445

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Profit before tax	**766,695**	512,419
Tax expense calculated at the statutory tax rate of 25%	**191,674**	128,105
Effect of different tax rates of subsidiaries operating in other jurisdictions and tax concession	**248**	250
Tax effect of preferential income tax rates applicable to the Company	**(77,816)**	(51,203)
Non-deductible expenses	**2,199**	998
Tax effect of additional deductions	**(58,926)**	(23,538)
Non-taxable income	**(1,259)**	(686)
Adjustments in respect of current tax of previous periods	**2,227**	(225)
Profits and losses attributable to associates	**(322)**	(1,784)
Tax losses utilised from previous periods	**(3,132)**	(1,752)
Tax losses not recognised	**6,935**	8,196
Deductible temporary differences not recognised	**282**	84
Tax charge at the effective rate	**62,110**	58,445

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 834,346,406 (2021: 694,962,775) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect of the share incentive plan (note 36) operated by the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**702,687**	453,224
Less: Dividends attributable to owners of the restricted shares	**(303)**	(272)
	702,384	452,952
Effect of dilution-dividends attributable to owners of the restricted shares	**303**	272
	702,687	453,224

	Number of shares	
	Year ended 31 December 2022	Year ended 31 December 2021
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**834,346,406**	694,962,775
Effect of dilution-weighted average number of ordinary shares:		
Share incentive plan (note 36)	**3,162,435**	4,361,859
	837,508,841	699,324,634

14. DIVIDENDS

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Proposed final – RMB26 cent per ordinary share in 2022 (2021: RMB25 cent per ordinary share)	**217,869**	209,108

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the subsequent annual general meeting.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2022							
At 31 December 2021 and 1 January 2022:							
Cost	310,515	561,538	58,739	7,702	6,928	354,621	1,300,043
Accumulated depreciation	(40,229)	(189,218)	(25,574)	(3,320)	(3,578)	–	(261,919)
Net carrying amount	270,286	372,320	33,165	4,382	3,350	354,621	1,038,124
At 1 January 2022, net of accumulated depreciation	270,286	372,320	33,165	4,382	3,350	354,621	1,038,124
Additions	–	31	–	–	959	766,604	767,594
Disposals	(9)	(9,181)	(2,470)	(152)	(895)	–	(12,707)
Depreciation provided during the year	(13,251)	(59,860)	(10,033)	(1,925)	(1,739)	–	(86,808)
Exchange realignment	2	232	(1)	–	210	–	443
Transfers	281,313	403,329	36,970	1,882	2,968	(726,462)	–
At 31 December 2022 net of accumulated depreciation	538,341	706,871	57,631	4,187	4,853	394,763	1,706,646
At 31 December 2022							
Cost	591,824	948,239	90,091	8,587	9,980	394,763	2,043,484
Accumulated depreciation	(53,483)	(241,368)	(32,460)	(4,400)	(5,127)	–	(336,838)
Net carrying amount	538,341	706,871	57,631	4,187	4,853	394,763	1,706,646

At 31 December 2022, the Group's buildings with a net carrying amount of RMB138,732,000 were pledged to secure general bank loans.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2021							
At 31 December 2020 and 1 January 2021:							
Cost	200,426	472,923	42,275	5,854	5,660	46,990	774,128
Accumulated depreciation	(33,751)	(155,362)	(17,471)	(1,932)	(3,038)	–	(211,554)
Net carrying amount	166,675	317,561	24,804	3,922	2,622	46,990	562,574
At 1 January 2021, net of accumulated depreciation	166,675	317,561	24,804	3,922	2,622	46,990	562,574
Additions	74	324	883	–	77	540,719	542,077
Disposals	–	(3,818)	(749)	(4)	(31)	–	(4,602)
Depreciation provided during the year	(6,478)	(43,667)	(8,210)	(1,464)	(1,010)	–	(60,829)
Exchange realignment	(4)	(1,541)	521	–	(72)	–	(1,096)
Transfers	110,019	103,461	15,916	1,928	1,764	(233,088)	–
At 31 December 2021, net of accumulated depreciation	270,286	372,320	33,165	4,382	3,350	354,621	1,038,124
At 31 December 2021							
Cost	310,515	561,538	58,739	7,702	6,928	354,621	1,300,043
Accumulated depreciation	(40,229)	(189,218)	(25,574)	(3,320)	(3,578)	–	(261,919)
Net carrying amount	270,286	372,320	33,165	4,382	3,350	354,621	1,038,124

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings, motor vehicles, and office and other equipment. Lump sum payments were made upfront to acquire a land-use right in Mainland China with a period of 50 years, and no ongoing payments will be made.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the years are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Total RMB'000
Year ended 31 December 2022					
Cost at 1 January 2022, net of accumulated depreciation	192,580	6,415	219	119	199,333
Additions	24,581	6,167	1,121	–	31,869
Depreciation provided during the year	(4,217)	(3,382)	(26)	(32)	(7,657)
Exchange realignment	–	(342)	(9)	(1)	(352)
At 31 December 2022	212,944	8,858	1,305	86	223,193
At 31 December 2022:					
Cost	229,760	18,907	2,198	390	251,255
Accumulated depreciation	(16,816)	(9,788)	(884)	(320)	(27,808)
Exchange realignment	–	(261)	(9)	16	(254)
Net carrying amount	212,944	8,858	1,305	86	223,193

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

	Leasehold land RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Total RMB'000
Year ended 31 December 2021					
Cost at 1 January 2021, net of accumulated depreciation	79,060	1,163	474	121	80,818
Additions	117,624	7,305	–	76	125,005
Depreciation provided during the year	(4,104)	(2,069)	(247)	(74)	(6,494)
Exchange realignment	–	16	(8)	(4)	4
At 31 December 2021	192,580	6,415	219	119	199,333
At 31 December 2021:					
Cost	205,179	12,740	1,077	390	219,386
Accumulated depreciation	(12,599)	(6,406)	(858)	(288)	(20,151)
Exchange realignment	–	81	–	17	98
Net carrying amount	192,580	6,415	219	119	199,333

Note: At 31 December 2022, the Group's land-use right with a net carrying amount of RMB27,389,000 was pledged to secure general bank loans.

