

# 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



# 2024

## INTERIM REPORT

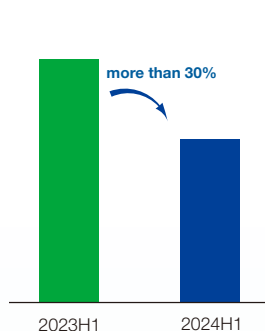
# CONTENTS

Highlights	2
Definitions	3
Corporate Information	7
Summary of Financial Information	9
Management Discussion and Analysis	10
Corporate Governance and Other Information	29
Independent Review Report	51
Interim Condensed Consolidated Statement of Profit or Loss	52
Interim Condensed Consolidated Statement of Comprehensive Income	53
Interim Condensed Consolidated Statement of Financial Position	54
Interim Condensed Consolidated Statement of Changes in Equity	56
Interim Condensed Consolidated Statement of Cash Flows	58
Notes to Interim Condensed Consolidated Financial Statements	60

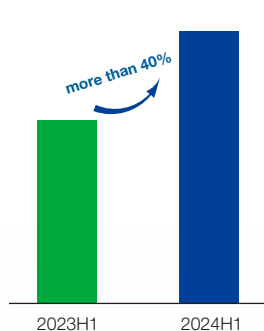
# HIGHLIGHTS

## Revenue of the Company Remained Essentially Stable as Compared to the Same Period of Last Year

**Significant decline in the price of rare earth raw materials (taking praseodymium-neodymium metal as an example)**

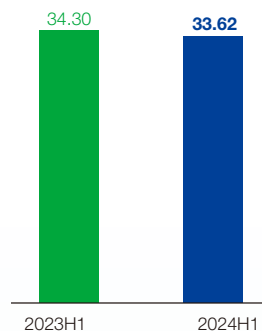


**Significant increase in the sales volume of the Company**



**Revenue of the Company remained stable**

Unit: RMB100 million

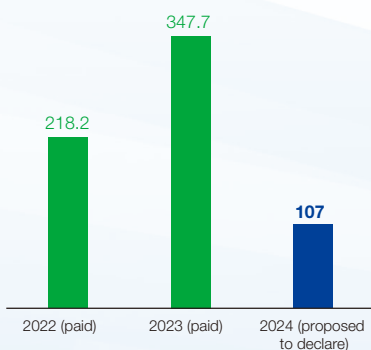


Note: Rare earth raw material prices are obtained from multiple sources, including but not limited to Asian Metal and the Association of China Rare Earth Industry.

## The Company Proposed to Declare Its First Interim Dividend

**Cash dividends**

Unit: RMB million



Since its listing in 2018, the Company distributed cash dividends every year. The cumulative cash dividends amounted to approximately RMB952 million, representing over 40% of the cumulative net profit attributable to owners of the parent.

For the six months ended 30 June 2024, the Company proposed to declare an interim dividend for the first time, planning to distribute a cash dividend of RMB0.8 (tax inclusive) per 10 shares to all shareholders. The estimated amount of dividend payout is RMB107 million, accounting for approximately 90% of the net profit attributable to owners of the parent for the first half of 2024.

## Leading Position in the Industry



The Company's products are adopted by the world's top ten NEV manufacturers

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

**2.45** million passenger NEVs



Eight of the top ten global VFAC compressor manufacturers are the Company's clients

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

**46.37** million VFAC compressors



Five of the top ten global wind turbine manufacturers are the Company's clients

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

**5.73** GW

# DEFINITIONS

“2023H1”	the six months ended 30 June 2023
“2024H1”	the six months ended 30 June 2024
“A Share(s)”	domestic shares of the Company with a par value of RMB1.00 each, which are listed on the ChiNext of the Shenzhen Stock Exchange and traded in RMB
“Articles of Association”	the articles of association of JL MAG RARE-EARTH CO., LTD.
“Board”	the Board of Directors
“CAGR”	compound annual growth rate
“Chairman”	the chairman of the Board
“China Rare Earth Group”	China Rare Earth Group Co., Ltd.
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, means the 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 C1 to the Listing Rules
“CPCA”	China Passenger Car Association
“Director(s)”	the director(s) of the Company or any one of them
“energy-saving VFACs”	energy-saving variable-frequency air-conditioners
“ESG”	Environmental, Social and Governance
“Frost & Sullivan”	Frost & Sullivan Consulting Company

## DEFINITIONS (CONTINUED)

“Global Offering”	the Hong Kong Public Offering and the International Offering
“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
“Group”	JL MAG and its subsidiaries
“GW”	a unit of power, 1 GW equals 1,000 MW
“Hastings”	an Australian listed rare earths company, Hastings Technology Metals Limited
“H Share Subscription Agreement”	a conditional H Share Subscription Agreement dated 26 January 2024, entered into by the Company and Ruide Venture in relation to the subscription of not more than 20,171,568 new H Shares (stated figure inclusive) by Ruide Venture or its designated direct/indirect wholly-owned overseas subsidiaries (“Controlling Shareholders Subscriber”) under the Proposed Issuance of H Shares
“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 (H <sub>cj</sub> , kOe) and maximum energy product ((BH) <sub>max</sub> , 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
“IFRSs”	the International Financial Reporting Standards
“installed capacity”	the capacity of wind turbines or generators that are fully assembled, erected, commissioned and have commenced power generation

## DEFINITIONS (CONTINUED)

“JL Baotou Technology”	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 18 August 2020 which is wholly-owned by the Company
“JL MAG”, “the Company”, “Our Company”	JL MAG RARE-EARTH CO., LTD. (江西金力永磁科技股份有限公司)
“JL Ningbo Technology”	JL MAG RARE-EARTH (NINGBO) CO., LTD. (金力永磁(寧波) 科技有限公司), a wholly-owned subsidiary of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 to the Listing Rules
“NdFeB PMs”	alloy magnets composed of neodymium, iron, boron, and other trace metal elements. As a third-generation rare earth permanent magnets, it is characterized by its compact size, light weight, and strong magnetic properties
“NEVs”	new energy vehicles
“Northern Rare Earth Group”	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
“Proposed Issuance of H Shares”	the proposed issuance of no more than 26,895,424 (stated figure inclusive) new H Shares by the Company under the special mandate, details of which are set out in the H Share announcement of the Company dated 26 January 2024
“Prospectus”	the prospectus of the Company dated 31 December 2021
“rare earth(s)”	generic term for a set of 17 rare earth 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 their 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 earths and the rest are medium and heavy rare earths. Due to their unique physical and chemical properties, rare earths are widely used in new energy, new materials, energy conservation and environmental protection, aerospace, electronic information and other fields as indispensable and important element in modern industry

## DEFINITIONS (CONTINUED)

“REPMs”	rare earth permanent magnets, the 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 <sub>5</sub> alloy, while the second generation is represented by Sm <sub>2</sub> Co <sub>17</sub> alloy and the third generation is represented by Nd-Fe-B series alloy. Among them, NdFeB magnets have been industrialized with the best comprehensive performance in current industrial production
“Reporting Period”	from 1 January 2024 to 30 June 2024
“Restricted Share Incentive Plan”	the restricted share incentive plan adopted by our Company on 26 August 2020 and amended on 8 September 2020, for the purpose of incentivizing eligible management and employees of our Group
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	domestic shares and H Shares
“Shenzhen Stock Exchange”	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
“this interim report” or “interim report”	the Company’s interim report published on 28 August 2024
“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
“%”	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. Liang Minhui

Mr. Li Xiaoguang

## Independent Non-Executive Directors

Mr. Xu Feng

Mr. Zhu Yuhua

Ms. Cao Ying

## Supervisors

Mr. Li Hua

Ms. Sun Yixia (*resigned on 5 June 2024*)

Mr. Liang Qilu

Ms. Liu Qiujun (*effective from 5 June 2024*)

## Audit Committee

Ms. Cao Ying (*chairman*)

Mr. Hu Zhibin

Mr. Zhu Yuhua

## Nomination Committee

Mr. Xu Feng (*chairman*)

Mr. Cai Baogui

Ms. Cao Ying

## Remuneration and Appraisal Committee

Mr. Zhu Yuhua (*chairman*)

Mr. Xu Feng

Mr. Lyu Feng

## Strategy Committee

Mr. Cai Baogui (*chairman*)

Mr. Hu Zhibin

Mr. Li Xinnong

Mr. Li Xiaoguang

Mr. Xu Feng

Mr. Zhu Yuhua

## ESG Committee

Mr. Cai Baogui (*chairman*)

Ms. Cao Ying

Mr. Yu Han

Mr. Yi Pengpeng

Mr. Su Quan

## Authorized Representatives

Mr. Cai Baogui

Ms. Zhang Xiao

## Company Secretaries

Mr. Lu Ming

Ms. Zhang Xiao

## Board Secretary

Mr. Lai Xunlong (*appointed on 12 June 2024*)



# CORPORATE INFORMATION (CONTINUED)

## Securities Representative

Mr. Liu Zhaolin (appointed on 12 June 2024)

## 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  
Shops 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  
Registered Public Interest Entity 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](http://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

Suites 1101-1104, 11/F,  
One Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

# SUMMARY OF FINANCIAL INFORMATION

	For the six months ended 30 June			
	2024 RMB'000	2023 RMB'000	Change RMB'000	Change %
Revenue	<b>3,361,532</b>	3,430,030	-68,498	-2.00
Gross profit	<b>291,198</b>	539,211	-248,013	-46.00
Net profit attributable to owners of the parent	<b>119,677</b>	332,603	-212,926	-64.02
Net cash flows from operating activities	<b>330,761</b>	779,160	-448,399	-57.55
Basic and diluted earnings per share (RMB)*	<b>0.09</b>	0.25	-0.16	-64.00

\* On 11 July 2023, the Company issued capitalization share on the basis of 6 capitalization shares for every existing 10 shares out of share premium. The earnings per share is adjusted accordingly for all periods presented.

During the Reporting Period, the Company achieved revenue of RMB3,361.5 million, representing a decrease of RMB68.5 million or 2.00% compared to that of RMB3,430.0 million for the six months ended 30 June 2023.

During the Reporting Period, profit attributable to owners of the parent amounted to RMB119.7 million, representing a decrease of approximately 64.02% compared to the six months ended 30 June 2023.

During the Reporting Period, net cash flows generated from operating activities amounted to RMB330.8 million, representing a decrease of 57.55% from RMB779.2 million for the six months ended 30 June 2023.

The Board of the Company proposed to declare an interim dividend of RMB0.8 (tax inclusive) per 10 shares in cash for the six months ended 30 June 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. Industry Development Trend

### (1) High-Performance NdFeB PMs Industry is Strongly Supported by Government Industrial Policies

High-performance REPMs 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 are widely used in NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, robotics and industrial servo motors, energy-saving elevators, rail transit and other fields. The active development of rare earth permanent magnetic materials industry is in line with the current trend of development, which is conducive to accelerating the formation of new-quality productive forces and strengthening new drivers of development.

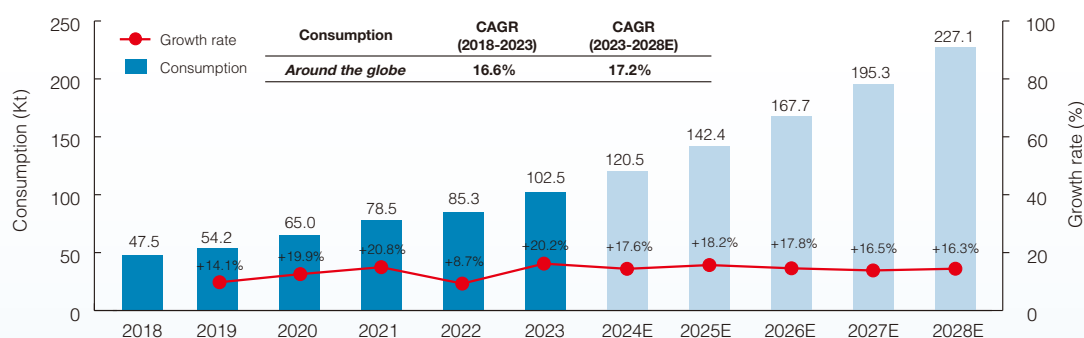
In March 2024, the State Council published the “Action Plan for Promoting Large-scale Equipment Renewals and Consumer Goods Trade-in” (“Action Plan”, 《推動大規模設備更新和消費品以舊換新行動方案》). The Action Plan proposed the implementation of four major actions, including equipment upgrades, consumer goods trade-in, recovery and recycling, and standard enhancement. The Action Plan sets forth the following objectives for 2027: (i) to approximately double the volume of scrapped vehicle recycling compared to 2023 levels; (ii) to increase the trading volume of second-hand vehicles by 45% compared to 2023; and (iii) to increase the recycling volume of waste household appliances by 30% compared to 2023. REPMs have an indispensable core position in the process of high-quality development of promoting intelligent manufacturing and green manufacturing. The REPM industry continues its rapid growth.

### (2) High-Performance REPMs are Widely Used, and the Market Demand is Experiencing Rapid Growth

REPMs have a wide range of downstream applications, aligning with the national advocacy for energy conservation and environmental protection. These materials play a significant role in achieving the nation's energy-saving and emission-reduction goals with outstanding contributions to the early realization of the global objective of “carbon peak and carbon neutrality”.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 Report, the global consumption of high-performance REPMs increased from approximately 47,500 tonnes in 2018 to 102,500 tonnes in 2023, with a CAGR of approximately 16.6%. It is expected to further increase to 227,100 tonnes by 2028, with a CAGR of 17.2% from 2023 to 2028.



Note: The above chart represents “the global consumption of high-performance REPMs from 2018 to 2028 (forecast)”, based on the Frost & Sullivan Report.

## 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. According to the data from CPCA, in the first half of 2024, global automobile sales reached 43.9 million units, of which 7.39 million were NEVs, increasing the market share to 16.8%. As the core parts of electric motor of NEVs, high-performance NdFeB PMs would maintain strong demand in the future.

According to the Frost & Sullivan Report, the global consumption of REPMs in the NEVs market increased from 6,400 tonnes in 2018 to 43,200 tonnes in 2023, with a CAGR of approximately 46.5%. By 2028, the global consumption of REPMs in the NEVs market is expected to reach 127,600 tonnes, with a CAGR of 24.2% from 2023 to 2028.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## 2. Energy-Saving VFACs Sector

In 2019, seven departments, including the National Development and Reform Commission (NDRC) and the Ministry of Industry and Information Technology (MIIT) jointly issued the “Notice on the Issuance of the ‘Green Cooling Action Plan’” (Fa Gai Huan Zi [2019] No. 1054) (《關於印發〈綠色高效製冷行動方案〉的通知》), 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” (《房間空氣調節器能效限定值及能效等級》) on 1 July 2020, fixed-frequency air-conditioning products were completely phased out and high-efficiency VFACs have become the mainstream of the market (with penetration rate of household VFACs reached 70.3% in 2023), 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 the statistics of ChinalOL, the sales volume of household air conditioners in China in the first half of 2024 amounted to 113.47 million units with 15.5% year-on-year growth, reaching a historic peak. Specifically, exports accounted for 52.60 million units, a year-on-year increase of 30%, providing strong support for the overall industry scale.

According to the Frost & Sullivan Report, the global consumption of REPMs in the energy-saving VFACs market increased from 6,300 tonnes in 2018 to 12,900 tonnes in 2023, with a CAGR of approximately 15.4%. By 2028, the global consumption of REPMs of the energy-saving VFACs will reach 22,700 tonnes, with a CAGR of approximately 12.0% from 2023 to 2028.

