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

ANNUAL REPORT 2023

CONTENTS

CHAIRMAN’S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your continuous trust and support. On behalf of the Board of Directors of the Company, I would like to present to you the annual results of the Group for the year ended 31 December 2023.

In 2023, in face of significant fluctuations of rare earth prices and escalating market competition, the management team of the Company, under the guidance of the core value of "Customer Orientation and Value Co-Creation" and the development strategy formulated by the Board of Directors, led all employees to work diligently while exploring new opportunities. During the year 2023, the sales volume of high-performance REPMs of the Group amounted to 15,122 tonnes, representing a year-on-year increase of 25.6%.

During the Reporting Period, the Group achieved revenue of RMB6,687.9 million, representing a decrease of 6.7% as compared with the same period of last year. Profit for the year attributable to owners of the parent amounted to RMB563.7 million, representing a decrease of 19.8% as compared with the same period of last year. Excluding the impact of factors such as the exchange gains of RMB150 million from financing for the listing of H Shares in 2022 and the new investment in research and development expenses of RMB16.4 million, the profit for the year attributable to owners of the parent in 2023 basically remained stable as compared to that of 2022. The production and sales volume of high-performance REPMs of the Company both recorded a historical high while its leading position was further strengthened in market segments such as NEVs, energy-saving VFACs and wind power generation. Our technology, quality and management capability have significantly improved, and our performance and delivery capability have also received widespread acclaim from customers.

The Company is always committed to enhancing its ESG performance. We actively fulfil our social responsibility through integrating ESG factors into our business operation and daily management, including compliance management, low-carbon development, environmental management, quality assurance, safety responsibility, talent management and social contribution. In 2023, the Company further enhanced the diversity of the Board members with the addition of Ms. Cao Ying as a new independent non-executive Director. Ms. Cao Ying possesses extensive industry experience and ESG professional background. In October 2023, the Company established the Environmental, Social and Governance (ESG) Committee to coordinate its ESG-related efforts in a comprehensive way as continuously improving its ESG strategy. Meanwhile, the Company has continued to strengthen its ESG system building. It has received an industry-leading S&P Global ESG score in 2023 and was honored with the "2023 Excellent Case of ESG Practice of Listed Companies" by China Association for Public Companies.

The annual production capacity of our high-performance REPM blanks has reached 23,000 tonnes, with annual capacity utilization rate exceeding 90% and the progress of production capacity projects in Baotou, Ningbo and Ganzhou on schedule. The Board of Directors has also adopted relevant plans to gradually increase the annual production capacity of high-performance REPM blanks to 40,000 tonnes by 2025 and establish the advanced production line of magnetic components.

Over the past sixteen years since our establishment, we have been practicing the mission of "Employing rare earth to create better life", adhering to the long-term principle, and striving to achieve the strategic goal of becoming the global leader in the REPMs industry. Looking forward to 2024, the Board of Directors has set the operating policy as "Scaling New Heights with Customer-orientated, Core Business and R&D Innovation". We will further expand our high-end production capacity, strengthen technological innovation, expand our global business footprint, adhere to the concept of low-carbon development, and actively fulfill our social responsibility for sustainable development.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders and business partners for their strong support and encouragement in 2023, and to express our sincere gratitude to all of our staff for their hard work.

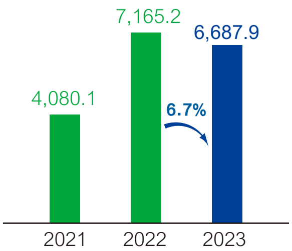
Cai Baogui
Co-founder, Chairman and General Manager

28 March 2024

HIGHLIGHT

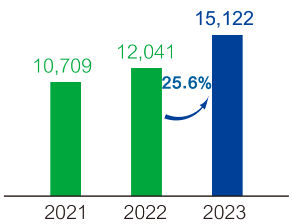
Revenue

Unit: RMB million



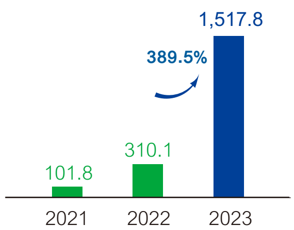
Total sales volume of high-performance REPMs

Unit: tonnes



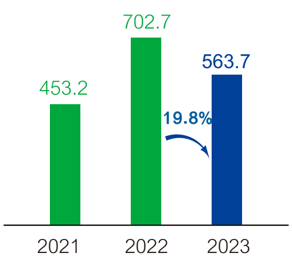
Net cash flows from operating activities

Unit: RMB million



Profit for the year attributable to owners of the parent

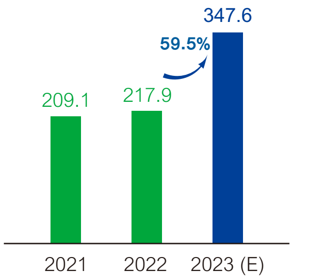
Unit: RMB million



Note: Excluding the impact of factors such as the exchange gains of RMB150 million from financing for the listing of H Shares in 2022 and the new investment in R&D expenses of RMB16.4 million in 2023, the profit for the year attributable to owners of the parent in 2023 basically remained stable as compared to 2022.