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the years are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Carrying amount at 1 January	6,850	1,870
New leases	7,288	7,381
Accretion of interest recognised during the year	439	216
Payments	(4,274)	(2,630)
Exchange realignment	909	13
Carrying amount at end of the year	11,212	6,850
Analysed into:		
Current portion	4,143	2,222
Non-current portion	7,069	4,628

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Interest on lease liabilities	439	216
Depreciation charge of right-of-use assets	3,439	5,713
Expense relating to short-term leases and other leases with remaining lease (included in expenses)	671	393
Total amount recognised in profit or loss	4,549	6,322

The maturity analysis of lease liabilities is disclosed in note 44 to the consolidated financial statements.

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Non-patented technology RMB'000	Total RMB'000
Year ended 31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	1,487	3,167	4,654
Additions	739	–	739
Amortisation provided during the year	(269)	(400)	(669)
Exchange realignment	10	–	10
At 31 December 2022	1,967	2,767	4,734
At 31 December 2022:			
Cost	4,674	4,000	8,674
Accumulated amortisation	(2,707)	(1,233)	(3,940)
Net carrying amount	1,967	2,767	4,734

	Software RMB'000	Non-patented technology RMB'000	Total RMB'000
Year ended 31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	873	3,567	4,440
Additions	817	–	817
Disposal	(2)	–	(2)
Amortisation provided during the year	(199)	(400)	(599)
Exchange realignment	(2)	–	(2)
At 31 December 2021	1,487	3,167	4,654
At 31 December 2021:			
Cost	3,884	4,000	7,884
Accumulated amortisation	(2,397)	(833)	(3,230)
Net carrying amount	1,487	3,167	4,654

18. INVESTMENTS IN ASSOCIATES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Share of net assets	**5,136**	3,499

Particulars of the associates which are not material to the Group, are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Ganzhou Poly-Max Magnetics Co., Ltd. (Note 1)	Ordinary shares	PRC/Mainland China	25.67%	Research and development of new materials
Ningbo Jinci Lvneng equity Investment Partnership (LLP) (Note 2)	Ordinary shares	PRC/Mainland China	19%	Business services

Note 1: On 4 January 2022, JL Ningbo Investment increased the capital to Ganzhou Poly-Max Magnetics Co., Ltd. by RMB726,000. On 25 July 2022, JL Ningbo Investment increased the capital to Ganzhou Poly-Max Magnetics Co., Ltd. by RMB5,000,000, with the shareholding ratio changed from 15% to 25.67%.

Note 2: In December 2021, JL Ningbo Investment decided to make a contribution of RMB32,200,000 to Ningbo Jinci Lvneng Equity Investment Partnership (LLP) ("Ningbo Jinci", 寧波金磁綠能股權投資合夥企業(有限合夥)), with a shareholding ratio of 19% and an actual contribution of RMB1,000,000. Since JL Ningbo Investment acted as a limited partner and appointed 1 person (5 in total) in the Investment Committee, JL Ningbo Investment had a significant impact on Ningbo Jinci. Therefore, the long-term equity investment held by JL Ningbo Investment was accounted by the equity method in 2021. On 26 June 2022, JL Ningbo Investment agreed to waive the right to appoint a committee member in Ningbo Jinci, and no longer participate in the decision-making process of Ningbo Jinci. Since then, JL Ningbo Investment no longer has a significant impact on Ningbo Jinci. The management reclassified the investment into equity investments designated at fair value through other comprehensive income.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Share of the associates' loss for the year	**(1,288)**	(3,195)
Share of the associates' total comprehensive income	**(1,288)**	(3,195)
Aggregate carrying amount of the Group's investment in associates	**5,136**	3,499

19. DEFERRED TAX

The components of deferred tax of the Group are as follows:

Deferred tax liabilities	Depreciation allowance in excess of related depreciation RMB'000	Right-of-use assets RMB'000	Deferred tax liabilities RMB'000
At 1 January 2021	30,697	97	30,794
Deferred tax charged/(credited) to profit or loss during the year	10,327	(40)	10,287
At 31 December 2021	41,024	57	41,081
Deferred tax charged/(credited) to profit or loss during the year	14,773	(45)	14,728
At 31 December 2022	**55,797**	**12**	**55,809**

Deferred tax assets	Deferred income RMB'000	Impairment of financial assets RMB'000	Impairment of inventories RMB'000	Prepaid interest RMB'000	Lease liabilities RMB'000	Share Incentive Plan RMB'000	Loss from changes in fair value RMB'000	Deferred tax assets RMB'000
At 1 January 2021	8,705	3,056	451	109	55	5,628	–	18,004
Deferred tax credited/(charged) to profit or loss during the year	5,139	1,013	(83)	(109)	(21)	10,362	–	16,301
Deferred tax credited to equity during the year	–	–	–	–	–	27,737	–	27,737
Reversal of DTA	–	–	–	–	–	(23,638)	–	(23,638)
At 31 December 2021	13,844	4,069	368	–	34	20,089	–	38,404
Deferred tax (charged)/credited to profit or loss during the year	(4,495)	679	500	–	8	(3,225)	483	(6,050)
Deferred tax credited to equity during the year*	–	–	–	–	–	(6,423)	–	(6,423)
At 31 December 2022	**9,349**	**4,748**	**868**	**-**	**42**	**10,441**	**483**	**25,931**

* Pursuant to the tax regulation of Mainland China, the Company receives the tax deduction upon the vesting of the restricted shares (Note 36), which differed from the related share incentive plan expenses recorded in the profit or loss during the year. According to IAS12.68C, where the amount of any tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, the current or deferred tax associated with the excess should be recognised directly in equity.

19. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated financial statements. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Net deferred tax assets	**1,738**	5,002
Net deferred tax liabilities	**31,616**	7,678

Deferred tax assets have not been recognised in respect of the following items:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Tax losses	**104,320**	117,309
Deductible temporary differences	**1,128**	560
	105,448	117,869

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022 RMB'000	31 December 2021 RMB'000
Unlisted equity investments, at fair value		
Ningbo Jinci	**13,306**	–

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature, please refer to note 18 for details.