## 3. Wind Power Generation Sector

According to the “‘14th Five-Year Plan’ for Renewable Energy Development” jointly issued by nine departments including the NDRC and the National Energy Administration on 1 June 2022, the annual power generation capacity of renewable energy will reach about 3.30 trillion kWh 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, with wind and solar power generation expected to double. In 2022, a total of 23 provinces announced their own energy-related plans for the 14th Five-Year Plan period. According to the data released by Bloomberg New Energy Finance (“BNEF”) recently, the global newly installed wind power capacity was 118 GW in 2023, representing an increase of 36% compared to 2022. On 27 March 2023, the Global Wind Energy Council (GWEC) released its 2023 Global Wind Report, which predicted that a rapidly adapting policy environment worldwide has laid the foundation for accelerated growth of wind power in the coming years. It is expected that the average annual newly installed capacity for wind power generators will amount to 136 GW in the next five years, with a CAGR of 15%. By 2024, the newly installed capacity for global onshore wind turbine generators will exceed 100 GW for the first time. The newly installed capacity for global offshore wind power generators will also reach a new high of 25 GW by 2025.

According to the Frost & Sullivan Report, the global consumption of REPMs in the wind power market increased from 6,700 tonnes in 2018 to 12,800 tonnes in 2023, with a CAGR of approximately 13.8%. By 2028, the global consumption of REPMs in the wind power market will reach 24,000 tonnes, with a CAGR of 13.4% from 2023 to 2028.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## 4. Robotics and Industrial Servo Motors Sector

Benefited from the development of computers and automation technology, the development history of modern industrial robots officially kicked off in the 1950s. After more than 60 years of development, industrial robot technology has been gradually mature and widely used in various sectors including automobiles, photovoltaics, lithium batteries, mechanical processing, electronics and electrical, food, medicine and logistics. As the rapid integration of robotic technology with new generation of information technology, biotechnology, new energy technology and new material technology, along with the ongoing development and thorough application of artificial intelligence, the intelligence of robots has been continuously enhanced and its innovation and development in different sectors have been progressing rapidly. The International Federation of Robotics (IFR) expects that the global robot market will continue to maintain double-digit growth by 2024, reaching USD66 billion.

In October 2023, the MIIT issued the “Guiding Opinions on the Innovative Development of Humanoid Robots (《人形機器人創新發展指導意見》)”, which marked the first national-level guidance for the humanoid robot industry. It aims to establish an innovation system, achieve breakthroughs in core technology and ensure the supply of core components by 2025. By 2027, strong industrial chain and competitiveness of humanoid robot would be developed to reach the world-class advanced level. The guidance made specific arrangements in key technological breakthroughs, product cultivation, scenario expansion, ecological creation and safeguards measures.

In July 2024, the MIIT revised the “Standard Conditions of the Industrial Robot Industry” (“Standard Conditions”, 《工業機器人行業規範條件》) and the “Management and Implementation Measures of Standard Conditions of the Industrial Robot Industry” (“Management and Implementation Measures”, 《工業機器人行業規範管理實施辦法》). The Standard Conditions specified comprehensive requirements across basic requirements, technological capabilities and production conditions, quality standards, personnel qualifications, sales and after-sales services, safety management and social responsibility, as well as supervision and management. With the enactment of Standard Conditions and Management and Implementation Measures, the robotics industry is poised to enter a new wave of growth.

High performance NdFeB magnetic steel is the key component of robotics and industrial servo motors. The robotics and industrial servo motors sector will become an important growth area for the application of high-performance NdFeB magnetic steel in the future which is under rapid development. According to the Frost & Sullivan Report, the global consumption of REPMs in the industrial robots market will reach 6,600 tonnes by 2028, with a CAGR of 13.5% from 2023 to 2028. The global consumption of REPMs in the humanoid robots market will reach 2,887.5 tonnes, with a CAGR of approximately 162.2% from 2023 to 2028.

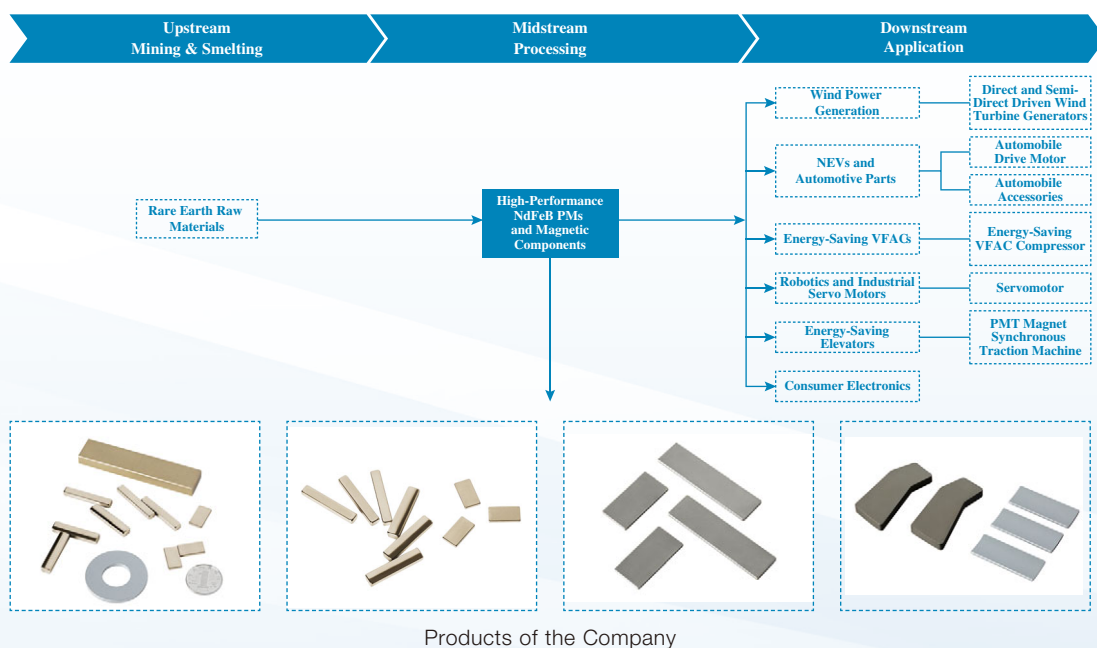
# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## 2. Main Business of the Company During the Reporting Period

During the Reporting Period, there were no significant 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

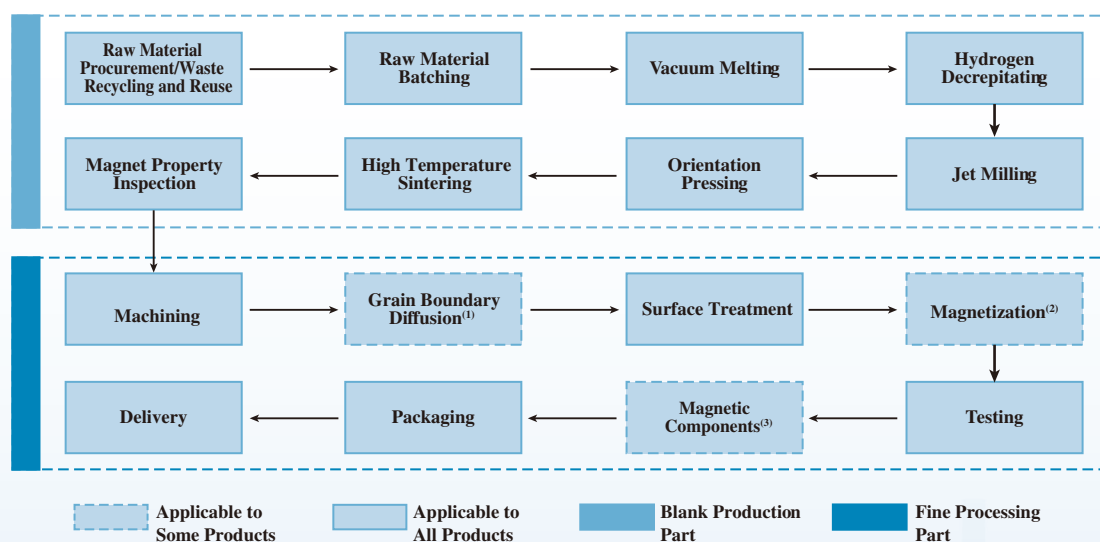
The Company is a high-tech enterprise engaging in the R&D, production and sales of high-performance NdFeB PMs, magnetic components and the recycling and comprehensive utilization of REPMs, and a leading supplier of high-performance REPMs in the fields of new energy and energy conservation and environmental 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.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (2) The Business Model of the Company

The Company primarily adopts a make-to-order production management model in which the production is determined by the sales volume. 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 has currently achieved full package production capabilities, specifically covering product research and development, mold design and manufacturing, blank production, finished product processing, surface treatment, testing, production of magnetic components, the recycling and comprehensive utilization of rare earths and other processes. Furthermore, the Company implements thorough control and meticulous management across all technological processes. Grasping trend of the era, the Company is actively cooperating with world-renowned customers in the research and development of magnetic components for humanoid robots.



Technological Processes of Production

Notes:

- (1) GBD technology is widely applied in the production of the high-performance NdFeB PMs in energy saving VFACs sector and NEVs and automotive parts sector as production of high-performance NdFeB PMs in these sectors requires more medium and heavy rare earths as compared to the production of high-performance NdFeB PMs in other sectors, and is also applied in the production of certain high-performance NdFeB PMs 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 developed a mature business model in the close cooperation with leading enterprises in various sectors. These large-scale well-known enterprises maintain stringent product quality requirements with extended product evaluation and certification cycles. In order to meet requirements in quality, technology and management system, the Company has been continuously optimizing the R&D, manufacturing, supply chain management, customer service, corporate culture and other aspects, thus establishing a relatively mature business model that aligns with the needs of customers.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## 3. Core Competitiveness Analysis

The Company has been committed to the research and development, production, sales, recycling and comprehensive utilization of high-performance NdFeB PMs and deeply rooted in new energy, energy conservation, and environmental protection industries. 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 experiences in the industry, which helps build a reputable image in the industry and enables it to have relatively prominent competitive advantages, specifically:

### (1) The World's Leading Manufacturer of High-Performance REPMs

The Company is the world's leading manufacturer of high-performance REPMs. With its huge production capacity, excellent R&D capability, proprietary technology and strong product delivery capability, the Company established leadership in the following key downstream sectors respectively. In the sector of NEVs, the Company's products are used for the production of drive motors by the world's top ten NEV manufacturers. 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 generation, five of the world's top ten wind power generator manufacturers are the customers of the Company. The Company has actively expanded its business in the fields including 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 Vision with Clean and Progressive Strategic Planning and Strong Product Delivery Capability

The Company's current capacity utilization rate is over 90%. Based on the future market demand, the Company has formulated plans in March 2021 to gradually allocate resources and capacity to build Ganzhou, Baotou and Ningbo production bases. It is expected to achieve 40,000 tonnes/year of production capacity of high-performance REPMs and establish advanced production line of magnetic components by 2025. The gradual implementation of the Company's strategic plan provides strong product delivery capabilities for the growing market demand.

### (3) The Company Establishes Long-Term Strategic Cooperation with Major Rare Earth Suppliers

Rare earths are China's strategic resources. The Company has built production factories in Ganzhou, Jiangxi Province, the main production area for heavy rare earths, and in Baotou, Inner Mongolia Autonomous Region, the main production area of light rare earths. The Company has established long-term strategic cooperation relationship with major rare earth raw material suppliers including Northern Rare Earth Group and China Rare Earth Group. Meanwhile, the Company has implemented a comprehensive set of strategic measures to mitigate the impact of rare earth price volatility on its operational performance. These measures included timely adopting more prudent procurement and inventory strategies for rare earth raw materials based on price fluctuation trends of rare earths and orders on hand, establishment of price adjustment mechanisms with key customers, and optimization of product formulations and technological processes.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (4) Strong Production and R&D Capabilities with Industry-Leading GBD Technology

High-performance NdFeB PMs feature high barriers for production and 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 earths while maintaining the high performance of NdFeB PMs and develop high-grade products. The Company continues to invest in research and development. In the first half of 2024, the Company's R&D expenses amounted to RMB153 million, accounting for 4.55% of the revenue. The Company has mastered a proprietary core technology and patent system with GBD technology as its core, which includes GBD technology, formulation system, grain refinement technology, primary molding technology, production automation technology and new coating technology with high temperature resistance and corrosion resistance. These core technology and high-grade products have been highly recognized by customers in various fields and have obtained several off-take arrangements and large-scale orders from international customers.

## (5) Industry-Leading ESG Practices, Supporting the Carbon Neutrality Achievement with Practical Actions

With the mission of "Creating a Better Life with Rare Earths", the Company attaches great importance to ESG practices, 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 upgrading and green power conversion, and provides REPMs to industry-leading companies in new energy, energy conservation and environmental protection fields to help the world achieve the carbon neutrality target. The Company continues to enhance its Environmental, Social, and Governance (ESG) system by establishing an ESG Committee, which oversees all aspects of ESG-related works of the Company and continuously improves ESG strategies.

## (6) First-Mover Advantage in the High-Performance REPMs and Magnetic Components 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 in terms of product characteristics, quality, quantity and delivery time. Leveraging its professional and technical expertise in high-performance NdFeB PMs, the Company assists customers to optimize product performance, reduce production costs and also provide customers with comprehensive technological solutions on high performance NdFeB PMs. In response to different requirements of downstream customers for end products, the Company has established strong ability to adapt to 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 by customers, thereby successfully building and maintaining stable relationships with customers.

There are also high entry barriers for supplier certification in the high-performance REPM industry. High-performance NdFeB PMs are recognized as important functional materials in related industries, and their quality significantly impacts 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 supplier certification, the Company's status as a primary certified supplier for numerous leading customers demonstrates the Company's consistency in producing high-quality products and leading position in the REPM industry.

Meanwhile, the Company grasps the trend of the era by actively collaborating with world-renowned customers in the research and development of magnetic components for humanoid robots.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (7) Experienced and Stable Management Team

The Company's management team is in its prime with extensive industry background and rich experiences in management and operation. Members of the team can timely and accurately grasp the development trends of the industry, keenly seize market opportunities and formulate sustainable development strategies to progressively lead the Company to become a global leader in high-performance REPMs. The Company continuously enhances the quality and technological level of its existing products, further strengthening their competitiveness. The Company has launched a multidimensional incentive system including the equity incentive plan, which effectively stimulates the enthusiasm and creativity of employees and maintains team stability.

## (8) The Company Maintains Solid Cash Reserves and Operates with a Sound Financial System

The Company has established an effective governance structure and management system. Relying on a sound financial management system, the Company generates healthy operating cash flows, maintains a low debt-to-asset ratio, and possesses sufficient cash reserves with solid financing capabilities. Leveraging on its stable operating results, good credit standing and risk management capability, the Company has established long-term and stable cooperative relationships with a number of banks, which helps the Company optimize its capital structure, enhance its financial stability and further improve its overall competitiveness.

## 4. Review of Operations during the Reporting Period

### (1) Stable Operation and Sound Development of the Company

In the first half of 2024, the Company continuously focused on its main business. Led by the core value of "Customer Orientation and Value Co-Creation" and guided by the development strategies formulated by the Board, the Company steadily pushed forward the construction of its production capacity and continued to invest in research and development. The Company accelerated the informatization and automation of production and management and actively expanded business in emerging areas including humanoid robot industry. The Company also strengthened the ESG development and continuously improved corporate governance. The overall strength of the Company has been further enhanced.