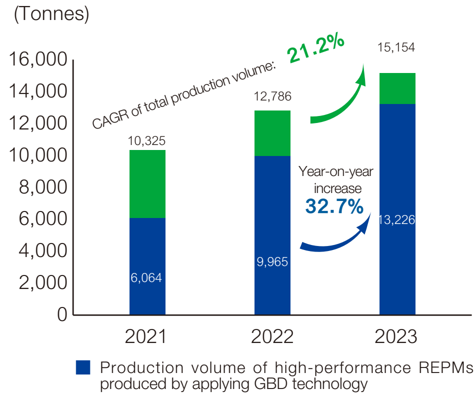
Cash dividends declared

Unit: RMB million

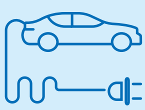


Note: The amount of cash dividend declared for the year 2023 is an estimated amount and is subject to shareholders' approval at the Company's 2023 annual general meeting.

Total production volume of high-performance REPMs



LEADING POSITION IN THE INDUSTRY



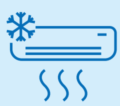
In 2023, the Company's products have been used by the world's top ten NEV manufacturers

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

3.90 million passenger NEVs

Facilitating to reduce carbon emissions by approximately

8.04 million tonnes/year



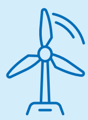
In 2023, eight of the top ten VFAC compressor manufacturers were the customers of the Company.

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

54.00 million VFAC compressors

Facilitating to reduce carbon emissions by approximately

19.53 million tonnes/year



In 2023, five of the top ten wind turbine generator manufacturers worldwide were the customers of the Company.

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

3.9 GW

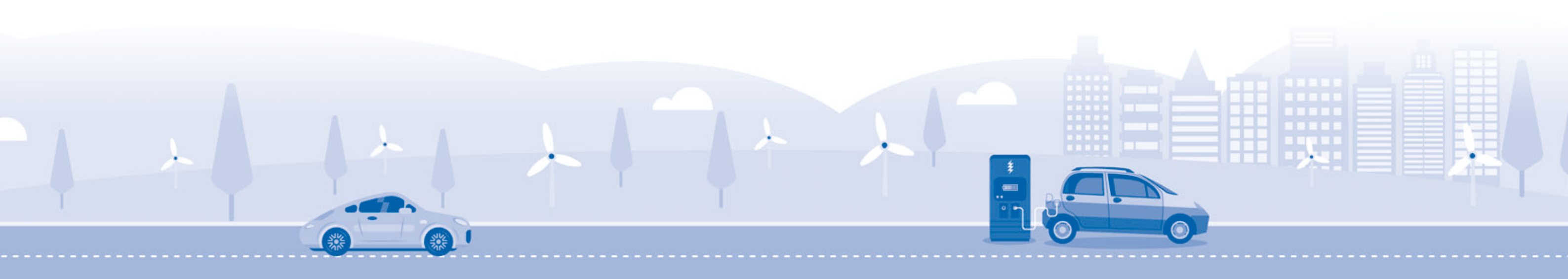
Facilitating to reduce carbon emissions by approximately

6.45 million tonnes/year

DEFINITIONS

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

"2023 Capitalization Issue"	the issue of 6 new shares for every 10 existing shares as part of the Company's proposed profit distribution for the year 2022 by way of capitalization of capital reserves
"A Share(s)"	domestic shares of the Company with a par value of RMB1.00 each, the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange and traded in RMB
"Articles of Association"	the articles of association of JL MAG RARE-EARTH CO., LTD.
"Board"	the Board of Directors
"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 our Company
"CAGR"	compound annual growth rate
"Chairman"	the chairman of the Board
"close associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, means, a group of controlling shareholders of our Company comprising of Mr. Cai Baogui (蔡報貴), Mr. Hu Zhibin (胡志濱), Mr. Li Xinnong (李忻農), Ruide Venture, Ganzhou Geshuo Investment Management Center (limited partnership) (贛州格碩投資管理中心(有限合夥)) and Ganzhou Xinsheng Investment Management Center (limited partnership) (贛州欣盛投資管理中心(有限合夥))
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"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