21. OTHER NON-CURRENT ASSETS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Advance payments for engineering equipment	**124,523**	200,956
Long-term prepaid expenses	**6,001**	25,742
Performance bond	**8,215**	8,214
Deposit	**–**	300
	138,739	235,212

22. INVENTORIES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Raw materials	**543,899**	456,678
Work in progress	**342,093**	339,675
Finished goods	**1,050,935**	532,272
	1,936,927	1,328,625
Less: Impairment provision		
Work in progress	**(1,739)**	(3,469)
Finished goods	**(4,047)**	(956)
	(5,786)	(4,425)
	1,931,141	1,324,200

23. TRADE RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables	**2,218,681**	1,247,988
Impairment	**(26,490)**	(16,503)
	2,192,191	1,231,485

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Less than 1 year	**2,192,191**	1,231,404
1 to 2 years	**–**	81
	2,192,191	1,231,485

23. TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
At beginning of the year	**16,503**	19,154
Impairment provided/(reversed)	**9,987**	(2,651)
At end of the year	**26,490**	16,503

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**1.00%**	**10.00%**	**50.00%**	**100.00%**	**1.18%**
Gross carrying amount	**2,214,334**	**–**	**–**	**4,019**	**2,218,353**
Expected credit losses	**22,143**	**–**	**–**	**4,019**	**26,162**

As at 31 December 2021

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.00%	10.00%	50.00%	100.00%	1.32%
Gross carrying amount	1,243,842	90	–	4,056	1,247,988
Expected credit losses	12,438	9	–	4,056	16,503

An impairment analysis was performed at the end of the reporting period, using a provision matrix to measure expected credit losses. The provision rates were initially based on the Group's historical observed default rates for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

As at the end of the reporting period, the Group assessed the historical observed default rates and the forward-looking estimates, respectively. Based on the ageing analysis and the turnover rates analysis, the historical observed default rates were not materially changed during the reporting period. Based on the current economic conditions as well as reasonable and supportable forecasts of future economic conditions, including the industry and the credit rating of the customers, the forward-looking estimates were consistent during the reporting period. According to the above assessment, the expected credit loss rates were the same during the reporting period.

24. NOTES RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Notes receivables at amortised cost		
Commercial acceptance notes	554,279	387,284
Less: Impairment	(5,543)	(3,873)
	548,736	383,411
Notes receivables at fair value through OCI		
Bank acceptance notes	97,088	15,750

Notes receivables of the Group are bank acceptance notes and commercial acceptance notes. Notes receivables of the Group are usually settled within six months from their respective dates of issuance. Impairment was recognised on commercial acceptance notes as at 31 December 2022 and 2021, respectively. The Group's bank acceptance notes are classified as financial assets measured at fair value through other comprehensive income.

Transferred financial assets that are not derecognised in their entirety:

The Group discounted certain commercial acceptance notes with aggregate amounts of nil and RMB258,911,000 as at 31 December 2022 and 2021, respectively. The Group has retained the substantial risks and rewards, which include default risks relating to such discounted notes, and accordingly the full carrying amounts of the discounted notes and the associated interest-bearing bank borrowings are continued to be recognised. None of the discounted notes settled during the years have been recourse as at the end of the years.

Transferred financial assets that are derecognised in their entirety:

The Group endorsed certain notes receivables accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers with aggregate carrying amounts of RMB113,062,000 and RMB294,050,000 as at 31 December 2022 and 2021, respectively, and discounted certain bank acceptance notes to banks with aggregate amounts of RMB844,477,000 and RMB687,650,000 as at 31 December 2022 and 2021, respectively. The derecognised notes have a maturity from one to six months at the end of years. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the derecognised notes. Accordingly, it has derecognised the full carrying amounts of the derecognised notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the derecognised notes and the undiscounted cash flows to repurchase these derecognised notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the derecognised notes are not significant.

For the years ended 31 December 2022 and 2021, the Group recognized expenses due to discount interest on the dates of transfer. No gains or losses were recognised from the continuing involvement during the years, or cumulatively.

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
Prepayments	(a)	**36,721**	34,995
Deposits and other receivables	(b)	**6,987**	2,982
Interest receivables		**3,941**	291
Less: Impairment of other receivables	(c)	**(746)**	(435)
		46,903	37,833

(a) An ageing analysis of the prepayments as at the end of the reporting period is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Less than 1 year	**34,873**	34,956
1 to 2 years	**1,848**	39
	36,721	34,995

(b) **Deposits and other receivables**

An ageing analysis of the deposits and other receivables as at the end of the reporting period is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Less than 1 year	**4,813**	1,338
1 to 2 years	**589**	1,290
2 to 3 years	**1,268**	121
Over 3 years	**317**	233
	6,987	2,982

(c) The movements in the loss allowance for impairment of other receivables are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
At beginning of the year	**435**	500
Impairment provided/(reversed)	**311**	(65)
At end of the year	**746**	435

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Derivative financial instruments*	–	7,226
Other unlisted investments, measured at fair value**	143,471	–
	143,471	7,226

* The Group has entered into forward foreign exchange contracts to manage its exposure to foreign currency risk, without any speculation purpose, and hedge accounting was not adopted for this kind of transactions.

** The above unlisted investments were wealth management products issued by banks. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	31 December 2022 RMB'000	31 December 2021 RMB'000
Cash and bank balances	4,130,247	1,499,507
Less: Restricted cash	(729,863)	(244,040)
Cash and cash equivalents	3,400,384	1,255,467
Denominated in:		
RMB	3,406,732	1,407,862
EUR	38,546	53,740
USD	178,711	35,789
JPY	2,321	2,060
HKD	503,937	56
Total	4,130,247	1,499,507

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

As at 31 December 2022 and 2021, the Group's bank balances of approximately RMB729,863,000 and RMB244,040,000 were deposited, respectively as guarantees for the following bank acceptance notes, performance bonds, forward foreign exchange contracts and letters of credit:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Guarantee deposits for bank acceptance notes	**692,265**	222,977
Guarantee deposits for performance bonds	**10,534**	12,696
Guarantee deposits for forward foreign exchange contracts	**7,415**	7,250
Guarantee deposits for letters of credit	**19,649**	1,117
	729,863	244,040

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. OTHER CURRENT ASSETS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Deductible input value added tax recoverable	**36,890**	40,932
Prepaid listing expenses related to the initial public offering on the Hong Kong stock exchange	**–**	23,918
Others	**295**	698
Total	**37,185**	65,548

29. TRADE AND NOTES PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade payables	429,422	626,116
Notes payable	2,174,064	391,545
	2,603,486	1,017,661

An ageing analysis of the trade and notes payables as at the end of the reporting period is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Less than 1 year	2,603,061	1,017,366
1 to 2 years	243	124
2 to 3 years	108	47
Over 3 years	74	124
	2,603,486	1,017,661

The trade payables are non-interest-bearing and are normally settled within 75-day terms.