In the first half of 2024, the market price of rare earth raw materials dropped sharply year-on-year, which had a greater impact on the selling price of the Company's products. Taking praseodymium-neodymium metal (tax-inclusive price) as an example, according to the data published by Asian Metal, Association of China Rare Earth Industry and other parties, the average price in the Reporting Period was RMB471,900 per tonne, which was 32.80% lower than the average price of RMB702,200 per tonne in the same period of 2023. During the Reporting Period, the Company's new projects have gradually commenced, with the capacity utilization rate exceeding 90%. Both production and sales volume of the Company's high-performance magnetic products increased by more than 40% year-on-year with steady growth of the market share. The Company achieved a revenue amounted to RMB3,361.5 million, retaining stable compared to the same period of last year.

However, the Company's performance was affected by several factors: a significant year-on-year decline in rare earth raw material market prices, a lag in the adjustment of raw material costs, delayed execution of fixed-price orders from certain customers that were signed when rare earth raw material prices were relatively high, as well as intensified industry competition. As a result, during the Reporting Period, the Company achieved a net profit attributable to owners of the parent amounted to RMB119.7 million, representing a 64.02% decrease year-on-year.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Based on the sound performance of the Company's operating cash flow, and in order to reward the investors and respond to the Company's action plan of "Double Enhancement of Quality and Returns", the Company has actively adopted a cash dividend policy to enable investors to fully enjoy the Company's development achievements and continuous returns. For the six months ended 30 June 2024, the Company proposed to declare interim dividends for the first time, planning to distribute a cash dividend of RMB0.8 (tax inclusive) per 10 shares to all shareholders. The estimated dividend distribution amounted to RMB107 million, representing approximately 90% of the Company's net profit attributable to owners of the parent in the first half of 2024.

## (2) Market Leader in New Energy, Energy Conservation and Environmental Protection

In the first half of 2024, the revenue of the Company's NEVs and automotive parts sector reached RMB1,593 million. The sales volume of the Company's magnetic steel products for NEV drive motors could assemble approximately 2.45 million passenger NEVs. According to the data released by the CPCA, in the first half of 2024, the sales volume of the global NEV sales amounted to 7.39 million units. As a leading global supplier of magnetic steel for drive motors in the NEV industry, the Company's products have been adopted by the world's top ten NEV manufacturers.

As for the sector of energy-saving VFACs, the Company's revenue reached RMB856 million. The sales volume of the Company's magnetic steel products for energy-saving VFACs can equip approximately 46.37 million VFAC compressors. The Company continued to maintain its leading position in the energy-saving VFACs around the world, with eight of the world's top ten manufacturers of the VFAC compressors being clients of the Company.

As for the sector of wind power generation, the Company's revenue reached RMB209 million, and the sales volume of the Company's products for this sector can equip wind turbine generators with an approximate installed capacity of 5.73 GW. The five of the world's top ten wind turbine generators are the clients of the Company.

Meanwhile, the Company is actively expanding its presence in other new energy and energy-efficient sectors, including robotics and industrial servo motors, 3C, energy-efficient elevators, and rail transit. The Company has established itself as a key supplier of high-performance magnetic steel in these fields.

The Company grasps the trend of the era by actively collaborating with world-renowned customers in the research and development of magnetic components for humanoid robots.

## (3) Steady Increase in the Production Capacity of the Company

In the first half of 2024, Baotou Phase II project with annual production capacity of 12,000 tonnes, Ningbo project with annual production capacity of 3,000 tonnes for high-end magnetic materials and 100 million units/sets of components, and Ganzhou base project of the magnetic materials for high-efficient and energy-saving motor are under construction as scheduled. The Company plans to build a production capacity of 40,000 tonnes/year of high-performance REPMs and establish an advanced production line of magnetic components by 2025.



Ganzhou Plant

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



Baotou Plant



Ningbo Plant

#### (4) Continuing the R&D investment

The Company has kept in mind that “technological innovation is critical to the survival of an enterprise”. Except for the continuous investment in research and development on enhancing the performance of high-performance REPMS, optimizing the formula and recycling, it also continued to increase its investment in research and development for magnetic components products in areas including humanoid robots as well as robots and automation equipment, thus to enhance the Company’s capabilities in R&D and production of high-end magnetic materials and magnetic components, improve automation and informatization levels, as well as to strengthen the Company’s market competitiveness in fields such as humanoid robots and NEVs. In the first half of 2024, the Company’s R&D expenses amounted to RMB153 million, accounting for 4.55% of the revenue. As of 30 June 2024, the Company held a total of 119 authorized and pending invention and utility model patents, including those in overseas regions such as Europe, the United States, and Japan.

The Company has mastered a proprietary core technology and patent system with GBD technology as its core, these core technology and high-grade products have been highly recognized by customers in various fields. In the first half of 2024, high-performance REPMS produced by applying GBD technology recorded an increase of 52% as compared to the same period of last year, accounting for 88% of the total production volume of the Company for the same period.

#### (5) Proposed to Declare First Interim Dividend, Maintaining High Dividend Payout Ratio

The business scale of the Company has greatly expanded since its listing. The Company’s output and sales volume of high-performance magnetic products grew by over 40% year-on-year in the first half of 2024. Moreover, the Company actively adopted the dividend policy to allow its investors fully enjoy development achievements and continuous returns of the Company. Since its listing in 2018, the Company distributed cash dividends every year, with cumulative dividends paid amounting to RMB952 million, accounting for more than 40% of the net profit attributable to owners of the parent. Based on the sound performance of the Company’s operating cash flow, in order to reward the investors and respond to the Company’s action plan of “Double Enhancement of Quality and Returns”, the Company proposed to declare its first interim dividends for the first half of 2024. Based on the total number of A shares and H shares outstanding on the equity registration date specified in the dividend declaration, after deducting the number of shares held in the Company’s A share repurchase account, a cash dividend of RMB0.8 (tax inclusive) per 10 shares will be distributed to all shareholders. It is estimated that the total dividend will be RMB107 million, which accounts for more than approximately 90% of the net profit attributable to owners of the parent for the first half of 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (6) Commitment to ESG Development, Continuous Improvement and Optimization of Corporate Governance

With the mission of “Creating a Better Life with Rare Earths”, the Company attaches great importance to ESG practices, and is committed to protecting the environment and fulfilling corporate social responsibility. In April 2024, the Company undertook to donate RMB1 million for the construction of infrastructures in the donation event for rural revitalization of Quannan County of Jiangxi Province. With an outstanding performance in energy-saving, emission reduction, and environmental protection, JL Ningbo Technology, a wholly-owned subsidiary of the Company, was selected for the 2024 Three-Star Green Factory list in Jiangbei District, Ningbo City in June 2024. With the outstanding performance on sustainable development, the Company was successfully selected into Sustainability Yearbook 2024 (China Edition) issued by S&P Global in July 2024, which is one of the main rating agencies in the world. The Company also gained the AA Grade in the latest rating issued by Sino-Securities Index ESG.

On the front of corporate governance, the re-election and engagement of the Fourth Session of the Board, the Supervisory Committee and senior management are completed, which maintained the stability of its management team. In June 2024, the Company won the “Tianma Award on Investor Relations Management for the Listed Companies of China” again in the 15th Tianma Awards, organized by the Securities Times. The Company was also honored with the “Golden Round Table Award for Excellence in Board of Directors” at the 19th Golden Round Table Awards for board of directors of listed companies in China.



## 5. Financial Review

### (1) Overview

During the Reporting Period, the Company’s revenue amounted to RMB3,361.5 million, representing a decrease of RMB68.5 million from RMB3,430.0 million for the six months ended 30 June 2023. The gross profit of the Company was RMB291.2 million, representing a decrease of RMB248.0 million from RMB539.2 million for the six months ended 30 June 2023. The basic earnings per share of the Company was RMB0.09.

During the Reporting Period, the Company’s net profit attributable to owners of the parent amounted to RMB119.7 million, representing a decrease of RMB212.9 million as compared to RMB332.6 million for the six months ended 30 June 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (2) Revenue and Cost of Sales Analysis

During the Reporting Period, the significant year-on-year decline in the market price of rare earth raw materials led to a great impact on the Company's product selling prices. Taking praseodymium-neodymium metal (tax inclusive) as an example, according to the data published by the Asian Metal, Association of China Rare Earth Industry and other parties, the average price from January to June 2024 was RMB0.4719 million/tonne, representing a decrease of approximately 32.80% as compared to the average price of RMB0.7022 million/tonne during the same period of 2023. During the Reporting Period, with the gradual implementation of the Company's new projects, its capacity utilization rate exceeded 90%. Both production and sales volume of the Company's high-performance magnetic products increased by more than 40% year-on-year with steady growth of the market share. The Company achieved revenue from sales of NdFeB magnetic steel and other products. Revenue decreased by RMB68.5 million from RMB3,430.0 million for the six months ended 30 June 2023 to RMB3,361.5 million for the six months ended 30 June 2024, remaining basically stable as compared to the same period of last year.

Revenue from main business by downstream application of products:

	For the six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
– NEVs and automotive parts	1,592,718	54.85	1,630,196	55.09
– Energy-saving VFACs	856,478	29.49	759,150	25.65
– PM wind power	208,798	7.19	309,277	10.45
Others	246,034	8.47	260,596	8.81
Total	2,904,028	100.00	2,959,219	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 RMB179.5 million from RMB2,890.8 million for the six months ended 30 June 2023 to RMB3,070.3 million for the six months ended 30 June 2024. The increase in cost of sales was mainly due to continuous increase in production and sales volume of NdFeB magnetic steel during the Reporting Period.

During the Reporting Period, other business revenue generated from the Company's sales of rare earth magnetic sludge waste amounted to RMB457.5 million, representing a decrease of 2.82% as compared to RMB470.8 million during the same period of 2023.

## (3) Gross Profit and Gross Profit Margin

During the Reporting Period, the Company's gross profit was approximately RMB291.2 million (RMB539.2 million for the six months ended 30 June 2023). The gross profit margin during the Reporting Period was 8.7%, and the gross profit margin for the same period of 2023 was 15.7%. During the Reporting Period, the Company's output and sales volume of its major products increased. However, the Company's product selling prices and profit were affected by several factors: a significant year-on-year decline in rare earth raw material market prices, a lag in the adjustment of raw material costs, delayed execution of fixed-price orders from certain customers that were signed when rare earth raw material prices were relatively high, as well as intensified industry competition.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. During the Reporting Period, there was a downward trend in the price of rare earth raw materials. Taking praseodymium-neodymium metal (tax inclusive) as an example, according to the data published by the Asian Metal, Association of China Rare Earth Industry and other parties, the average price from January to June 2024 was RMB0.4719 million/tonne, representing a decrease of approximately 32.80% as compared to the average price of RMB0.7022 million/tonne during the same period of 2023. The short-term mismatch between costs and selling prices, resulting from the declining prices of rare earth materials, had a negative impact on the gross profit margin. In addition to rare earth raw materials procured on a make-to-order basis, the Company was also affected by the following two procurement of rare earth raw materials:
  - (1) Customer A made a prepayment designated for the procurement of rare earth raw materials in 2023 (reflected in the contract liabilities as at 31 December 2023), and the Company made specific procurement in accordance with the contract. The fixed-price contract was partially executed in the second quarter of 2024.
  - (2) Customer B altered the delivery schedule for a portion of their order, after the Company had procured rare earth raw materials according to contract. This change affected approximately 600 tonnes of already-procured rare earth metals. The associated fixed-price contract remained unexecuted in the first half of 2024.

The above two factors had an impact of approximately 3 percentage points on the gross profit margin during the Reporting Period. In addition, there was no provision for impairment losses on the above rare earth raw materials as they were allocated to confirmed orders, and the corresponding profits will be realized upon execution of the contract.

2. During the Reporting Period, the projects of Ningbo factory and Baotou factory (Phase II) of the Company increased investment in personnel recruitment, training, and preliminary resource allocation before reaching production capacity in order to make full preparations for mass production, resulting in relatively high unit manufacturing costs and administrative expenses and a reduction in net profit. The impact of the Ningbo plant on net profit was approximately RMB30 million.

#### (4) Other Income and Gains

During the Reporting Period, the Company's other income and gains, mainly including government grants and bank interest income, increased by RMB50.3 million from RMB98.5 million for the six months ended 30 June 2023 to RMB148.8 million for the six months ended 30 June 2024, which was mainly due to an increase in government grants of RMB47.0 million during the Reporting Period.

#### (5) Selling and Distribution Expenses

During the Reporting Period, the Company's selling and distribution expenses, which mainly consisted of employee compensation and benefits, market expansion and service expenses, exhibition promotion expenses, business entertainment expenses, traveling expenses and other marketing expenses, increased by RMB15.1 million from RMB10.5 million for the six months ended 30 June 2023 to RMB25.6 million for the six months ended 30 June 2024, which was mainly due to (i) an increase in market expansion and service expenses of RMB6.3 million; and (ii) an increase in compensation and benefits for sales personnel of RMB3.5 million during the Reporting Period.

#### (6) Administrative Expenses

During the Reporting Period, the Company's administrative expenses, which mainly consisted of employee compensation and benefits, professional service expenses and depreciation and amortization, increased by RMB8.1 million from RMB71.7 million for the six months ended 30 June 2023 to RMB79.8 million for the six months ended 30 June 2024, primarily due to (i) an increase in compensation and benefits of management personnels of RMB18.0 million; and (ii) a decrease in professional service expenses of RMB5.3 million during the Reporting Period.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (7) Research and Development Expenses

During the Reporting Period, the Company's research and development expenses, which mainly consisted of employee compensation and benefits and costs for testing materials, decreased by RMB21.9 million from RMB174.7 million for the six months ended 30 June 2023 to RMB152.8 million for the six months ended 30 June 2024, primarily due to decrease in material costs for product R&D of RMB35.6 million as a result of the reduced price of rare earth raw materials.

## (8) Impairment Losses on Inventories

During the Reporting Period, the Company's impairment losses on inventories represented the amount by which the carrying amount of inventories exceeded their recoverable amount, which increased by RMB5.5 million from RMB14.8 million for the six months ended 30 June 2023 to RMB20.3 million for the six months ended 30 June 2024, mainly due to fluctuations in the net realizable value of inventories based on the estimated selling price of finished products.

## (9) Foreign Exchange Differences, Net

During the Reporting Period, the Company's net foreign exchange differences, which represented the net losses or gains resulting from conversion of currencies at different exchange rates, recorded a loss of RMB0.4 million for the six months ended 30 June 2024, as compared to a gain of RMB28.2 million for the six months ended 30 June 2023, mainly due to the impact of exchange rate fluctuations on the monetary items denominated in foreign currencies.

## (10) Income Tax Expenses

During the Reporting Period, the Company's income tax expenses, which included current income tax and deferred income tax, decreased from RMB27.6 million for the six months ended 30 June 2023 to RMB5.9 million for the six months ended 30 June 2024, representing a decrease of RMB21.7 million, primarily due to the decrease in the Company's profit before tax.