DEFINITIONS (CONTINUED)

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

DEFINITIONS (CONTINUED)

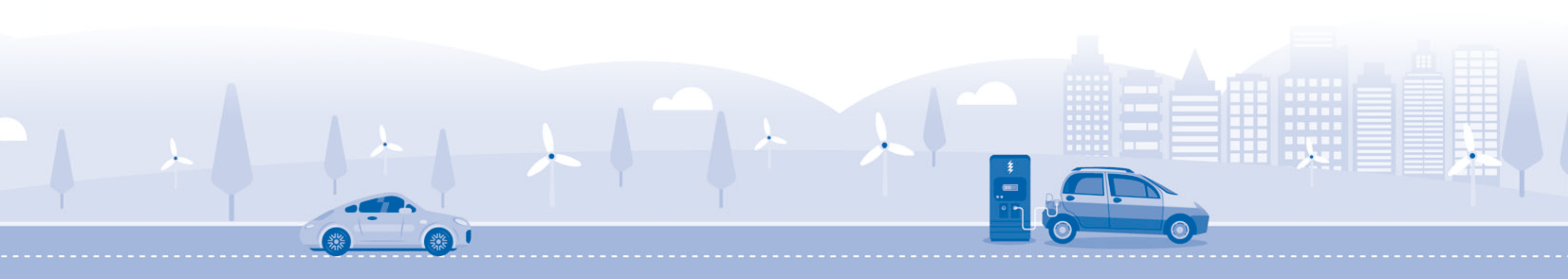
"JL MAG", "Company", "Our Company"	JL MAG RARE-EARTH CO., LTD. (江西金力永磁科技股份有限公司)
"JL Tech (Hong Kong)"	JL MAG Green Tech (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company
"JL HK"	JL Mag Rare-Earth (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company
"Midea"	Midea Group Co., Ltd. (美的集團股份有限公司) and its subsidiaries
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 to the Listing Rules
"NdFeB PMs"	permanent magnets made from an alloy of neodymium, iron, and boron that are divided into two subcategories, namely sintered NdFeB magnets and bonded NdFeB magnets because of different manufacturing processes
"NEVs"	new energy vehicles
"Northern Rare Earth"	China Northern Rare Earth Group High-Tech Co., Ltd. (中國北方稀土(集團)高科技股份有限公司), a state-owned limited liability company incorporated in the PRC on 12 September 1997
"permanent magnets" or "PM"	permanent magnets, also known as permanent magnetic material or hard magnetic material, refers to a functional material that can retain the magnetic field for a long time after the external magnetic field is removed after magnetization and can withstand the interference of a certain intensity of external magnetic field. PMs can realize important functions such as electrical signal conversion and electrical energy/mechanical energy transmission, and are widely applied to the fields of energy, transportation, machinery, medical treatment, computers and home appliances
"Prospectus"	the prospectus of the Company dated 31 December 2021
"rare earth"	rare earth elements are a set of 17 elements of lanthanides, including lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), promethium (Pm), samarium (Sm), europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb) and lutetium (Lu), and its congeners elements scandium (Sc) and yttrium (Y). According to the atomic weight and physical and chemical properties of the elements, they are divided into light, medium and heavy rare earth elements. The first five elements are light rare earth and the rest are medium and heavy rare earth. Due to their unique physical and chemical properties, rare earth are widely used in new energy, new materials, energy conservation and environmental protection, aerospace, electronic information and other fields, and are indispensable and important element in modern industry

DEFINITIONS (CONTINUED)

"REPMs"	rare earth permanent magnets are permanent magnetic magnets based on intermetallic compounds formed by rare earth metal elements ("RE", including Sm, Nd and Pr) and transition metal elements ("TM", including Fe and Co), commonly referred to as rare earth intermetallic compound permanent magnets, or REPMs for short. Since the 1960s, with three major breakthroughs in the magnetic energy product, three generations of rare earth permanent magnets with practical application value have been successfully developed. The first generation is represented by $SmCo_5$ alloy, the second generation is represented by Sm_2Co_{17} alloy, third generation is represented by Nd-Fe-B series alloy. Among them, NdFeB magnets have been industrialized and are with the best comprehensive performance in current industrial production
"Reporting Period"	from 1 January 2023 to 31 December 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Ruide Venture"	Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司), one of our controlling shareholders
"Same period of last year", "last period"	from 1 January 2022 to 31 December 2022
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), as amended, supplemented or otherwise modified from time to time
"sintering"	a heat treatment for mineral powder that applies a temperature below the melting point, the purpose of which is to combine the component particles in order to increase size and strength
"smelting"	a refining technology which extracts metal from ores by such methods as roasting, smelting, electrolysis and the use of chemical reagents, reduce impurities contained in the metal, increase a certain composition of the metal and make the required metal
"surface treatment"	a process which aims to artificially form a surface layer which differs with that of the substrate material in mechanical, physical and chemical properties
"Restricted Share Incentive Plan"	a restricted share incentive plan adopted by our Company on 26 August 2020 and amended on 8 September 2020, for the purpose of incentivize eligible management and employees of our Group