30. CONTRACT LIABILITIES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Short-term advances received from customers		
Sale of goods	23,895	29,594

Contract liabilities include short-term advances received to deliver NdFeB magnet materials. The decrease in contract liabilities in the year ended 31 December 2022 was mainly due to the revenue recognised when the control of NdFeB magnet materials was transferred to the customers.

31. OTHER PAYABLES AND ACCRUALS

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Dividend payables		**6**	6
Other payables	(a)	**148,415**	99,257
Salaries, wages and benefits payables		**70,166**	50,221
Taxes other than income tax payables		**8,674**	13,074
		227,261	162,558

(a) Other payables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Payables to equipment vendors	**101,885**	22,015
Obligation for share repurchase	**16,543**	33,018
Security deposits	**2,291**	2,183
Audit fees	**1,388**	3,975
Reimbursement payables due to employees	**719**	667
Others	**25,589**	37,399
	148,415	99,257

An ageing analysis of other payables as at the end of the reporting period is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Less than 1 year	**143,465**	95,473
1 to 2 years	**2,932**	3,207
2 to 3 years	**1,793**	384
Over 3 years	**225**	193
	148,415	99,257

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – credit	**3.00-3.90**	**2023**	**314,534**	3.35-3.90	2022	671,098
Current portion of long-term bank loans – credit	**3.30**	**2023**	**200,532**	2.92-3.85	2022	123,126
Current portion of long-term bank loans – secured	**3.30**	**2023**	**100,000**	2.70	2022	100,000
Letters of credit	**–**	**2023**	**630,961**	–	2022	197,748
Commercial acceptance notes	**–**	**–**	**–**	1.75-3.30	2022	258,911
			1,246,027			1,350,883
Non – current						
Bank loans – credit	**3.30-4.35**	**2024**	**200,000**	4.35	2023	200,000
Bank loans – mortgaged	**–**	**–**	**–**	3.85	2023	100,000
Bank loans – secured and mortgaged	**–**	**–**	**–**	3.85-3.90	2026	111,810
			200,000			411,810

All the interest-bearing bank borrowings are denominated in RMB.

Details of the Group's assets pledged for the Group's bank loans and overdrafts, and for a bank loan granted to a major supplier are included in notes 15, 16 and 27, respectively, to the consolidated financial statements.

	31 December 2022 RMB'000	31 December 2021 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	**1,246,027**	1,091,972
In the second year	**200,000**	300,000
Over three years	**–**	111,810
Total	**1,446,027**	1,503,782

33. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Derivative financial instruments	3,219	–

34. DEFERRED INCOME

	31 December 2022 RMB'000	31 December 2021 RMB'000
Deferred government grants	82,700	92,293

35. SHARE CAPITAL

	31 December 2022 RMB'000	31 December 2021 RMB'000
Issued and fully paid	837,956	710,974

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2020 and 1 January 2021	415,976,749	415,977
Issue of shares	15,725,922	15,726
Vesting of Type II Restricted Shares	3,372,800	3,373
Transfer from convertible bonds	16,875,166	16,875
Transfer from share premium	259,022,953	259,023
At 31 December 2021 and 1 January 2022	710,973,590	710,974
Issue of shares	125,466,000	125,466
Repurchase obligation for shares issued under incentive plan	(8,960)	(9)
Vesting of Type II Restricted Shares	1,525,568	1,525
At 31 December 2022	837,956,198	837,956

36. SHARE INCENTIVE PLAN

The Company operates a share incentive plan (the "SIP") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SIP include the Company's directors and other employees of the Group. The Type I Restricted Shares under the SIP are valid for a maximum of 48 months from the date of completion of registration of the grant of restricted shares to the date of release of all restricted shares or cancellation of repurchase; the Type II Restricted Shares under the SIP are valid for a maximum of 48 months from the date of grant of restricted shares to the date of full vesting or lapsing.

On 26 August 2020 and 8 September 2020, the board of directors approved a total of 8,252,000 restricted shares (including Type I Restricted Shares and Type Two Restricted shares) to 221 participants to recognise their contribution and offer share incentive. Among them, 218 participants were granted 2,541,600 Type I Restricted Shares (representing 4,066,560 A shares after the increase of share capital in May 2021), 219 participants were granted 5,292,400 Type II Restricted shares (representing 8,467,840 A Shares after the increase of share capital in May 2021), and 418,000 Type II Restricted Shares (representing 666,800 A Shares after the increase of share capital in May 2021) were reserved. On 29 October 2020, the Board further approved the grant of 200,000 (representing 320,000 A shares after the increase of share capital in May 2021) out of 418,000 reserved Type II Restricted Shares to five participants. On 26 August 2021, the Board further approved the grant of 218,000 (representing 348,800 A shares after the increase of share capital in May 2021) out of 418,000 reserved Type II Restricted Shares to seven participants.

The price of restricted shares (including Type I Restricted Shares and Type II Restricted Shares) is RMB21.62. Type I Restricted Shares refers to A shares issued to the participants with certain restrictions stipulated under the SIP. On the grant date of Type I Restricted Shares, the participants of Type I Restricted Shares were entitled to receive newly issued A shares of the Company, with certain restrictions stipulated under the SIP. Type II Restricted Shares refers to A shares granted to the participants pursuant to which A shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the SIP. The Participants of Type II Restricted Shares have the right to subscribe new A shares in the future upon the satisfaction of certain vesting conditions under the SIP. These granted restricted shares have a contractual term of no more than four years and will be unlocked (in terms of Type I Restricted Shares) or vested (in terms of Type II Restricted Shares) over a three-year period. In the year, Type I Restricted Shares were issued and subscribed by the participants; Type II Restricted Shares were not issued to the participant upon granted and are not recorded in the share capital.