## (11) Profit for the Period

During the Reporting Period, the Company's net profit for the period decreased from RMB334.0 million for the six months ended 30 June 2023 to RMB120.7 million for the six months ended 30 June 2024, representing a decrease of RMB213.3 million. The Company's net profit margin for the period (i.e. net profit for the period as a percentage of total revenue) decreased from 9.74% for the six months ended 30 June 2023 to 3.59% for the six months ended 30 June 2024. The significant decrease in net profit for the period was mainly attributable to several factors affecting the Company's product selling prices and profit: a significant year-on-year decline in rare earth raw material market prices, a lag in the adjustment of raw material costs, delayed execution of fixed-price orders from certain customers that were signed when rare earth raw material prices were relatively high, as well as intensified industry competition.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (12) Cash Flows

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net cash flows from operating activities	330,761	779,160
Net cash flows used in investing activities	-506,063	-225,580
Net cash flows used in financing activities	-46,399	-411,144

### 1. Net Cash Flows from Operating Activities

The Company mainly generated cash inflows from operating activities from the proceeds of sales of high-performance NdFeB PMs, and the cash outflows used in operating activities was mainly from the purchase of rare earth raw materials used in the manufacturing of high-performance NdFeB PMs.

The Company's net cash flows generated from operating activities for the six months ended 30 June 2024 was RMB330.8 million, mainly due to the Company's profit before tax of RMB126.7 million and the adjustment for non-cash and non-operating items.

### 2. Net Cash Flows Used in Investing Activities

The Company's net cash flows used in investing activities mainly included purchase of property, plant and equipment, purchase of financial instruments and purchase of other long-term assets projects.

The Company's net cash flows used in investing activities for the six months ended 30 June 2024 was RMB506.1 million, mainly due to the purchase of property, plant and equipment of RMB433.2 million and purchase of financial instruments of RMB80.0 million.

### 3. Net Cash Flows Used in Financing Activities

The Company's net cash flows used in financing activities mainly included repayments of bank borrowings, payment of dividends and settlement of letter of credit.

The Company's net cash flows used in financing activities for the six months ended 30 June 2024 was RMB46.4 million. Cash outflows mainly consisted of repayments of bank loans of RMB203.8 million, payments of dividends of RMB295.5 million and settlement of letter of credit of RMB115.5 million. Such cash outflows were partly offset by cash inflows of new bank borrowings and discounted bank acceptance notes of RMB484.0 million and RMB109.1 million, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (13) Financial Position

Total non-current assets increased by RMB266.3 million from RMB2,989.7 million as of 31 December 2023 to RMB3,256.0 million as of 30 June 2024, primarily due to the increase in property, plant and equipment during the Reporting Period. Total current assets decreased by RMB719.4 million from RMB8,836.3 million as of 31 December 2023 to RMB8,116.9 million as of 30 June 2024, primarily due to the decrease in inventories and cash and cash equivalents during the Reporting Period.

Total current liabilities decreased by RMB143.9 million from RMB3,983.5 million as of 31 December 2023 to RMB3,839.6 million as of 30 June 2024, primarily due to the decrease in trade and notes payables during the Reporting Period.

Non-current liabilities decreased by RMB64.2 million from RMB805.3 million as of 31 December 2023 to RMB741.1 million as of 30 June 2024, mainly due to the decrease in interest-bearing bank and other borrowings during the Reporting Period. As at 30 June 2024 and 31 December 2023, the Company had net current assets of RMB4,277.3 million and RMB4,852.8 million, respectively, and total equity of RMB6,792.2 million and RMB7,037.2 million, respectively.

As at 30 June 2024 and 31 December 2023, the Company's cash and cash equivalents amounted to RMB2,930.1 million and RMB3,156.7 million, respectively.

## (14) Inventories

The Company's inventories consisted of raw materials, work-in-progress and finished goods. The Company monitors the inventories on a regular basis. The warehouse personnel of the Company are responsible for inspection and storage of the inventories. The following table set forth the components of the Company's inventories as of the end of the Reporting Period:

	<b>30 June 2024</b>	31 December 2023
	<b>RMB'000</b>	RMB'000
Raw materials	<b>362,186</b>	812,672
Work-in-Progress	<b>298,956</b>	370,692
Finished goods	<b>1,001,940</b>	1,037,948
Subtotal	<b>1,663,082</b>	2,221,312
Less: Impairment provision		
Work-in-Progress	<b>(872)</b>	(2,099)
Finished goods	<b>(9,119)</b>	(6,033)
Subtotal	<b>(9,991)</b>	(8,132)
Total	<b>1,653,091</b>	2,213,180

The Company's inventories decreased from RMB2,213.2 million as of 31 December 2023 to RMB1,653.1 million as of 30 June 2024, primarily due to the carrying amount of raw materials of RMB362.2 million as at 30 June 2024, representing a decrease by 55.4%, compared to the carrying amount of RMB812.7 million as at 31 December 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (15) Property, Plant and Equipment

Property, plant and equipment mainly consisted of buildings, machinery and equipment, furniture and fixtures, motor vehicles, office equipment and other equipment and construction in progress. As at 30 June 2024 and 31 December 2023, the net carrying amount of the Company's property, plant and equipment amounted to RMB2,689.4 million and RMB2,473.9 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 for additional production lines and automation of production facilities.

## (16) Borrowings and Gearing Ratio

As at 30 June 2024, the Company's interest-bearing bank and other borrowings amounted to RMB1,220.6 million. Among the total borrowings, borrowings of RMB730.8 million would be due within one year while borrowings of RMB489.8 million would be due after one year.

As at 30 June 2024, the Company's gearing ratio, calculated by dividing total liabilities by total assets, was 40.3%, compared to 40.5% as at 31 December 2023.

## (17) Pledge of Assets

As at 30 June 2024 and 31 December 2023, the Company had no pledged property, plant and equipment.

As at 30 June 2024 and 31 December 2023, the Company had no pledged right-of-use assets.

## (18) Contingent Liabilities

As at 30 June 2024 and 31 December 2023, the Company did not have any material contingent liabilities.

## 6. Future Development Strategy of the Company

Aligned with global green and low-carbon transition policies, China has continued to advance the significant strategic decision of "achieving carbon peak before 2030 and carbon neutrality before 2060 (2030年實現碳達峰、2060年實現碳中和)", and repeatedly emphasized the importance of carbon emission control for high-quality economic development. In addition, various local governments and government departments have continuously refined and enhanced relevant policies. In general, high-performance REPMs have several advantages, including energy conservation, compact size, lightweight design, and precise control capabilities. These qualities enable them to greatly enhance the power density of motors, resulting in higher operational efficiency. Compared to traditional motors, REPM motors can save up to 15%-20% of energy, maintaining their position as core components in various 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 component 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" goal. The Company adheres to the R&D, production and sales of high-performance NdFeB PMs as its main business. Leveraging on the high-speed growth of downstream market and the promotion of industry policies, the Company will devote itself to maintain its leading edges in NEVs and automotive parts, energy-saving VFACs, wind power generation, actively explore markets of magnetic components for humanoid robots, 3C and rail transit, optimize its product structure and customer structure, and mitigate operational risks. Meanwhile, the Company will continue to increase its investment in R&D, further implement lean management, and comprehensively enhance 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 through the implementation of the following strategies:

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (1) Establishing industry-Leading Production Capacity of Magnets and Magnetic Components

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, upgrade production lines through R&D, and deepen the Company's product penetration in downstream industries. During the first half of 2024, the Company's Baotou Phase II project with annual production capacity of 12,000 tonnes, Ningbo project with annual production capacity of 3,000 tonnes for high-end magnetic materials and 100 million units/sets of components, and Ganzhou base project of the magnetic materials for high-efficient and energy-saving motor are under construction as scheduled. The Company plans to build a production capacity of 40,000 tonnes/year of high-performance REPMs and establish an advanced production line of magnetic components by 2025.

## (2) Strengthening R&D Innovation and Expanding Product Range

The Company plans to further strengthen R&D innovation in order to improve production techniques, diversify current product portfolio and facilitate the cooperation with top-tier industry customers. In particular, the Company plans to:

1. Continue to carry out R&D projects to consolidate the Company's current technology and optimize formulations, and introduce new products and technology of high-performance magnetic materials and components. Timely respond to customers' demands for upgrading magnetic material products as-well-as magnetic components for humanoid robots, and lead the technology innovation in our industry;
2. Maintain the Company's technological edges in production of high-performance NdFeB PMs, keep abreast of the latest international technological advantages and best practices to further upgrade proprietary technologies;
3. Increase investment in R&D, including further reducing the use of medium and heavy rare earth in the production of high-performance NdFeB PMs, which have a wider range of applications;
4. Expand the Company's R&D team by recruiting industry experts and talents, and strengthen internal trainings and talent development;
5. Upgrade production facilities by enhancing automation level to facilitate ramping up the Company's production capacity while ensuring product quality and consistency.

## (3) Industry-Leading ESG Practices with Practical Actions to Support Carbon Neutrality Development

With the mission of "Creating a Better Life with Rare Earths", the Company attaches great importance to ESG practices, and is committed to protecting the environment and fulfilling corporate social responsibility. The Company continue to reduce its own carbon emissions through the construction of photovoltaic power stations, technological innovation, lean production, process energy saving, efficiency improvement, equipment renewal and green power conversion. The Company also provides REPMs to multiple leading enterprises in new energy, energy conservation and environmental protection sectors to help the world achieve the carbon neutrality target. The Company continues to strengthen its ESG system and has set up an Environmental, Social and Governance (ESG) Committee to comprehensively co-ordinate the Company's ESG-related works and continuously improve ESG strategies.

The above operating targets do not represent the Company's profit forecast, and whether they can be achieved depends on a variety factors such as changes in macro policies and market conditions as well as the operating results of the management team, which are subject to a high degree of uncertainty. The investors are advised to exercise caution.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 1. INTERIM DIVIDEND

The Board of the Company has resolved and proposed to declare an interim dividend for the six months ended 30 June 2024 of RMB0.8 (tax inclusive) per 10 shares as a cash dividend to all shareholders on the basis of the share capital of the Company in respect of the A Shares and H Shares as of the date of shareholding registration less the number of treasury A Shares of the Company as determined in the announcement of the implementation of the equity distribution, with no capitalisation by way of capitalisation of capital reserves and no bonus shares. Based on the issued share capital of the Company of 1,337,220,939 A Shares and H Shares as of 30 June 2024 (excluding 8,015,784 treasury A Shares), the total amount of the interim dividend is estimated to be approximately RMB107 million (tax inclusive).

The first extraordinary general meeting of 2024 of the Company will be convened on Thursday, 19 September 2024, to consider the aforesaid resolution. Upon approval by the extraordinary general meeting, the proposed interim dividend is expected to be paid to eligible shareholders within two months after the conclusion of such meeting. During the period between the date of disclosure of the proposed profit distribution and the equity registration date of implementing equity distribution, in the event of any changes in the share capital of the Company as a result of the exercise of share incentive grants, listing of new shares, share buybacks, etc., the Company will adjust the total amount of distribution in accordance with the principle of no change in the proportion of distribution, that is, to maintain the distribution of a cash dividend of RMB0.8 (tax inclusive) per 10 shares with the corresponding change in the total amount of distribution of the cash dividend.

For the purpose of determining the H shareholders entitled to attend and vote at the extraordinary general meeting, the register of members of the H Shares of Company will be closed from Friday, 13 September 2024 to Thursday, 19 September 2024 (both days inclusive), during which period no transfer of H Shares will be registered. H Shareholders whose names appear on the register of members of the Company on Thursday, 19 September 2024 will be entitled to attend and vote at the first extraordinary general meeting of 2024. H Shareholders wishing to attend the first extraordinary general meeting of 2024 must lodge all transfer documents accompanied by the relevant share certificates with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Thursday, 12 September 2024 for registration.

For the purpose of determining the list of H shareholders entitled to the interim dividend, the register of members of the Company will be closed from Thursday, 26 September 2024 to Wednesday, 2 October 2024 (both days inclusive), during which period no transfer of H Shares will be registered. H shareholders whose names appear on the register of members of the Company on Wednesday, 2 October 2024 will be entitled to receive the interim dividend, H shareholders who have not yet lodged their transfers must lodge all transfer documents, accompanied by the relevant share certificates with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Wednesday, 25 September 2024 for registration.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## Taxation Arrangements on the Proposed 2024 Interim Dividend

In accordance with the Enterprise Income Tax Law of the People's Republic of China (the "PRC") 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 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 shareholders 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 laws or the requirements of the relevant government departments 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 of the record date. If the individual shareholders 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 from retained earnings with the PRC 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 shareholders of H Shares be residents of countries that had an agreed tax rate of less than 10% with the PRC under relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual shareholders of H Shares wish to reclaim the extra amount withheld, the Company would apply for the relevant agreed preferential tax treatment under the tax agreement provided that the relevant shareholders submit the evidence required by the notice of the tax agreement to the H Share register of the Company. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual shareholders of H Shares be residents of countries that had an agreed tax rate of over 10% but less than 20% with the PRC 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 shareholders of H Shares are residents of countries that had an agreed tax rate of 20% with the PRC, or which had not entered into any tax agreement with China, or otherwise, the Company shall withhold and pay the individual income tax at the 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稅收政策的通知》) (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稅收政策的通知》) (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 Connect and Shenzhen-Hong Kong Stock Connect, 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. Regarding the 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 Connect, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## 2. CORPORATE GOVERNANCE PRACTICE

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.

During the Reporting Period, save for deviation from code provision C.2.1 of the Corporate Governance Code, the Company has complied with the applicable provisions set out in the Corporate Governance Code.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cai Baogui (“Mr. Cai”) is our co-founder, the Chairman and the chief executive officer (same nature as the chief executive). 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 chief executive officer 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 the chief executive officer of our Group. Our Board currently comprises two executive Directors (including Mr. Cai), four non-executive Directors and three independent non-executive Directors and therefore has a strong independence in its composition.

The Board 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.

## 3. MODEL CODE FOR THE SECURITIES TRANSACTIONS BY THE DIRECTORS

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. Having made specific enquiry with the Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

## 4. EMPLOYEE REMUNERATION AND RELATIONS

The Company had a total of 6,671 employees as of 30 June 2024.

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. The Company also provided its employees with regular training to enhance their skills and knowledge. The training courses included further education, skills training and professional development courses for management personnel.

## 5. PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period, considering that 7 participants receiving the initial grant under the Company’s 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 twenty-second meeting of the third session of the Board and the nineteenth meeting of the third session of the Supervisory Committee on 25 October 2023, the Company repurchased and cancelled a total of 94,772 Type I Restricted Shares granted to the 7 participants but subject to lock up restrictions (the repurchase price per share was RMB8.0484 and the total repurchase fund was RMB762,762.96). The above repurchase and cancellation were completed on 30 May 2024. For details, please see the H Share overseas regulatory announcement of the Company dated 30 May 2024.

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (including the sales of treasury shares) during the Reporting Period. As at the end of the Reporting Period, the Company held 8,015,784 treasury A Shares, which will be used for share incentives or employee share schemes at appropriate times in the future. As at the end of the Reporting Period, the Company did not hold any treasury H Shares.



# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## 6. SIGNIFICANT INVESTMENTS AND PLANS FOR FUTURE SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the interim report, the Company did not have any significant investments, or plans for other significant investments or acquisitions of capital assets authorized by the Board, during the Reporting Period.

## 7. SIGNIFICANT ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant acquisitions or disposals of subsidiaries, associates or joint ventures of the Company during the Reporting Period.