DEFINITIONS (CONTINUED)

"Suzhou Yuange Equity Transfer"	the transaction proposed by the Company to acquire 51% equity interests in Suzhou Yuange Electronics Co., Ltd. (蘇州圓格電子有限公司)
"Shares"	domestic Shares and H Shares
"Shenzhen Stock Exchange" or "SZSE"	Shenzhen Stock Exchange (深圳證券交易所)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company or any one of them
"Type I Restricted Share(s)"	A Share(s) issued to the grantees with certain restrictions stipulated under the Restricted Share Incentive Plan
"Type II Restricted Share(s)"	restricted share(s) granted to the grantees pursuant to which A Shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the Restrict Share Incentive Plan
"UAES" or "United Automotive Electronic"	United Automotive Electronic Systems Co., Ltd. (聯合汽車電子有限公司), a joint venture established in China by Zhonglian Automobile Electronics Co., Ltd. (中聯汽車電子有限公司) and Robert Bosch GmbH
"Xiexin Chaoneng"	Ganzhou Poly-Max Magnetics Co., Ltd. (贛州協鑫超能磁業有限公司)
"Xinyang Yen Equity Transfer"	the transaction proposed by the Company to acquire 46% equity interests in Xinyang Yen Sonic Technology Co., Ltd. (信陽圓創磁電科技有限公司)
"%"	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 *(appointed on 21 June 2023)*
Mr. Li Xiaoguang *(appointed on 21 June 2023)*

Independent non-executive Directors

Mr. Xu Feng
Mr. Zhu Yuhua *(appointed on 21 June 2023)*
Ms. Cao Ying *(appointed on 21 June 2023)*

Supervisors

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

Audit Committee

Ms. Cao Ying *(chairman, appointed on 5 July 2023)*
Mr. Hu Zhibin
Mr. Zhu Yuhua *(appointed on 5 July 2023)*

Nomination Committee

Mr. Xu Feng *(chairman)*
Mr. Cai Baogui
Ms. Cao Ying *(appointed on 5 July 2023)*

Remuneration and Appraisal Committee

Mr. Zhu Yuhua *(chairman, appointed on 5 July 2023)*
Mr. Xu Feng
Mr. Lyu Feng

Strategy Committee

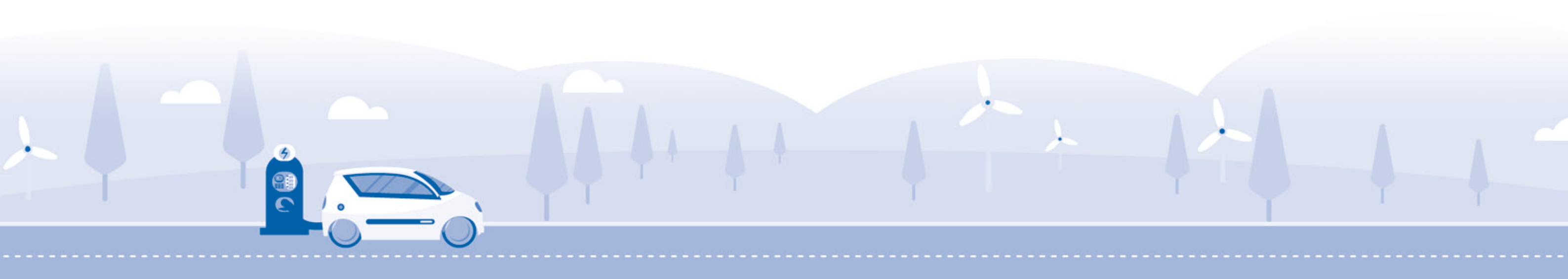
Mr. Cai Baogui *(chairman)*
Mr. Hu Zhibin *(appointed on 24 August 2023)*
Mr. Li Xinnong *(appointed on 24 August 2023)*
Mr. Li Xiaoguang *(appointed on 24 August 2023)*
Mr. Xu Feng
Mr. Zhu Yuhua *(appointed on 5 July 2023)*

ESG Committee (established on 25 October 2023)