36. SHARE INCENTIVE PLAN (CONTINUED)

The following Type I Restricted Shares were outstanding under the SIP during the years:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Exercise price* RMB per share	**Subscribed and registered '000**	Exercise price* RMB per share	Subscribed and registered '000
At 1 January	**13.3875 (representing 13.1375 after distribution of cash dividends in June 2022)**	**2,444**	21.62 (representing 13.3875 after the increase of share capital in May 2021)	2,542 (representing 4,067 after the increase of share capital in May 2021)
Forfeited during the year**	**13.1375**	**9**	–	–
Exercised during the year***	**13.1375**	**1,210**	13.3875	1,623
At the end of the year	**13.1375**	**1,225**	13.3875	2,444

The following Type II Restricted Shares were outstanding under the SIP during the years:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Exercise price* RMB per share	**Subscribed and registered '000**	Exercise price* RMB per share	Number of shares '000
At 1 January	**13.3875 (representing 13.1375 after distribution of cash dividends in June 2022)**	**5,728**	21.62 (representing 13.3875 after the increase of share capital in May 2021)	5,492 (representing 8,788 after the increase of share capital in May 2021)
Granted during the year	**–**	**–**	13.3875	349
Forfeited during the year****	**13.1375**	**37**	13.3875	36
Exercised during the year*****	**13.1375**	**1,525**	13.3875	3,373
At the end of the year	**13.1375**	**4,166**	13.3875	5,728

36. SHARE INCENTIVE PLAN (CONTINUED)

Fair values of the Type I Restricted Shares are based on the share price as at the granting date. Fair Value of the Type II Restricted Shares are calculated under the Black-Scholes pricing model using the following assumptions:

Type II Restricted Shares granted in August 2020	SIP
Share price at the grant date	RMB40.00
Exercise price*	RMB21.62
Expected life	3
Expected volatility	73.63%
Annual rate of dividends	0.54%
Risk-free rate	2.43%

Type II Restricted Shares granted in October 2020	SIP
Share price at the grant date	RMB40.00
Exercise price*	RMB21.62
Expected life	3
Expected volatility	69.64%
Annual rate of dividends	0.54%
Risk-free rate	2.87%

Type II Restricted Shares granted in 2021	SIP
Share price at the grant date	RMB36.13
Exercise price*	RMB13.39
Expected life	2
Expected volatility	59.29%
Annual rate of dividends	0.54%
Risk-free rate	2.33%

* According to the SIP, the grant price was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share and the grant price in 2022 was then adjusted to RMB13.1375 per share.

** Before the unlock day in 2021, six participants had resigned and therefore their shares were not unlocked. The Type I Restricted Shares of the resigned participants, i.e., 5,600 shares (representing 8,960 A shares after the increase of share capital in May 2021), which are recorded in the treasury shares, were repurchased by the Company according to the SIP in April 2022. The Type II Restricted Shares of the resigned participants, i.e., 22,400 shares (representing 35,840 A shares after the increase of share capital in May 2021) were forfeited on the vesting date of 26 November 2021.

*** On 3 November 2022, 756,420 (representing 1,210,272 A shares after the increase of share capital in May 2021) of Type I Restricted Shares were unlocked.

36. SHARE INCENTIVE PLAN (CONTINUED)

**** Before the unlock day in 2022, four participants had resigned and therefore their shares were not unlocked. The Type I Restricted Shares of the resigned participants, i.e., 8,760 shares (representing 14,016 A shares after the increase of share capital in May 2021), which are recorded in the treasury shares, will be repurchased by the Company according to the SIP. The Type II Restricted Shares of the resigned participants, i.e., 11,040 shares (representing 17,664 A shares after the increase of share capital in May 2021) were forfeited. One participant abandoned the subscription of The Type II Restricted Shares due to personal reasons, 12,000 shares (representing 19,200 A shares after the increase of share capital in May 2021) granted to the participant that had not been vested were forfeited by the Company.

***** On 28 October 2022, 68,000 (representing 108,000 A shares after the increase of share capital in May 2021) of Type II Restricted Shares were vested. On 30 November 2022, 885,480 (representing 1,416,768 A shares after the increase of share capital in May 2021) of Type II Restricted Shares were vested.

As at 31 December 2021, the Company received a cash consideration of a total of RMB45,154,000 by the issuance of Type II Restricted Shares, of which RMB3,373,000 and RMB41,781,000 were recorded in share capital and share premium, respectively. As at 31 December 2022, the Company received a cash consideration of a total of RMB20,063,000 by the issuance of Type II Restricted Shares, of which RMB1,526,000 and RMB18,537,000 were recorded in share capital and share premium, respectively.

For the years ended 31 December 2021 and 31 December 2022, the Group has recognised amounts of RMB69,084,000 and RMB27,297,000 respectively, as share incentive plan expenses.

37. RESERVES

The amounts of the Group's reserves and the movements therein for the years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Pursuant to the relevant laws and regulations and the articles of association of the Company, the Company is required to transfer 10% of its profit after income tax, as determined under the PRC GAAP, to the reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(1) The Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,288,000 and RMB7,333,000 for the years ended 31 December 2022 and 2021, respectively, in respect of lease arrangements;

(2) The Group had non-cash additions to the interest-bearing bank borrowings of RMB328,613,000 and RMB204,674,000 for the years ended 31 December 2022 and 2021, respectively, in respect of financing through letters of credit and reverse factoring arrangements.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Other payables and accruals RMB'000	Total RMB'000
As at 1 January 2022	1,762,693	6,850	162,558	1,932,101
Proceeds from loans and borrowings	813,179	–	–	813,179
Repayment of loans and borrowings	(1,228,009)	–	–	(1,228,009)
Settlement of letters of credit	(230,449)	–	–	(230,449)
Dividends paid	–	–	(209,108)	(209,108)
Principal portion of lease payments	–	(3,835)	–	(3,835)
Interest paid	–	(439)	(67,743)	(68,182)
Changes from financing cash flows	(645,279)	(4,274)	(276,851)	(926,404)
Exchange realignment	–	909	–	909
New leases	–	7,288	–	7,288
Finance charges on lease liabilities	–	439	–	439
Financing through letters of credit and reverse factoring arrangements	328,613	–	–	328,613
Changes from operating activities	–	–	261,684	261,684
Changes from investing activities	–	–	79,870	79,870
As at 31 December 2022	1,446,027	11,212	227,261	1,684,500