## 8. CHANGES IN INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

The changes in information of Directors, Supervisors and other senior management personnel during the Reporting Period are set out below:

- (1) Upon the expiry of the term of the third session of the Board of the Company, the shareholders considered and approved the proposal at the 2023 annual general meeting in relation to the appointment of Mr. Cai Baogui and Mr. Lyu Feng as the executive Directors of the fourth session of the Board, Mr. Hu Zhibin, Mr. Li Xinnong, Mr. Liang Minhui and Mr. Li Xiaoguang as the non-executive Directors of the fourth session of the Board, and Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying as the independent non-executive Directors of the fourth session of the Board;
- (2) On 12 June 2024, the Company convened the first meeting of the fourth session of the Board, which approved the appointment of Mr. Cai Baogui as the Chairman of the fourth session of the Board and Mr. Lyu Feng as the vice chairman of the fourth session of the Board; Mr. Cai Baogui as chief executive officer of the Company and Mr. Lyu Feng, Mr. Mao Huayun, Mr. Yu Han, Mr. Lu Ming, Mr. Huang Changyuan and Mr. Su Quan as the vice presidents of the Company. Ms. Xie Hui was appointed as the chief financial officer (CFO) of the Company; Mr. Lai Xunlong was appointed as the Board secretary of the Company and Mr. Liu Zhaolin was appointed as the securities representative of the Company. Their terms of office will commence from 12 June 2024 until the expiry of the term of the fourth session of the Board. The composition of the Board committees is as follows: (1) the Strategy Committee comprises Mr. Cai Baogui (chairman), Mr. Hu Zhibin, Mr. Li Xinnong, Mr. Li Xiaoguang, Mr. Zhu Yuhua and Mr. Xu Feng; (2) the Audit Committee comprises Ms. Cao Ying (chairman), Mr. Zhu Yuhua and Mr. Hu Zhibin; (3) the Nomination Committee comprises Mr. Xu Feng (chairman), Ms. Cao Ying and Mr. Cai Baogui; (4) the Remuneration and Appraisal Committee comprises Mr. Zhu Yuhua (chairman), Mr. Xu Feng and Mr. Lyu Feng; and (5) the ESG Committee comprises Mr. Cai Baogui (chairman), Ms. Cao Ying, Mr. Yu Han, Mr. Su Quan and Mr. Yi Pengpeng. Their terms of office commenced from 12 June 2024 until the expiry of the term of the fourth session of the Board;
- (3) The shareholders also considered and approved the proposal at the 2023 annual general meeting in relation to the appointment of Mr. Li Hua as the non-employee representative Supervisor of the fourth session of the Supervisory Committee. As such, Mr. Li Hua, Ms. Liu Qiujun and Mr. Liang Qilu (have been elected as employee representative Supervisors on 26 March 2024) are the members of the Supervisory Committee. Their terms of office will commence from 5 June 2024 until the expiry of the term of the fourth session of the Supervisory Committee. On 12 June 2024, the Company convened its first meeting of the fourth session of the Supervisory Committee, in which Ms. Liu Qiujun was elected as the chairman of the fourth session of the Supervisory Committee;
- (4) Ms. Sun Yixia ceased to hold office upon the expiry of the third session of the Supervisory Committee on 5 June 2024 and no longer served as the chairman of the Supervisory Committee and Supervisor of the Company but continues to hold other positions in the Company;

Save as disclosed above, no change in the information on Directors, Supervisors and the chief executive during the Reporting Period was required to be disclosed in the report pursuant to Rules 13.51B(1) to 13.51B(2) of the Listing Rules. For further details of the changes in Directors and Supervisors and the biographical details of the newly appointed Directors and Supervisors, please refer to the H Share announcements of the Company dated 28 March 2024, 5 June 2024 and 12 June 2024 and the circular of the Company dated 14 May 2024.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## 9. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of 30 June 2024, to the knowledge of the Directors, the following person who have or are deemed as having interests and short positions in the shares or underlying shares of the Company, 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 which were recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Class of Shares	Nature of Interest	Number of Shares held <sup>(1)</sup>	Approximate percentage shareholding in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage of total shareholdings in the Company <sup>(3)</sup>
Cai Baogui <sup>(4)(5)(13)</sup>	A Shares	Interests of controlled corporation	387,100,160(L)		
	A Shares	Interests of controlled corporation	23,536,435(L)		
	A Shares	Beneficial owner	1,024,000(L)		
	A Shares	Interests of parties acting in concert	10,139,174(L)		
			421,799,769(L)	36.85%	31.36%
	H Shares	Interests of controlled corporation	20,171,568(L)	10.05%	1.50%
Hu Zhibin <sup>(4)(13)</sup>	A Shares	Interests of controlled corporation	387,100,160(L)		
	A Shares	Beneficial owner	1,536,000(L)		
	A Shares	Interests of parties acting in concert	33,163,609(L)		
			421,799,769(L)	36.85%	31.36%
	H Shares	Interests of controlled corporation	20,171,568(L)	10.05%	1.50%
Li Xinnong <sup>(4)(6)(13)</sup>	A Shares	Interests of controlled corporation	387,100,160(L)		
	A Shares	Interests of controlled corporation	8,603,174(L)		
	A Shares	Interests of parties acting in concert	26,096,435(L)		
			421,799,769(L)	36.85%	31.36%
		H Shares	Interests of controlled corporation	20,171,568(L)	10.05%
Jiangxi Ruide Venture Investment Co., Ltd. <sup>(4)(13)</sup>	A Shares	Beneficial owner	387,100,160(L)	33.82%	28.78%
	H Shares	Beneficial owner	20,171,568(L)	10.05%	1.50%

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name	Class of Shares	Nature of Interest	Number of Shares held <sup>(1)</sup>	Approximate percentage shareholding in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage of total shareholdings in the Company <sup>(3)</sup>
Ganzhou Industrial Investment Holding Group Co., Ltd. <sup>(12)</sup>	A Shares	Beneficial owner	69,120,000(L)	6.04%	5.14%
Goldwind Science & Technology Co., Ltd. <sup>(7)</sup>	A Shares	Interests of controlled corporation	67,036,352(L)	5.86%	4.98%
Goldwind Investment Holdings Co., Ltd. <sup>(7)</sup>	A Shares	Beneficial owner	67,036,352(L)	5.86%	4.98%
China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. <sup>(6)</sup>	H Shares	Beneficial owner	34,270,800(L)	17.07%	2.55%
China Chengtong Holdings Group Ltd. <sup>(6)</sup>	H Shares	Interests of controlled corporation	34,270,800(L)	17.07%	2.55%
China Resources (Holdings) Company Limited <sup>(9)</sup>	H Shares	Interests of controlled corporation	11,423,600(L)	5.69%	0.85%
China Resources Company Limited <sup>(9)</sup>	H Shares	Interests of controlled corporation	11,423,600(L)	5.69%	0.85%
China Resources Inc. <sup>(9)</sup>	H Shares	Interests of controlled corporation	11,423,600(L)	5.69%	0.85%
CR & CNIC Investment Limited <sup>(9)</sup>	H Shares	Interests of controlled corporation	11,423,600(L)	5.69%	0.85%
CR Alpha Fund Management Limited <sup>(9)</sup>	H Shares	Interests of controlled corporation	11,423,600(L)	5.69%	0.85%
CR Alpha Fund, L.P. <sup>(9)</sup>	H Shares	Interests of controlled corporation	11,423,600(L)	5.69%	0.85%
CR Alpha Investment II Limited <sup>(9)</sup>	H Shares	Beneficial owner	11,423,600(L)	5.69%	0.85%
CRC Bluesky Limited <sup>(9)</sup>	H Shares	Interests of controlled corporation	11,423,600(L)	5.69%	0.85%
CCB Financial Holdings Limited <sup>(14)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%
CCB International (Holdings) Limited <sup>(14)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%
CCB International Group Holdings Limited <sup>(14)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%
CCB International Overseas Limited <sup>(14)</sup>	H Shares	Beneficial owner	6,923,400(L)	3.45%	0.51%
CITIC Corporation Limited <sup>(10)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%
CITIC Glory Limited <sup>(10)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%
CITIC Group Corporation <sup>(10)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name	Class of Shares	Nature of Interest	Number of Shares held <sup>(1)</sup>	Approximate percentage shareholding in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage of total shareholdings in the Company <sup>(3)</sup>
CITIC Limited <sup>(10)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%
CITIC Polaris Limited <sup>(10)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%
Prudential PLC <sup>(11)</sup>	H Shares	Interests of controlled corporation	6,923,400(L)	3.45%	0.51%
CITIC-Prudential Life Insurance Company Limited	H Shares	Beneficial owner	6,923,400(L)	3.45%	0.51%

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 divided by the number of shares in the relevant class of the Company in issue as of 30 June 2024.
- (3) Represents the percentage of the number of shares in the relevant class divided by the number of all shares of the Company in issue as of 30 June 2024 (totaling 1,345,236,723 shares, including 200,745,600 H Shares and 1,144,491,123 A Shares, among those, 8,015,784 treasury A 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.  
  
Ruide Venture 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 387,100,160 A Shares held by Ruide Venture. Under the SFO, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are deemed to be interested in the 20,171,568 H Shares to be subscribed by Ruide Venture.
- (5) Ganzhou Xinsheng Investment Management Center (limited partnership), with 89.12% of the partnership interests held by Mr. Cai as a general partner, directly holds 23,536,435 A Shares of the Company, and in accordance with the SFO, Mr. Cai is deemed to be interested in 23,536,435 A Shares held by Ganzhou Xinsheng Investment Management Center (limited partnership).
- (6) Ganzhou Geshuo Investment Management Center (limited partnership), with 39.00% of the partnership interests held by Mr. Li Xinong as a general partner, directly holds 8,603,174 A Shares of the Company, and in accordance with the SFO, Mr. Li Xinong is deemed to be interested in 8,603,174 A Shares held by Ganzhou Geshuo Investment Management Center (limited partnership).
- (7) Goldwind Investment Holding Co., Ltd. directly holds 67,036,352 A Shares of the Company. Goldwind Investment Holding Co., Ltd. is a wholly-owned subsidiary of Goldwind Science & Technology Co., Ltd., formerly known as "Xinjiang Goldwind Science & Technology Co., Ltd. (新疆金風科技股份有限公司)", which under the SFO is deemed to be interested in 67,036,352 A Shares held by Goldwind Investment Holdings Co., Ltd.
- (8) Pursuant to a corporate substantial shareholder notice filed by China Chengtong Holdings Group Ltd. to the Stock Exchange on 16 February 2022, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

- (9) Pursuant to a corporate substantial Shareholder notice filed by China Resources Inc. to the Stock Exchange on 26 May 2022, CR Alpha Investment II Limited directly holds 11,423,600 H Shares of the Company. CR Alpha Investment II Limited is a wholly-owned subsidiary of CR Alpha Fund, L.P., while CR Alpha Fund, L.P. is a wholly-owned subsidiary of CR Alpha Fund Management Limited, and CR Alpha Fund Management Limited is a wholly-owned subsidiary of CR & CNIC Investment Limited. China Resources (Holdings) Company Limited holds 60% equity interest in CR & CNIC Investment Limited, and China Resources (Holdings) Company Limited is a wholly-owned subsidiary of CRC Bluesky Limited, and CRC Bluesky Limited is a wholly-owned subsidiary of China Resources Inc. China Resources Inc. is a wholly-owned subsidiary of China Resources Company Limited. Under the SFO, China Resources (Holdings) Company Limited, China Resources Company Limited, China Resources Inc., CR & CNIC Investment Limited, CR Alpha Fund Management Limited, CR Alpha Fund, L.P., CRC Bluesky Limited are deemed to be interested in the 11,423,600 H Shares held by CR Alpha Investment II Limited.
- (10) Pursuant to a corporate substantial Shareholder notice filed by CITIC Group Corporation to the Stock Exchange on 28 January 2022, 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. CITIC Glory Limited and CITIC Polaris Limited are both wholly owned by CITIC Group Corporation. Under the SFO, CITIC Corporation Limited, CITIC Glory Limited, CITIC Polaris Limited, CITIC Limited and CITIC Group Corporation are deemed to be interested in the 6,923,400 H Shares held by CITIC-Prudential Life Insurance Company Limited.
- (11) Pursuant to a corporate substantial Shareholder notice filed by Prudential PLC. to the Stock Exchange on 28 January 2022, 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.
- (12) Formerly known as Ganzhou Rare Earth Group Co., Ltd.
- (13) On 26 January 2024, the Board considered and approved the proposal in relation to the Proposed Issuance of H Shares, pursuant to which, the Company will issue not more than 26,895,424 H Shares (stated figure inclusive) at the H Share Issue Price. On the same day, the Company entered into the H Share Subscription Agreement with Ruide Venture, pursuant to the terms and subject to the conditions set out in the H Share Subscription Agreement, the Company has agreed to allot and issue to Ruide Venture or its designated wholly-owned overseas subsidiaries, and Ruide Venture has agreed to subscribe for, either on its own or by designation of its wholly-owned overseas subsidiaries, a total of not more than 20,171,568 H Shares (stated figure inclusive) of the Company at the H Share Issue Price (i.e. HK\$8.19 per new H Share, which may be subject to further adjustments) in cash. The aforesaid proposals were passed at the 2023 annual general meeting of the Company. For details, please refer to the H Share announcement dated 26 January 2024 and the circular dated 14 May 2024 of the Company. As of the date of this report, the aforesaid Proposed Issuance of H Shares has not yet been proceeded and the Company will continue to monitor the status of the Proposed Issuance of H Shares and fulfil its information disclosure obligations in a timely manner.
- (14) Pursuant to a corporate substantial Shareholder notice filed by CCB International Group Holdings Limited to the Stock Exchange on 20 January 2022, 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. Under the SFO, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited are deemed to be interested in the 6,923,400 H Shares held by CCB International Overseas Limited.

Save as disclosed above, as at 30 June 2024, there was no other person who had an interest or short position in the shares and underlying shares of the Company which was required 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## 10. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 30 June 2024, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as 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 he/she is taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name of the Directors/ Supervisors/chief executives		Class of Shares	Nature of Interest	Number of Shares held	Approximate percentage shareholding in the relevant class of Shares of the Company <sup>(7)</sup>	Approximate percentage of total shareholdings in the Company <sup>(8)</sup>
Cai Baogui <sup>(1)(3)(5)</sup>	A Shares	Interests of controlled corporation	387,100,160			
	A Shares	Interests of controlled corporation	23,536,435			
	A Shares	Beneficial owner	1,024,000			
	A Shares	Interests of parties acting in concert	10,139,174			
			421,799,769	36.85%	31.36%	
Hu Zhibin <sup>(1)(5)</sup>	H Shares	Interests of controlled corporation	20,171,568		10.05%	1.50%
	A Shares	Interests of controlled corporation	387,100,160			
	A Shares	Beneficial owner	1,536,000			
	A Shares	Interests of parties acting in concert	33,163,609			
			421,799,769	36.85%	31.36%	
Li Xinnong <sup>(1)(4)(5)</sup>	H Shares	Interests of controlled corporation	20,171,568		10.05%	1.50%
	A Shares	Interests of controlled corporation	387,100,160			
	A Shares	Interests of controlled corporation	8,603,174			
	A Shares	Interests of parties acting in concert	26,096,435			
			421,799,769	36.85%	31.36%	
Lyu Feng <sup>(2)</sup>	H Shares	Interests of controlled corporation	20,171,568		10.05%	1.50%
	A Shares	Interests of controlled corporation	2,168,862			
	A Shares	Beneficial owner	2,115,648			
			4,284,510	0.37%	0.32%	
Liu Qiujun	A Shares	Interests of controlled corporation <sup>(8)</sup>	155,501			
	A Shares	Beneficial owner	177,320			
			332,821	0.03%	0.02%	

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## Notes:

- (1) 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. 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. Ruide Venture 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 387,100,160 A Shares held by Ruide Venture.
- (2) Ganzhou Huirui Investment Management Center (Limited Partnership), with 50.0% of the partnership interests held by Mr. Lyu Feng as a general partner, directly holds 2,168,862 A Shares of the Company, and in accordance with the SFO, Mr. Lyu Feng is deemed to be interested in 2,168,862 A Shares held by Ganzhou Huirui Investment Management Center (Limited Partnership).
- (3) Ganzhou Xinsheng Investment Management Center (Limited Partnership), with 89.12% of the partnership interests held by Mr. Cai as a general partner, directly holds 23,536,435 A Shares of the Company, and in accordance with the SFO, he is deemed to be interested in 23,536,435 A Shares held by Ganzhou Xinsheng Investment Management Center (Limited Partnership).
- (4) Ganzhou Geshuo Investment Management Center (Limited Partnership), with 39.00% of the partnership interests held by Mr. Li Xinnong as a general partner, directly holds 8,603,174 A Shares of the Company, and in accordance with the SFO, he is deemed to be interested in 8,603,174 A Shares held by Ganzhou Xinsheng Investment Management Center (Limited Partnership).
- (5) On 26 January 2024, the Board considered and approved the proposal in relation to the Proposed Issuance of H Shares, pursuant to which, the Company will issue not more than 26,895,424 H Shares (stated figure inclusive) at the H Share Issue Price. On the same day, the Company entered into the H Share Subscription Agreement with Ruide Venture, pursuant to the terms and subject to the conditions set out in the H Share Subscription Agreement, the Company has agreed to allot and issue to Ruide Venture or its designated wholly-owned overseas subsidiaries, and Ruide Venture has agreed to subscribe for, either on its own or by designation of its wholly-owned overseas subsidiaries, a total of not more than 20,171,568 H Shares (stated figure inclusive) of the Company at the H Share Issue Price (i.e. HK\$8.19 per new H Share, which may be subject to further adjustments) in cash. The aforesaid proposals were passed at the 2023 annual general meeting of the Company. For details, please refer to the H Share announcement dated 26 January 2024 and the circular dated 14 May 2024 of the Company. As of the date of this report, the aforesaid Proposed Issuance of H Shares has not yet been proceeded and the Company will continue to monitor the status of the Proposed Issuance of H Shares and fulfil its information disclosure obligations in a timely manner. Under the SFO, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are deemed to be interested in the 20,171,568 H Shares to be subscribed by Ruide Venture.
- (6) Represents the percentage of the number of shares in the relevant class divided by the number of shares in the relevant class of the Company in issue as of 30 June 2024.
- (7) Represents the percentage of the number of shares in the relevant class divided by the number of all shares of the Company in issue as of 30 June 2024 (totaling 1,345,236,723 shares, including 200,745,600 H Shares and 1,144,491,123 A Shares, among those, 8,015,784 treasury A Shares).
- (8) Ms. Liu Qiujun indirectly holds 155,501 A Shares of the Company through Ningbo Jiangbei District Qianrui Investment Management Partnership (limited partnership).

Save as disclosed above, as of 30 June 2024, to the knowledge of the Board, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## 11. REVIEW OF INTERIM RESULTS AND REPORT

The audit committee of the Company (the “Audit Committee”) comprised three Directors, namely Ms. Cao Ying, Mr. Zhu Yuhua and Mr. Hu Zhibin. Ms. Cao Ying was the chairman of the Audit Committee and had the appropriate qualifications as required by Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee and the management of the Company and Ernst & Young, the international auditor of the Company, reviewed the Group’s interim report and the unaudited condensed consolidated financial information for the six months ended 30 June 2024. In the opinion of the Audit Committee, the interim results complied with applicable accounting standards, laws and regulations and the Company made appropriate disclosures in accordance with relevant accounting standards, laws and regulations. The Audit Committee also discussed with the senior management of the Company on matters in relation to the accounting policies and regulations adopted by the Company and internal control.

## 12. 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

As of the date of this interim 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.

### (3) The Maximum Entitlement for Each Incentive Participants under the Restricted Share Incentive Plan

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 (excluding treasury 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 (excluding treasury A Shares).

The total number of shares available for grant under the Restricted Share Incentive Plan is 13,203,200 A Shares. Due to the Company’s capitalization issue in 2023 and under the Restricted Share Incentive Plan, the total number of shares available for grant under the plan increased from 13,203,200 A Shares to 21,125,120 A Shares. This represented approximately 1.58% of the total issued share capital (excluding 8,015,784 treasury A Shares) of the Company as at the date of this interim report and approximately 1.86% of the total issued A Shares (excluding 8,015,784 treasury A Shares) of the Company as at the date of this interim report.



# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## (4) The Grant Price and Basis of Determination, Adjustment of Grant Price and Fair Value of Restricted Shares

### 1) 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.

### 2) 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 prices 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.

### 3) Adjustment of Grant Price

The repurchase price 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:  $P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$
- (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. In June 2023, the Company declared a cash dividend of RMB0.26 per share, and the Company issued Capitalization Shares on the basis of 6 Capitalization Shares for every 10 Shares out of share premium based on the Company's total share capital as at 3 July 2023, the grant price in 2023 was then adjusted to RMB8.0484 per share.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## Fair Value of Restricted Shares

See Note 17 to the Consolidated Financial Statements for the fair value of restricted shares under the Restricted Share Incentive Plan and its determination basis.

### (5) 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.

### (6) Vesting Period and Arrangement<sup>Note</sup> (Type II Restricted Shares)

#### 1) 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## 2) 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## (7) 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.

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## (8) 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: Share

Name of the grantees	Position	Number of restricted shares					Unlocking period (Note 2)	Grant date	Grant price of the restricted shares (RMB/share)
		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			
<b>Other employees</b>									
Other grantees (7 former employees)	-	94,772	-	-	94,772 (Note 3)	0	-	26 August 2020	Note 1
<b>Total</b>	-	94,772	-	-	94,772	0	-	-	-

Notes:

- (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. In July 2023, the Company declared a cash dividend of RMB0.26 per share and issued 6 new shares for every 10 existing shares from capitalization of capital reserves to all Shareholders. The grant price of Type I Restricted Shares in 2022 was then adjusted to RMB8.0484 per share.
- (2) For details of the unlocking period, please refer to "(5) Lock-up Period and Unlocking Arrangement (Type I Restricted Shares)" in this section.
- (3) Due to the resignation of the 7 incentive participants under the first grant of the Company's Restricted Share Incentive Plan, the Company repurchased and cancelled 94,772 Type I Restricted Shares granted but not yet released from restriction. The repurchase price was RMB8.0484 per share and the total repurchase fund was RMB762,762.96. The aforesaid repurchase and cancellation was completed on 30 May 2024. For details, please refer to the H Shares overseas regulatory announcement of the Company dated 30 May 2024.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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: Share

Name of the grantees	Position	Number of restricted shares					Unvested at the end of the Reporting Period	Exercise price
		Not yet vested at the beginning of the Reporting Period	Granted during the Reporting Period	Can be vested during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period		
Lyu Feng	Vice Chairman, Executive Director, Vice President	387,072	-	387,072	-	-	387,072	Note 1
Huang Changyuan	Vice President	245,760	-	245,760	-	-	245,760	Note 1
Mao Huayun	Vice President	245,760	-	245,760	-	-	245,760	Note 1
Xie Hui	Chief Financial Officer	184,320	-	184,320	184,320	-	0	Note 1
Yu Han	Vice President	245,760	-	245,760	122,880	122,880	0	Note 1
Lu Ming	Vice President	245,760	-	245,760	-	-	245,760	Note 1
Yi Pengpeng	Former Vice General Manager	245,760	-	245,760	122,500	123,260	0	Note 1
Other grantees (5 foreigner employees)	Core employees	153,600	-	153,600	130,560	23,040	0	Note 1
<b>Total</b>	<b>-</b>	<b>1,953,792</b>	<b>-</b>	<b>1,953,792</b>	<b>560,260</b>	<b>269,180</b>	<b>1,124,352</b>	<b>-</b>

Notes:

- 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. In June 2023, the Company declared a cash dividend of RMB0.26 per share, and the Company issued Capitalization Shares on the basis of 6 Capitalization Shares for every 10 Shares out of share premium based on the Company's total share capital as at 3 July 2023, the grant price in 2023 was then adjusted to RMB8.0484 per share.
- For details of the corresponding vesting period for Type II Restricted Shares, see "(6) Vesting Period and Arrangement (Type II Restricted Shares)" in this section.
- During the Reporting Period, the Company completed the registration of the first grant of the 2020 Restricted Share Incentive Plan portion and the third vesting period of the 2020 Grant Reserved portion of the Vesting Shares. The number of incentive recipients who completed the vesting of the Restricted Shares was 7, and the vesting of the Restricted Shares was completed to 560,260 shares, and the date of listing of the Vested Restricted Shares was 14 June 2024. For details, please refer to the H Shares overseas regulatory announcement of the Company dated 12 June 2024. The weighted average closing price of the shares immediately before the vesting date is RMB15.63 per share.

The Type I Restricted Shares under Restricted Incentive Share Plan were granted to grantees on 26 August 2020 and the 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## (9) Accounting Policies, Accounting Treatments and Financial Impacts

The specific accounting policies for the Restricted Share Incentive Plan are set forth in Note 17 to the Consolidated Financial Statements.

## 13. USE OF PROCEEDS FROM THE GLOBAL OFFERING

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). The change in the use of proceeds from the Global Offering was considered and approved by way of ordinary resolution at the first extraordinary general meeting of the Company of 2022.

According to the needs of the Group's business development, as reviewed and approved by the Board of the Company at its meeting held on 11 July 2022 and the first extraordinary general meeting of 2022 held on 24 August 2022, the Company has decided to change part of the proceeds originally earmarked for the "Construction of Ningbo Production Base" to "Baotou Production Base Phase II Project and Baotou's daily working capital" and to change part of the proceeds originally earmarked for "Research and Development" to "Working capital and general corporate purposes" and to change part of the proceeds originally earmarked for "Research and Development" to "Working capital and general corporate purposes". At the same time, part of the proceeds originally earmarked for "research and development" was changed to "working capital and general corporate purposes".

As reviewed and approved by the Board of the Company held on 24 August 2023, the Company decided to change part of the proceeds originally earmarked for "potential acquisitions" to "Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico". In accordance with the Company's development strategy and in light of the actual changes in the market, such as the increase in demand for magnetic components, the Company has made corresponding adjustments to its investment and construction projects in Mexico. The original "Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico" has been changed to "Mexico New Production Line Project with 1 million units/sets of Magnetic Components per year" (the "Mexico Magnetic Components Project"), given that the Company has changed the original "Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico" to "Mexico Magnetic Components Project". The Board resolved on 25 October 2023 to make a simultaneous adjustment to the motion passed on 24 August 2023 to change the use of proceeds, which was considered and approved at the first extraordinary general meeting of 2023 held on 23 November 2023. For further details of the above changes, please refer to the H Share announcements of the Company dated 11 July 2022, 24 August 2023 and 25 October 2023 and the H Share circulars of the Company dated 8 August 2022 and 3 November 2023 respectively.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 3 November 2023. 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 30 June 2024 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	0.0	N/A
2	Potential acquisitions	604.9	15.0%	326.4	278.5	By the end of 2024
3	Research and development	403.2	10.0%	403.2	0.0	N/A
4	Repayment of loans for the construction of Baotou Production Base project	403.2	10.0%	403.2	0.0	N/A
5	Baotou Production Base Project (Phase II) and Baotou Company's daily operation capital	604.8	15.0%	604.8	0.0	N/A
6	Project for Mexico's new production line with an annual output of 1 million units/sets of magnetic components	403.2	10.0%	403.2	0.0	N/A
7	Working capital and general corporate purposes <sup>Note 3</sup>	806.4	20.0%	645.5	160.9	By the end of 2024
Subtotal		4,032.1	100.0%	3,592.7	439.4	

Note 1: The difference between the net proceeds in the table and the data disclosed in the 2022 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 28 June 2024.

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 2023 with a sufficient working capital.



# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## 14. 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. In the first half of 2024, 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 has established production plants in Ganzhou of Jiangxi Province, the main source of heavy rare earths and Baotou, Inner Mongolia, the main source of light rare earths. The Company has established long-term cooperation relationships with important rare earth raw material suppliers, including Northern Rare Earth Group and China Rare Earth Group. At the same time, the Company has taken measures such as purchasing rare earth raw materials in advance based on orders in hand, establishing price adjustment mechanisms with major customers, optimizing formulas and improving processes, in order to reduce the adverse impact of fluctuations in the prices of rare earth raw materials 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 the overall economic operation and national policies. If the economic growth slows down in the future and the downstream demand fails to meet the expectation due to the unsustainable national incentive policies, it may have a negative impact on the Company's future business performance.

Countermeasures: The Company keeps abreast of the latest developments in various downstream fields, actively pays attention to the announcements or adjustments of industry policies made by relevant functional departments of the State, conducts strategic analyses of relevant data and information, and combines its own strengths in research and development of new products, optimisation of capacity allocation, and continuous upgrading of craftsmanship levels. Meanwhile, on the premise of legal compliance, effective measures will be taken to proactively address the relevant policy risks.

### (3) Risks Relating to Overseas Sales

The Company has steadily developed overseas markets and its overseas business gradually increased. The Company may face risks arising from changes in international geopolitical, economic, trade and financial conditions, as well as changes in regulatory policies and tariff increases. At the same time, 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 and USD, RMB and EUR is more volatile. It not only affects the Company's revenue of sales denominated in foreign currencies, but also affects the Company's exchange gains and losses.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Countermeasures: The Company will pay close attention to the changes in the global political, economic, trade and financial markets, keep abreast of the regulatory, tariff and exchange rate policies of the relevant countries, conduct analyses and make judgements, and maintain close communication with clients. In particular, the Company selects appropriate exchange rate management tools to proactively manage exchange rate risks. When the spot rate is higher than forward rate, the Company avoids foreign exchange rate risk mainly through 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.

## 15. PROPOSED ISSUANCE OF NEW H SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION IN RELATION TO CONTROLLING SHAREHOLDER SUBSCRIPTION

On 26 January 2024, the Board considered and approved the proposal in relation to the plan for the Proposed Issuance of H Shares, pursuant to which, the Company will issue not more than 26,895,424 H Shares (stated figure inclusive) at the H Share Issue Price to target subscribers including the Controlling Shareholder Subscriber and other qualified investors who are independent third parties in compliance with the requirements of applicable laws and regulations and the Listing Rules. In accordance with the issuance plan for the Proposed Issuance of H Shares, the Company entered into the H Share Subscription Agreement with Ruide Venture on January 26, 2024. Pursuant to the terms and subject to the conditions set out in the H Share Subscription Agreement, the Company has agreed to allot and issue to the Controlling Shareholder Subscriber and Ruide Venture has agreed to subscribe for not more than 20,171,568 H Shares (stated figure inclusive) of the Company at the H Share issue price in cash by itself or by its designated direct/indirect wholly-owned overseas subsidiaries, or through qualified domestic institutional investors and other methods in compliance with laws and regulations.

Ruide Venture is a controlling shareholder of the Company, and hence a connected person of the Company under the Listing Rules. Accordingly, the proposed subscription of new H Shares by the Controlling Shareholder Subscriber under the H Share Subscription Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The aforesaid proposal was approved at the 2023 annual general meeting of the Company. For details, please refer to the H Share announcements dated 26 January 2024 and 5 June 2024 and the circular dated 14 May 2024 of the Company. As of the date of this report, the aforesaid Proposed Issuance of H Shares has not yet been proceeded and the Company will continue to monitor the status of the Proposed Issuance of H Shares and fulfil its information disclosure obligations in a timely manner.