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Other payables and accruals RMB'000	Total RMB'000
As at 1 January 2021	733,841	1,870	343,572	146,522	1,225,805
Proceeds from loans and borrowings	1,046,707	–	–	–	1,046,707
Repayment of loans and borrowings	(445,256)	–	–	–	(445,256)
Settlement of letters of credit	(27,614)	–	–	–	(27,614)
Increase in discounted commercial acceptance notes	250,341	–	–	–	250,341
Redemption of convertible bonds	–	–	(7,599)	–	(7,599)
Dividends paid	–	–	–	(86,341)	(86,341)
Principal portion of lease payments	–	(2,414)	–	–	(2,414)
Interest paid	–	(216)	(35)	(42,708)	(42,959)
Changes from financing cash flows	824,178	(2,630)	(7,634)	(129,049)	684,865
Exchange realignment	–	61	–	–	61
New leases	–	7,333	–	–	7,333
Transfer of convertible bonds	–	–	(354,030)	–	(354,030)
Insurance expenses	–	–	865	–	865
Interest expenses	–	–	17,227	39,506	56,733
Finance charges on lease liabilities	–	216	–	–	216
Financing through letters of credit and reverse factoring arrangements	204,674	–	–	–	204,674
Changes from operating activities	–	–	–	179,626	179,626
Changes from investing activities	–	–	–	(74,047)	(74,047)
As at 31 December 2021	1,762,693	6,850	–	162,558	1,932,101

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Within operating activities	**671**	393
Within financing activities (Note)	**4,274**	2,414
	4,945	2,807

Note: Cash outflow for leases in financing activities includes the principal portion of lease payments and their interests.

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in notes 15, 16 and 27, respectively, to the consolidated financial statements.

40. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**920,494**	648,793
Investment commitment	**151,599**	56,000
	1,072,093	704,793

41. RELATED PARTY TRANSACTIONS

(a) The Group had the following related parties during the reporting period:

Name of Company	Relationship
Goldwind Investment Holdings Limited	Major shareholder, holding 5.64% of the Company as at 31 December 2022
Ganzhou Industrial Investment Holding Group Co., Ltd.*	Major shareholder, holding 5.16% of the Company as at 31 December 2022
Xinjiang Goldwind Technology Co., Ltd.	The Company's director Li Fei is its vice president
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	The Company's director Huang Weixiong who has left within 12 months is its chairman of the board
Goldwind Technology Hebei Co., Ltd.	Subsidiary of Xinjiang Goldwind Technology Co., Ltd.
CRRC Corporation Limited**	Other related party
Nanjing Turbine Motor Changfeng New Energy Co., Ltd.**	Other related party

* On 10 October 2022, Ganzhou Rare Earth Group Co., Ltd. was renamed as Ganzhou Industrial Investment Holding Group Co., Ltd., and the transactions and balances of the related part are disclosed under the name of Ganzhou Industrial Investment Holding Group Co., Ltd.

** The Group signed a framework contract with its related party Xinjiang Goldwind Technology Co., Ltd. The selling prices are adjusted on a quarterly basis according to the average price of major rare earth raw materials in the previous quarter. Under the framework contract, the purchase quantities are subject to the purchase contracts entered into by the Group and Xinjiang Goldwind Technology Co., Ltd., CRRC Corporation Limited and its subsidiaries and Nanjing Turbine Motor Changfeng New Energy Co., Ltd. and other wind turbine manufacturers.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the reporting period:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Purchases of products from companies controlled by the Company's shareholder:		
Southern Rare Earth International Trading Co., Ltd.*	**425,929**	563,963
Longnan Youli Rare Earth Science and Technology Development Co., Ltd.*	**1,327**	1,301
Ganzhou Rare Earth Mineral Industry Co., Ltd.*	**–**	1,000
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	**–**	3,429
Jiangxi Ionic Rare Earth Engineering Technology Research Co., Ltd.*	**–**	518
	427,256	570,211
Purchases of products from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**10,086**	4,783

* On 2 June 2022, Ganzhou Rare Earth Group Co., Ltd. transferred all the interests it held in China Southern Rare Earth Group Co., Ltd. to China Rare Earth Group Co., Ltd.. China Southern Rare Earth Group Co., Ltd. and its subsidiaries, which included Southern Rare Earth International Trading Co., Ltd., Ganzhou Rare Earth Mineral Industry Co., Ltd. and Jiangxi Ionic Rare Earth Engineering Technology Research Co., Ltd., were no longer related parties of the Group. The transaction amounts disclosed above from Southern Rare Earth International Trading Co., Ltd. and Longnan Youli Rare Earth Science and Technology Development Co., Ltd. only covered the period from 1 January 2022 to 1 June 2022.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the reporting period: (continued)

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Rental income from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**81**	81
Sales of goods to the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**9,451**	2,984
Sales of services to the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**52**	46
Sales of goods to companies controlled by the shareholder:		
Goldwind Technology Hebei Co., Ltd.	**–**	15,020
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	**30,696**	29,796
Xinjiang Goldwind Technology Co., Ltd.	**8,745**	–
	39,441	44,816
Sales of goods to other related parties:		
CRRC Corporation Limited and its subsidiaries:		
Xi'an CRRC Yongdian Jieli Wind Power Co., Ltd.	**182,291**	288,082
Jiangsu CRRC Electric Co., Ltd.	**119,901**	266,951
Baotou CRRC Motor Co., Ltd.	**180,902**	63,400
Hami CRRC New Energy Motor Co., Ltd.	**4,125**	26,350
Hunan CRRC Shangqu Electric Co., Ltd.	**–**	80
Shandong CRRC Electric Co., Ltd.	**102,035**	127,620
Nanjing Turbine Motor Changfeng New Energy Co., Ltd.	**96,690**	51,475
	685,944	823,958