## 16. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 5 July 2024, JL MAG Green Tech (Hong Kong) Company Limited (“JL Tech (Hong Kong)”), a wholly-owned subsidiary of the Company, executed the Binding Term Sheet (a term sheet with binding effect) with the Australian listed rare earths company, Hastings (a company of which its shares are listed on the Australian Securities Exchange with the ASX Code HAS), in which it is agreed that JL Tech (Hong Kong) shall subscribe the 19.647 million ordinary shares further issued by Hastings at the subscription price of AUD0.36/share. The total subscription amount is approximately AUD7.07 million (approximately RMB34.60 million). Upon completion of this subscription, JL Tech (Hong Kong) is interested in 9.8% of the total share capital of Hastings after this further issuance. The subscription under the aforesaid transaction is funded by the proceeds from the Global Offering of the Company. For details, please refer to the H Share announcement of the Company dated 8 July 2024.

On 28 August 2024, the second meeting of the fourth session of Board of the Company proposed to distribute a cash dividend of RMB0.8 (tax inclusive) per 10 shares to all shareholders on the basis of the share capital in respect of A Shares and H Shares as of the date of shareholding registration less the number of treasury A Shares as determined in the announcement on the implementation of the equity distribution. Based on the issued share capital of the Company of 1,337,220,939 A Shares and H Shares as of 30 June 2024 (excluding 8,015,784 treasury A Shares), the total amount of distributed interim dividends is estimated to be approximately RMB107 million (tax inclusive).

Save as disclosed above, as of the date of this report, there is no other significant event occurred after the Reporting Period which requires disclosure.

# INDEPENDENT REVIEW REPORT



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌  
英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## Independent review report

### To the board of directors of JL MAG Rare-Earth Co., Ltd.

(Established in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 52 to 80, which comprises the condensed consolidated statement of financial position of JL MAG Rare-Earth Co., Ltd. (the "Company") and its subsidiaries ("the Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. 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.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
28 August 2024

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	4	3,361,532	3,430,030
Cost of sales		(3,070,334)	(2,890,819)
Gross profit		291,198	539,211
Other income and gains	5	148,846	98,493
Selling and distribution expenses		(25,622)	(10,544)
Administrative expenses		(79,810)	(71,666)
Research and development expenses		(152,837)	(174,749)
Impairment losses on inventories		(20,307)	(14,817)
Impairment losses (recognised)/reversed on financial assets, net		(1,939)	2,364
Other expenses	6	(6,862)	(7,131)
Finance costs	7	(26,124)	(27,918)
Foreign exchange differences, net		(364)	28,211
Share of profits of associates		501	177
PROFIT BEFORE TAX	8	126,680	361,631
Income tax expenses	9	(5,935)	(27,636)
PROFIT FOR THE PERIOD		120,745	333,995
Attributable to:			
Owners of the parent		119,677	332,603
Non-controlling interests		1,068	1,392
		120,745	333,995
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For profit for the period (RMB)		0.09	0.25
Diluted			
– For profit for the period (RMB)		0.09	0.25

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	120,745	333,995
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:		
Exchange differences on translation of foreign operations	(19,767)	3,341
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(19,767)	3,341
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	110	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	110	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(19,657)	3,341
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	101,088	337,336
Attributable to:		
Owners of the parent	100,102	335,829
Non-controlling interests	986	1,507
	101,088	337,336

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	2,689,407	2,473,946
Right-of-use assets		213,112	223,745
Other intangible assets		7,965	8,295
Investments in associates		7,002	6,501
Deferred tax assets		2,894	561
Equity investments designated at fair value through other comprehensive income		13,372	13,262
Other non-current assets		322,255	263,381
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,256,007</b>	2,989,691
<b>CURRENT ASSETS</b>			
Inventories		1,653,091	2,213,180
Trade receivables	13	2,087,588	1,980,548
Notes receivable at amortised cost		33,331	151,783
Notes receivable at fair value through other comprehensive income ("FVOCI")		315,456	212,489
Prepayments, other receivables and other assets		145,563	112,030
Financial assets at fair value through profit or loss		262,855	209,513
Restricted cash		628,756	729,031
Cash and cash equivalents	14	2,930,136	3,156,726
Other current assets		60,127	70,965
<b>TOTAL CURRENT ASSETS</b>		<b>8,116,903</b>	8,836,265
<b>TOTAL ASSETS</b>		<b>11,372,910</b>	11,825,956
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	15	2,592,141	2,909,590
Contract liabilities		149,471	287,707
Other payables and accruals		361,197	367,517
Interest-bearing bank and other borrowings		730,770	402,290
Lease liabilities		3,517	6,064
Tax payables		2,515	10,329
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,839,611</b>	3,983,497
<b>NET CURRENT ASSETS</b>		<b>4,277,292</b>	4,852,768
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,533,299</b>	7,842,459

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2024

	Note	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		489,787	544,212
Lease liabilities		3,653	9,054
Deferred income		201,432	201,899
Deferred tax liabilities		46,212	50,142
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>741,084</b>	805,307
<b>NET ASSETS</b>		<b>6,792,215</b>	7,037,152
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	16	1,345,237	1,344,771
Reserves		5,432,501	5,676,713
		<b>6,777,738</b>	7,021,484
Non-controlling interests		14,477	15,668
<b>TOTAL EQUITY</b>		<b>6,792,215</b>	7,037,152

Executive Director: Cai Baogui

Chief Financial Officer: Xie Hui



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

		Attributable to owners of the parent										
		Share capital RMB'000	Treasury shares* RMB'000	Share premium* RMB'000	Share incentive reserve* RMB'000	Share through other comprehensive income* 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 2024		1,344,771	(160,800)	3,970,523	32,520	(44)	237,169	5,535	1,591,810	7,021,484	15,668	7,037,152
Profit for the period		-	-	-	-	-	-	-	119,677	119,677	1,068	120,745
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(19,685)	-	(19,685)	(82)	(19,767)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		-	-	-	-	110	-	-	-	110	-	110
Total comprehensive income for the period		-	-	-	-	110	-	(19,685)	119,677	100,102	986	101,088
Dividends declared		-	-	-	-	-	-	-	(347,677)	(347,677)	-	(347,677)
Exercise of Type II Restricted Shares		560	-	18,190	(14,229)	-	-	-	-	4,521	-	4,521
Share incentive plan expense		-	-	-	396	-	-	-	-	396	-	396
Tax implications related to a share incentive plan		-	-	-	(1,126)	-	-	-	-	(1,126)	-	(1,126)
Divestment of non-controlling shareholders		-	-	-	-	-	-	-	-	-	(2,177)	(2,177)
Repurchase obligation for shares issued under a share incentive plan		(94)	800	-	(668)	-	-	-	-	38	-	38
At 30 June 2024 (unaudited)		1,345,237	(160,000)	3,983,713	16,893	66	237,169	(14,150)	1,363,810	6,777,738	14,477	6,792,215

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2024

	Attributable to owners of the parent									
	Share capital RMB'000 (note 16)	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 2023	837,956	(16,543)	4,415,183	59,530	201,853	5,275	1,281,596	6,784,850	2,924	6,787,774
Profit for the period	-	-	-	-	-	-	332,603	332,603	1,392	333,995
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	3,226	-	3,226	115	3,341
Total comprehensive income for the period	-	-	-	-	-	3,226	332,603	335,829	1,507	337,336
Dividends declared	-	-	-	-	-	-	(218,163)	(218,163)	(617)	(218,780)
Exercise of Type II Restricted Shares	1,146	-	13,928	-	-	-	-	15,074	-	15,074
Share incentive plan expense	-	-	-	6,059	-	-	-	6,059	-	6,059
Tax implications related to a share incentive plan	-	-	-	789	-	-	-	789	-	789
Repurchase obligation for shares issued under a share incentive plan	(14)	188	-	(170)	-	-	-	4	-	4
At 30 June 2023 (unaudited)	839,088	(16,355)	4,429,111	66,208	201,853	8,501	1,396,036	6,924,442	3,814	6,928,256

\* These reserve accounts comprise the consolidated reserves of RMB5,432,501,000 and RMB6,085,354,000 in the consolidated statements of financial position as at 30 June 2024 and 2023, respectively.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax:		<b>126,680</b>	361,631
Adjustments for:			
	7	<b>26,124</b>	27,918
	6	<b>88</b>	1,184
		<b>(501)</b>	(177)
	6	<b>5,267</b>	–
	5	<b>(289)</b>	(24)
	5	<b>–</b>	(192)
	5	<b>(908)</b>	–
	5, 6	<b>(2,969)</b>	2,930
		<b>73,884</b>	63,403
		<b>4,286</b>	3,949
		<b>396</b>	6,059
		<b>324</b>	313
		<b>1,201</b>	1,779
		<b>20,307</b>	14,817
		<b>1,939</b>	(2,364)
		<b>4,889</b>	(5,470)
		<b>260,718</b>	475,756
Decrease in inventories		<b>539,782</b>	263,264
Increase in trade receivables		<b>(107,833)</b>	(200,345)
Decrease in notes receivable		<b>16,682</b>	436,749
Increase in prepayments, other receivables and other assets		<b>(31,188)</b>	(181,863)
Decrease in other current assets		<b>10,838</b>	31,738
Decrease in trade and notes payables		<b>(317,449)</b>	(309,071)
Increase in other payables and accruals		<b>18,774</b>	71,080
(Decrease)/increase in contract liabilities		<b>(138,236)</b>	10,523
(Decrease)/increase in deferred income		<b>(467)</b>	26,597
Decrease in restricted cash		<b>100,275</b>	160,733
Cash from operations		<b>351,896</b>	785,161
Income tax paid		<b>(21,135)</b>	(6,001)
Net cash flows from operating activities		<b>330,761</b>	779,160

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	Note	For the six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for leasehold land		–	(893)
Purchases of items of property, plant and equipment		(433,159)	(200,502)
Purchases of items of other long-term assets		(15,415)	(18,498)
Proceeds from disposal of items of property, plant and equipment		326	563
Investment in an associate		–	(490)
Purchases of financial instruments		(80,000)	(5,760)
Proceeds from financial instruments		22,185	–
Net cash flows used in investing activities		(506,063)	(225,580)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		3,759	14,890
New bank loans		483,976	521,463
Repayment of bank loans		(203,750)	(604,243)
Settlement of letters of credit		(115,489)	(314,473)
Increase in discounted bank acceptance notes		109,087	–
Principal portion of lease payments		(1,604)	(1,993)
Dividends paid		(295,489)	(617)
Interest paid		(24,712)	(26,171)
Divestment of non-controlling shareholders		(2,177)	–
Net cash flows used in financing activities		(46,399)	(411,144)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(221,701)	142,436
Cash and cash equivalents at beginning of period		3,156,726	3,400,384
Effect of foreign exchange rate changes, net		(4,889)	5,470
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	2,930,136	3,548,290

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

## 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 period, 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 of 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/Chinese Mainland 29 February 2012	RMB35,000,000	100	–	Production
Jiangxi Jinli Bonded Magnetic Co., Ltd. ("JL Bonded") *	PRC/Chinese Mainland 12 January 2017	RMB20,000,000	80	–	Production
Jinli Permanent Magnet (Ningbo) Investment Co., Ltd. ("JL Ningbo Investment") *	PRC/Chinese Mainland 21 December 2018	RMB200,000,000	100	–	Investment
JL MAG RARE-EARTH (NINGBO) CO., LTD. ("JL Ningbo Technology")	PRC/Chinese Mainland 15 January 2020	RMB1,350,000,000	100	–	Production
Jinli Permanent Magnet (Baotou) Technology Co., Ltd. ("JL Baotou Technology") *	PRC/Chinese Mainland 18 August 2020	RMB1,210,000,000	100	–	Production
Jiangxi Jincheng Permanent Magnet New Materials Co., Ltd. *	PRC/Chinese Mainland 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) COMPANY LIMITED ("JL Tech (Hong Kong)")	Hong Kong 19 July 2022	HKD50,000	–	100	Investment
JL MAG MEXICO, S.A. DE C.V. ("JL MAG MEXICO")	Mexico 29 January 2023	MXN214,701,273.85	–	100	Production
Ningbo Renci Technology Co., Ltd. ("Ningbo Renci")*	PRC/Chinese Mainland 18 September 2023	RMB3,000,000	–	80	Production
Ningbo Antaike Jinli Equity Investment Partnership Enterprise (Limited Partnership) ("Antaike")*	PRC/Chinese Mainland 13 October 2023	RMB160,000,000	–	93.75	Investment
JL MAG Rare Earth (Korea) Co., Ltd. ("JL MAG Korea")**	South Korea 30 January 2024	KRW50,000,000	–	100	Trading
AFLUXION TECHNOLOGY LIMITED ("AFLUXION")***	Hong Kong 2 November 2023	USD1,000,000	–	80	Trading

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 1. CORPORATE INFORMATION (CONTINUED)

- \*\* On 30 January 2024, the Company established its wholly-owned subsidiary JL MAG Korea in South Korea, through its wholly-owned subsidiary JL Tech (Hong Kong). JL MAG Korea has completed the registration procedures and obtained the registration certificate. The registered capital is KRW50 million. It is principally engaged in trading of the products.
- \*\*\* On 2 November 2023, Ningbo Renci Technology Co., Ltd., in which the Company indirectly holds 80% of the shares, established its wholly-owned subsidiary AFLUXION in Hong Kong, China. It has completed the registration procedures and obtained the registration certificate. The registered capital is USD1 million. It is principally engaged in trading of the products.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised IFRSs are described below:

- (a) 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. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the business of the Group mainly includes the manufacture 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

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Chinese Mainland	2,767,554	2,682,410
Other countries/regions	593,978	747,620
Total	3,361,532	3,430,030

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

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

### Information about major customers

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

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Customer A	422,814	494,383
Customer B	358,678	N/A*
Customer C	N/A*	374,318

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue from contracts with customers		
– Sale of NdFeB magnet materials	2,904,028	2,959,219
Revenue from other sources		
– Sale of materials and others	457,106	470,544
– Rental income	398	267
<b>Total</b>	<b>3,361,532</b>	3,430,030

### Revenue from contracts with customers

Disaggregated revenue information:

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Type of goods		
– Sale of NdFeB magnet materials	2,904,028	2,959,219
Geographical markets		
– Chinese Mainland	2,310,051	2,211,599
– Other countries/regions	593,977	747,620
<b>Total</b>	<b>2,904,028</b>	2,959,219
Timing of revenue recognition		
– Goods transferred at a point in time	2,904,028	2,959,219

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:

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Sale of NdFeB magnet materials	189,865	18,780

All sales of NdFeB magnet are recognised as revenue for periods of one year or less.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Other income		
Government grants	102,744	55,737
Bank interest income	40,164	38,388
Others	588	1,271
	143,496	95,396
Other gains		
Gains on disposal of items of property, plant and equipment	289	24
Gains on wealth management products	2,969	2,830
Fair value changes of forward exchange agreements	–	192
Fair value changes of wealth management products	908	–
Gains on disposal of financial assets or liabilities	56	–
Others	1,128	51
	5,350	3,097
Total	148,846	98,493

## 6. OTHER EXPENSES

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Losses on disposal of financial assets or liabilities	–	5,760
Fair value losses on listed equity investment	5,267	–
Donations	550	150
Loss on disposal of non-current assets	88	1,184
Others	957	37
Total	6,862	7,131

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 7. FINANCE COSTS

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Interest expense	24,854	26,420
Other finance costs	1,270	1,498
Total	26,124	27,918

## 8. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Cost of raw materials and consumables	2,217,817	2,533,020
Depreciation of property, plant and equipment*	73,884	63,403
Depreciation of right-of-use assets*	4,286	3,949
Amortisation of other intangible assets*	324	313
Amortisation of other non-current assets	1,201	1,779
Research and development costs	152,837	174,749
Lease payments not included in the measurement of lease liabilities	1,286	1,291
Wages, salaries and welfare	292,662	216,254
Expenses for a share incentive plan	396	6,059
Pension and other social insurances	44,752	36,400
Exchange losses/(gains), net	364	(28,211)
Impairment losses on inventories	20,307	14,817
Impairment losses recognised/(reversed) on financial assets	1,939	(2,364)
(Gains)/losses of non-current assets	(201)	1,160
Government grants	102,744	55,737

\* The depreciation of property, plant and equipment during the six months ended 30 June 2024 and 2023 was 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 six months ended 30 June 2024 and 2023 was included in "Cost of sales" and "Administrative expenses" in the consolidated statements of profit or loss.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 9. INCOME TAX EXPENSES

In general, the Group's entities in Chinese Mainland were subject to PRC corporate income tax at the standard rate of 25% on their respective estimated taxable profits during the six months ended 30 June 2024 and 2023. The Company is entitled to tax concessions including a preferential tax rate of 15% as it is established in Ganzhou, Jiangxi. JL Baotou Technology, which is established in Inner Mongolia, is entitled to a preferential tax rate of 15%.