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables due from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**9,140**	981
Trade receivables due from companies controlled by the shareholder:		
Xinjiang Goldwind Technology Co., Ltd.	**489**	–
Goldwind Technology Hebei Co., Ltd.	**6,830**	11,808
	7,319	11,808
Notes receivable due from a company controlled by a shareholder:		
Xinjiang Goldwind Technology Co., Ltd.	**274,798**	–
Other receivables due from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**801**	70
Trade payables due to the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**6,821**	1,529
Trade payables due to a company controlled by the shareholder:		
Southern Rare Earth International Trading Co., Ltd.	**–**	133,729
Notes payable due to a company controlled by the shareholder:		
Southern Rare Earth International Trading Co., Ltd.	**–**	27,597

The amounts due from or due to related parties are all trade in nature, relating to sales of NdFeB materials, purchases of rare earths, and other income and gains, respectively.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Salaries, allowances and benefits in kind	**7,814**	15,709
Performance related bonuses	**7,329**	4,776
Share incentive expense	**12,996**	31,619
Social insurance and housing fund	**685**	530
	28,824	52,634

Further details of directors' and the chief executive's emoluments are included in note 6 to the consolidated financial statements.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2022

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	13,306	13,306
Trade receivables	2,192,191	–	–	2,192,191
Notes receivables	548,736	–	97,088	645,824
Financial assets included in prepayments, other receivables and other assets	10,021	–	–	10,021
Financial assets at fair value through profit or loss	–	143,471	–	143,471
Restricted cash	729,863	–	–	729,863
Cash and cash equivalents	3,400,384	–	–	3,400,384
	6,881,195	143,471	110,394	7,135,060

Financial liabilities	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Trade and notes payables	2,603,486	–	2,603,486
Financial liabilities included in other payables and accruals	148,012	–	148,012
Financial liabilities at fair value through profit or loss	–	3,219	3,219
Interest-bearing bank borrowings	1,446,027	–	1,446,027
	4,197,525	3,219	4,200,744

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2021

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Trade receivables	1,231,485	–	–	1,231,485
Notes receivables	383,411	–	15,750	399,161
Financial assets included in prepayments, other receivables and other assets	2,838	–	–	2,838
Financial assets at fair value through profit or loss	–	7,226	–	7,226
Restricted cash	244,040	–	–	244,040
Cash and cash equivalents	1,255,467	–	–	1,255,467
	3,117,241	7,226	15,750	3,140,217

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	1,017,661	1,017,661
Financial liabilities included in other payables and accruals	99,257	99,257
Convertible bonds	–	–
Interest-bearing bank borrowings	1,762,693	1,762,693
	2,879,611	2,879,611

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and notes payables, and financial assets included in prepayments, other receivables and other assets approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	–	143,471	–	143,471
Notes receivables	–	–	97,088	97,088
Equity investments designated at FVOCI	–	–	13,306	13,306
	–	143,471	110,394	253,865

As at 31 December 2021	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	7,226	–	7,226
Notes receivables	–	–	15,750	15,750
	–	7,226	15,750	22,976

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	–	3,219	–	3,219

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of the reporting period:

As at 31 December 2022

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Notes receivables	Income approach	Discount rate	3.68%	5% increase/decrease would result in increase/decrease in fair value by 0.08%
Equity investments designated at FVOCI	Net assets method	Net assets	13,306	N/A

As at 31 December 2021

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Notes receivables	Income approach	Discount rate	3.85%	5% increase/decrease would result in increase/decrease in fair value by 0.03%

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 for both financial assets and financial liabilities. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, mainly forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the consolidated financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rate, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points RMB'000	(Decrease)/Increase in profit after tax RMB'000
2022		
RMB	**5%**	**(53)**
RMB	**(5%)**	**53**
2021		
RMB	5%	(215)
RMB	(5%)	215

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/(decrease) in EUR/USD rate	Increase/(decrease) in profit before tax RMB'000	Increase/(decrease) in equity RMB'000
2022			
If the RMB weakens against the EUR	**5%**	**8,522**	**151**
If the RMB strengthens against the EUR	**(5%)**	**(8,522)**	**(151)**
If the RMB weakens against the USD	**5%**	**16,547**	**(100)**
If the RMB strengthens against the USD	**(5%)**	**(16,547)**	**100**
2021			
If the RMB weakens against the EUR	5%	6,833	594
If the RMB strengthens against the EUR	(5%)	(6,833)	(594)
If the RMB weakens against the USD	5%	5,553	(42)
If the RMB strengthens against the USD	(5%)	(5,553)	42

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each reporting period. The amounts presented are gross carrying amounts for financial assets.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,218,681	2,218,681
Notes receivables					
– Normal**	554,279	–	–	–	554,279
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,913	1,015	–	–	10,928
Restricted cash					
– Not yet past due	729,863	–	–	–	729,863
Cash and cash equivalents					
– Not yet past due	3,400,384	–	–	–	3,400,384
	4,694,439	1,015	–	2,218,681	6,914,135

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	1,247,988	1,247,988
Notes receivables					
– Normal**	387,284	–	–	–	387,284
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,920	353	–	–	3,273
Restricted cash					
– Not yet past due	244,040	–	–	–	244,040
Cash and cash equivalents					
– Not yet past due	1,255,467	–	–	–	1,255,467
	1,889,711	353	–	1,247,988	3,138,052

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the consolidated financial statements.

** The credit quality of notes receivables and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	4,132	9,471	70	13,673
Interest-bearing bank borrowings	–	1,268,394	202,287	–	1,470,681
Trade and notes payables	–	2,603,486	–	–	2,603,486
Financial liabilities included in other payables and accruals	–	148,012	–	–	148,012
	–	4,024,024	211,758	70	4,235,852

	As at 31 December 2021				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	2,392	4,663	–	7,055
Interest-bearing bank borrowings	–	1,370,358	434,085	–	1,804,443
Trade and notes payables	–	1,017,661	–	–	1,017,661
Financial liabilities included in other payables and accruals	–	99,257	–	–	99,257
	–	2,489,668	438,748	–	2,928,416

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regards total equity as its capital and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the reporting period.