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – Chinese Mainland		
Charge for the period	9,669	29,050
Underprovision/(overprovision) in prior years	3,656	(2,955)
Deferred	(7,390)	1,541
Total	5,935	27,636

## 10. 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 period attributable to ordinary equity holders of the parent. On 11 July 2023, the Company transferred share premium into share capital with six new shares issued for every ten existing shares. After the conversion, the number of shares as at 11 July 2023 was increased by 503,452,669, among which 726,163 shares are attributable to restricted share owners. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the conversion had occurred at the beginning of the earliest comparative period presented.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect of a share incentive plan (note 17) operated by the Company. As at 30 June 2024, the dilutive effect of the share incentive plan has been eliminated as the Company had no unexercised Type I Restricted Shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	119,677	332,603
Less: Dividends attributable to owners of the restricted shares	–	(315)
Subtotal	119,677	332,288
Effect of dilution – dividends attributable to owners of the restricted shares	–	315
	119,677	332,603

	Number of shares For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,344,833,021	1,341,397,326
Effect of dilution weighted average number of ordinary shares: Share incentive plan (note 17)	556,646	3,204,832
Total	1,345,389,667	1,344,602,158

The diluted earnings per share amounts were based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2024 and 2023 of RMB119,677,000 and RMB332,603,000, respectively, and the weighted average numbers of ordinary shares of 1,345,389,667 and 1,344,602,158 in issue during the six months ended 30 June 2024 and 2023, respectively, considering the adjustment in respect of the share incentive plan.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 11. DIVIDENDS

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Final declared and paid – RMB26 cents (2023: RMB26 cents) per ordinary share	347,677	218,163

The recorded distribution is in the form of cash dividends on the basis of 1,345,236,723 shares and RMB2.6 (tax inclusive) per 10 shares to all shareholders, amounting to RMB347,677,000 (tax inclusive) in aggregate.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB315,911,000 (30 June 2023: RMB264,322,000), excluding property, plant and equipment acquired through properties under construction.

Assets with a net book value of RMB8,543,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB5,028,000), resulting in a net loss on disposal of RMB201,000 (six months ended 30 June 2023: a net gain of RMB1,160,000).

## 13. TRADE RECEIVABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade receivables	2,112,610	2,004,778
Impairment	(25,022)	(24,230)
Total	2,087,588	1,980,548

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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 13. TRADE RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Less than 1 year	2,087,374	1,980,506
1 to 2 years	202	42
2 to 3 years	12	–
Total	2,087,588	1,980,548

## 14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Cash and bank balances	3,558,892	3,885,757
Less: Restricted cash	(628,756)	(729,031)
Cash and cash equivalents	2,930,136	3,156,726
Denominated in:		
RMB	3,198,824	3,633,936
EUR	9,599	31,960
USD	9,532	138,461
JPY	2,526	2,732
HKD	307,956	78,668
KRW	1,551	–
MXN	28,904	–
Total	3,558,892	3,885,757

As at 30 June 2024, the Group's bank balances of approximately RMB628,756,000 (31 December 2023: RMB729,031,000) were deposited as guarantees for the following bank acceptance notes, performance bonds and letters of credit:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Guarantee deposits for bank acceptance notes	575,173	690,270
Guarantee deposits for performance bonds	32,539	27,271
Guarantee deposits for letters of credit	1,202	–
Other deposits	19,842	11,490
Total	628,756	729,031

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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.

## 15. TRADE AND NOTES PAYABLES

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Trade payables	357,567	551,031
Notes payable	2,234,574	2,358,559
Total	2,592,141	2,909,590

An ageing analysis of the trade and notes payables as at the end of the reporting period is as follows:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Less than 1 year	2,589,514	2,905,737
1 to 2 years	2,309	3,686
2 to 3 years	231	60
Over 3 years	87	107
Total	2,592,141	2,909,590

## 16. SHARE CAPITAL

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Issued and fully paid:	1,345,237	1,344,771

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 16. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2024	1,344,771,235	1,344,771
Exercise of Type II Restricted Shares	560,260	560
Repurchase obligation for shares issued under a share incentive plan	(94,772)	(94)
At 30 June 2024 (unaudited)	<b>1,345,236,723</b>	<b>1,345,237</b>

## 17. 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 ("the Board") 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 6,506,496 A shares after the increase of share capital in July 2023), 219 participants were granted 5,292,400 Type II Restricted shares (representing 13,548,544 A Shares after the increase of share capital in July 2023), and 418,000 Type II Restricted Shares (representing 1,070,080 A Shares after the increase of share capital in July 2023) were reserved. On 29 October 2020, the Board further approved the grant of 200,000 (representing 512,000 A shares after the increase of share capital in July 2023) out of 418,000 reserved Type II Restricted Shares to five participants. On 26 August 2021, the Board approved the grant of further 218,000 (representing 558,080 A shares after the increase of share capital in July 2023) 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 refer 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 refer 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. On the grant date, Type I Restricted Shares were issued and subscribed by the participants; Type II Restricted Shares were not issued to the participants upon granted and are not recorded in the share capital.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 17. SHARE INCENTIVE PLAN (CONTINUED)

The following Type I Restricted Shares were outstanding under the SIP during the periods:

	Six months ended 30 June 2024 (unaudited)		Year ended 31 December 2023 (audited)	
	Exercise price RMB per share	Subscribed and registered '000	Exercise price RMB per share	Subscribed and registered '000
At 1 January	8.0484	96	13.1375 (representing 8.0484 after distribution of cash dividends and transfer from share premium into share capital in July 2023)	1,225
Forfeited during the period/year*	8.0484	96	13.1375	14
Exercised during the period/year	8.0484	–	8.0484	1,842
At the end of the period/year	8.0484	–	8.0484	96

The following Type II Restricted Shares were outstanding under the SIP during the periods:

	Six months ended 30 June 2024 (unaudited)		Year ended 31 December 2023 (audited)	
	Exercise price RMB per share	Number of shares '000	Exercise price RMB per share	Number of shares '000
At 1 January	8.0484	1,954	13.1375 (representing 8.0484 after distribution of cash dividends and transfer from share premium into share capital in July 2023)	4,166
Forfeited during the period/year	–	–	13.1375	264
Forfeited during the period/year**	8.0484	269	8.0484	225
Exercised during the period/year	–	–	13.1375	1,146
Exercised during the period/year***	8.0484	560	8.0484	2,231
At the end of the period/year	8.0484	1,125	8.0484	1,954

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 17. SHARE INCENTIVE PLAN (CONTINUED)

Fair values of the Type I Restricted Shares are based on the share price as at the grant date. Fair values 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%

\* Before the unlock day in 2023, seven participants had resigned and therefore their shares were not unlocked. The Type I Restricted Shares of the resigned participants, i.e., 37,020 shares (representing 94,772 A shares after the increase of share capital in July 2023) were repurchased by the Company and the repurchase was completed on 30 May 2024.

\*\* Three participants abandoned the subscription of the Type II Restricted Shares due to personal reasons, 105,148 shares (representing 269,180 A shares after the increase of share capital in July 2023) granted to the participants that had not been vested were forfeited by the Company.

\*\*\* On 14 June 2024, 218,852 (representing 560,260 A shares after the increase of share capital in July 2023) of Type II Restricted Shares were vested.

For the six months ended 30 June 2024, the Company received a cash consideration of a total of RMB4,521,000 by the issuance of Type II Restricted Shares, of which RMB560,000 and RMB3,961,000 were recorded in share capital and share premium, respectively. For the year ended 31 December 2023, the Company received a cash consideration of a total of RMB33,028,000 by the issuance of Type II Restricted Shares, of which RMB3,376,000 and RMB29,652,000 were recorded in share capital and share premium, respectively.

For the six months ended 30 June 2024 and 2023, the Group has recognised amounts of RMB396,000 and RMB6,059,000 respectively, as share incentive plan expenses.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 18. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Contracted, but not provided for:		
Property, plant and equipment	454,844	667,590
Investment commitment	59,109	74,524
Total	513,953	742,114

## 19. RELATED PARTY TRANSACTIONS

(a) The Group had the following related parties during the six months ended 30 June 2024:

Name of company	Relationship
Ganzhou Poly-Max Magnetics Co., Ltd.	Associate

(b) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial information, the Group had the following transactions with related parties during the six months ended 30 June 2024 and 2023:

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Purchases of products from an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	25,976	17,059
Rental income from an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	40	40
Sales of goods to an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	13,543	16,388

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Outstanding balances with related parties:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Trade receivables due from the associate: Ganzhou Poly-Max Magnetics Co., Ltd.	<b>17,812</b>	4,544
Trade receivables due from companies controlled by a major shareholder:		
Goldwind Science & Technology Co., Ltd.*	–	489
Xingtai Goldwind Technology Co., Ltd.*	–	14,582
Goldwind Technology Zhejiang Co., Ltd.*	–	12,395
	–	27,466
Other receivables due from an associate: Ganzhou Poly-Max Magnetics Co., Ltd.	<b>1,360</b>	1,302
Trade payables due to an associate: Ganzhou Poly-Max Magnetics Co., Ltd.	<b>18,925</b>	3,816

\* As at 30 June 2024, Goldwind Science & Technology Co., Ltd. and its subsidiaries held less than 5% of the Company's shares, therefore Goldwind Science & Technology Co., Ltd. and its subsidiaries were no longer related parties of the Company.

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.

### (d) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2024 RMB'000 (unaudited)</b>	2023 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	<b>4,522</b>	4,182
Share incentive expense	<b>396</b>	2,860
Social insurance and housing fund	<b>259</b>	223
Total	<b>5,177</b>	7,265

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 20. 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:

**30 June 2024 (unaudited)**

Financial assets	Financial assets	Financial assets	Financial assets	Total
	at amortised cost	at fair value through profit or loss	at fair value through other comprehensive income	
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	2,087,588	-	-	2,087,588
Notes receivable	33,331	-	315,456	348,787
Financial assets included in prepayments, other receivables and other assets	67,253	-	-	67,253
Financial assets at fair value through profit or loss	-	262,855	-	262,855
Restricted cash	628,756	-	-	628,756
Cash and cash equivalents	2,930,136	-	-	2,930,136
Equity investments designated at FVOCI	-	-	13,372	13,372
<b>Total</b>	<b>5,747,064</b>	<b>262,855</b>	<b>328,828</b>	<b>6,338,747</b>

Financial liabilities	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade and notes payables	2,592,141	2,592,141
Financial liabilities included in other payables and accruals	286,059	286,059
Interest-bearing bank borrowings	1,220,557	1,220,557
<b>Total</b>	<b>4,098,757</b>	<b>4,098,757</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 20. 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 2023 (audited)

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 FVOCI	–	–	13,262	13,262
Trade receivables	1,980,548	–	–	1,980,548
Notes receivable	151,783	–	212,489	364,272
Financial assets included in prepayments, other receivables and other assets	43,711	–	–	43,711
Financial assets at fair value through profit or loss	–	209,513	–	209,513
Restricted cash	729,031	–	–	729,031
Cash and cash equivalents	3,156,726	–	–	3,156,726
<b>Total</b>	<b>6,061,799</b>	<b>209,513</b>	<b>225,751</b>	<b>6,497,063</b>

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	2,909,590	2,909,590
Financial liabilities included in other payables and accruals	272,523	272,523
Interest-bearing bank borrowings	946,502	946,502
<b>Total</b>	<b>4,128,615</b>	<b>4,128,615</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 21. 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.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

As at 30 June 2024 (unaudited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	56,043	206,812	–	262,855
Notes receivable	–	315,456	–	315,456
Equity investments designated at FVOCI	–	–	13,372	13,372
<b>Total</b>	<b>56,043</b>	<b>522,268</b>	<b>13,372</b>	<b>591,683</b>

As at 31 December 2023 (audited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	63,609	145,904	–	209,513
Notes receivable	–	212,489	–	212,489
Equity investments designated at FVOCI	–	–	13,262	13,262
<b>Total</b>	<b>63,609</b>	<b>358,393</b>	<b>13,262</b>	<b>435,264</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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:

### Fair value hierarchy (continued)

#### As at 30 June 2024 (unaudited)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity investments designated at FVOCI	Net assets method	Net assets	13,372	N/A

#### As at 31 December 2023 (audited)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity investments designated at FVOCI	Net assets method	Net assets	13,262	N/A

During the six months ended 30 June 2024 and the year ended 31 December 2023, 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.

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2024 and 31 December 2023:

	Carrying amounts		Fair value	
	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	262,855	209,513	262,855	209,513
Notes receivable at FVOCI	315,456	212,489	315,456	212,489
Equity investments designated at FVOCI	13,372	13,262	13,372	13,262
Total	591,683	435,264	591,683	435,264
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	1,220,557	946,502	1,234,857	892,414
Total	1,220,557	946,502	1,234,857	892,414



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2024

## 22. EVENT AFTER THE REPORTING PERIOD

On 5 July 2024, JL Tech (Hong Kong) executed the Binding Term Sheet (a term sheet with binding effect, hereinafter called the “Term Sheet”) with an Australian listed rare earths company, Hastings Technology Metals Limited (a company of which its shares are listed on the Australian Securities Exchange with the ASX Code HAS, “Hastings”), in which it is agreed that JL Tech (Hong Kong) shall subscribe the 19.647 million ordinary shares further issued by Hastings at the subscription price of AUD0.36 per share. The total subscription amount is approximately AUD7.07 million (approximately RMB34.60 million). Upon completion of this subscription, JL Tech (Hong Kong) is interested in 9.8% of the total share capital of Hastings after this further issuance (“the Transaction”). The subscription under the Transaction is funded by the proceeds from the global offering of H shares.

On 28 August 2024, the 2nd meeting of the 4th board of the Company proposed to distribute a cash dividend of RMB0.8 (tax inclusive) per 10 shares to all shareholders on the basis of the share capital in respect of A shares and H shares as of the date of shareholding registration less the number of treasury A Shares as determined in the announcement on the implementation of the equity distribution. Based on the issued share capital of the Company of 1,337,220,939 A shares and H shares as of 30 June 2024 (excluding 8,015,784 treasury A Shares), the total amount of distributed interim dividends is estimated to be RMB107 million.

## 23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 28 August 2024.

# 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.