During the reporting period, the Group's strategy was to maintain the gearing ratio at a healthy level in order to monitor capital. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. Gearing ratio is net debt divided by total equity plus net debt. Net debt includes trade and notes payables, other payables and accruals, interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents and restricted cash.

The gearing ratio at the end of the reporting period was as follows:

	Notes	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Trade and notes payables	29	**2,603,486**	1,017,661
Other payables and accruals	31	**227,261**	162,558
Interest-bearing bank borrowings	32	**1,446,027**	1,762,693
Financial liabilities at fair value through profit or loss		**3,219**	–
Lease liabilities	16	**11,212**	6,850
Less: Cash and cash equivalents	27	**(3,400,384)**	(1,255,467)
Less: Restricted cash	27	**(729,863)**	(244,040)
Net debt		**160,958**	1,450,255
Equity attributable to owners of the parent		**6,784,850**	2,965,400
Equity attributable to owners of the parent and net debt		**6,945,808**	4,415,655
Gearing ratio		**2%**	33%

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	868,294	699,654
Right-of-use assets	27,475	28,584
Other intangible assets	1,751	1,465
Investments in subsidiaries	2,192,353	419,785
Other non-current assets	105,871	103,775
TOTAL NON-CURRENT ASSETS	3,195,744	1,253,263
CURRENT ASSETS		
Inventories	1,575,477	1,282,994
Trade receivables	2,023,437	1,321,739
Notes receivables at amortised cost	342,338	383,411
Notes receivables at fair value through other comprehensive income ("FVOCI")	54,293	15,750
Prepayments, other receivables and other assets	41,810	298,708
Financial assets at fair value through profit or loss	143,471	7,226
Other current assets	17,746	31,186
Restricted cash	542,884	139,278
Cash and cash equivalents	2,832,489	1,115,817
TOTAL CURRENT ASSETS	7,573,945	4,596,109
TOTAL ASSETS	10,769,689	5,849,372
CURRENT LIABILITIES		
Trade and notes payables	2,314,669	922,915
Contract liabilities	14,050	13,763
Other payables and accruals	154,679	146,751
Interest-bearing bank borrowings	1,189,128	1,350,883
Lease liabilities	–	217
Financial liabilities at fair value through profit or loss	3,219	–
TOTAL CURRENT LIABILITIES	3,675,745	2,434,529
NET CURRENT ASSETS	3,898,200	2,161,580
TOTAL ASSETS LESS CURRENT LIABILITIES	7,093,944	3,414,843

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	200,000	300,000
Lease liabilities	11	11
Deferred income	59,020	58,950
Deferred tax liabilities	27,939	4,534
TOTAL NON-CURRENT LIABILITIES	286,970	363,495
NET ASSETS	6,806,974	3,051,348
EQUITY		
Share capital	837,956	710,974
Reserves (Note)	5,969,018	2,340,374
TOTAL EQUITY	6,806,974	3,051,348

Note: A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium RMB'000	Share incentive reserve RMB'000	Reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	(33,018)	1,174,139	117,816	138,185	943,252	2,340,374
Total comprehensive income for the year	–	–	–	–	636,682	636,682
Recognition of share-based payment expense	–	–	27,297	–	–	27,297
Tax implications related to a share incentive plan	–	–	(6,423)	–	–	(6,423)
Dividends declared	–	–	–	–	(209,108)	(209,108)
Issue of shares	–	3,145,295	–	–	–	3,145,295
Repurchase obligation for shares issued under incentive plan	121	–	(111)	–	–	10
Vesting of Type I Restricted Shares	16,354	12,484	(12,484)	–	–	16,354
Exercise of Type II Restricted Shares	–	85,102	(66,565)	–	–	18,537
Transfer from retained profits	–	–	–	63,668	(63,668)	–
At 31 December 2022	(16,543)	4,417,020	59,530	201,853	1,307,158	5,969,018

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: A summary of the Company's reserves is as follows: (continued)

	Treasury shares RMB'000	Share premium RMB'000	Share incentive reserve RMB'000	Reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	(54,949)	432,860	39,589	88,478	582,465	1,088,443
Total comprehensive income for the year	–	–	–	–	496,835	496,835
Recognition of share-based payment expense	–	–	69,084	–	–	69,084
Tax implications related to a share incentive plan	–	–	27,737	–	–	27,737
Dividends declared	–	–	–	–	(86,341)	(86,341)
Issue of shares	–	495,911	–	–	–	495,911
Redemption of convertible bonds	–	1,381	–	–	–	1,381
Vesting of Type I Restricted Shares	21,931	18,594	(18,594)	–	–	21,931
Exercise of Type II Restricted Shares	–	41,780	–	–	–	41,780
Conversion of convertible bonds	–	442,636	–	–	–	442,636
Transfer from share premium	–	(259,023)	–	–	–	(259,023)
Transfer from retained profits	–	–	–	49,707	(49,707)	–
At 31 December 2021	(33,018)	1,174,139	117,816	138,185	943,252	2,340,374

46. EVENT AFTER THE REPORTING PERIOD

On 29 January 2023, the Company established its wholly-owned subsidiary JL MAG MEXICO, S.A. DE C.V. ("JL MAG MEXICO") in Monterrey, New Leon, Mexico, through its wholly-owned subsidiaries JL Tech (Hong Kong) and JL HK. JL Tech (Hong Kong) and JL HK hold 99.99% and 0.01% of the shares, respectively. It has completed the registration procedures and obtained the registration certificate. The registered capital is MXN200,000 and the business term is long term starting from 13 January 2023. The business scope is mainly engaged in the recovery of rare earth and magnetic materials; R&D and production of various magnetic materials and related magnetic components; import and export all kinds of goods, including but not limited to various commodities and technologies, as well as import and export business consulting services. As of the report date, the Company has not completed the capital injection.

On 30 March 2023, the 18th meeting of the 3rd board of the Company approved the 2022 final cash dividend at RMB2.60 (tax included) per 10 shares to shareholders, amounting to RMB217,869,000 in total, and approved to transfer share premium into share capital with six new shares issued for every ten existing shares. The proposal is still subject to the approval of the shareholders at the forthcoming Annual General Meeting.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

金力永磁
JLMAG

江西金力永磁科技股份有限公司
JL MAG RARE-EARTH CO., LTD.