Mr. Cai Baogui *(chairman)*
Ms. Cao Ying
Mr. Yu Han
Mr. Yi Pengpeng
Mr. Su Quan

Authorized Representatives

Mr. Cai Baogui
Ms. Zhang Xiao



CORPORATE INFORMATION (CONTINUED)

Company Secretaries

Mr. Lu Ming
Ms. Zhang Xiao

Securities Representative

Mr. Lai Xunlong

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
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

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

Company's Website

www.jlmag.com.cn

Legal Advisers

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

Hong Kong:
Haiwen & Partners LLP
Room 1101-1104, 11/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Compliance Advisor

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

SUMMARY OF FINANCIAL INFORMATION

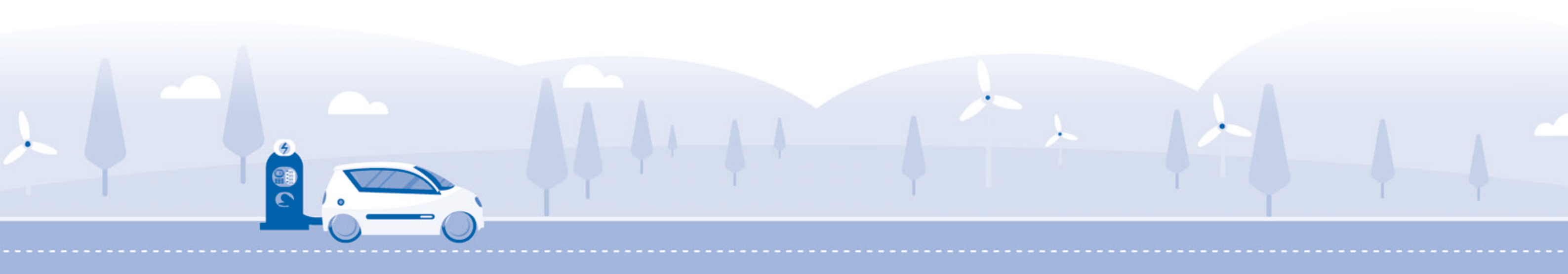
	For the year ended 31 December		
	2023	2022	Change
	RMB'000	RMB'000	%
Revenue	**6,687,864**	7,165,187	–6.7%
Gross profit	**1,074,921**	1,159,028	–7.3%
Profit for the year attributable to owners of the parent	**563,693**	702,687	–19.8%
Net cash flows from operating activities	**1,517,766**	310,124	389.4%
Basic earnings per share (RMB)	**0.42**	0.53	–20.8%
Diluted earnings per share (RMB)	**0.42**	0.52	–19.2%

During the Reporting Period, the Group achieved revenue of RMB6,687.9 million, representing a decrease of RMB477.3 million or 6.7% from RMB7,165.2 million for the year ended 31 December 2022.

During the Reporting Period, profit for the year attributable to owners of the parent was RMB563.7 million, representing a decrease of 19.8% from RMB702.7 million for the year ended 31 December 2022.

During the Reporting Period, net cash flows generated from operating activities amounted to RMB1,517.8 million, representing an increase of 389.4% from RMB310.1 million for the year ended 31 December 2022.

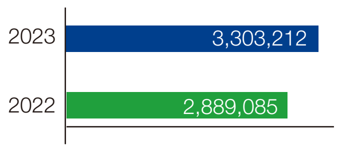
The Board of Directors of the Company has resolved to recommend a declaration of a cash dividend of RMB2.6 (tax included) for every 10 shares in cash for the year ended 31 December 2023.



SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

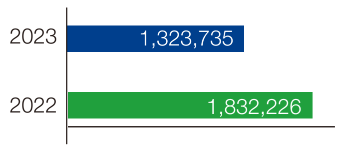
PRIMARY BUSINESS REVENUE BY PRODUCT CATEGORY AND DOWNSTREAM APPLICATION

NEVs and automotive parts



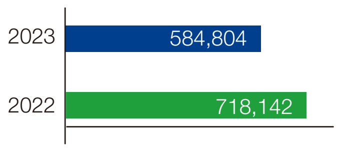
Unit: RMB'000

Energy-saving VFACs

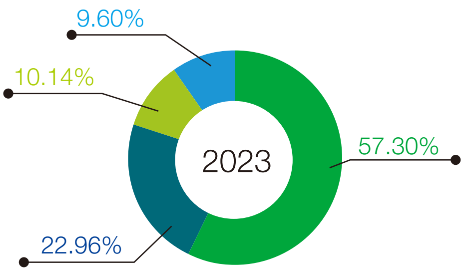


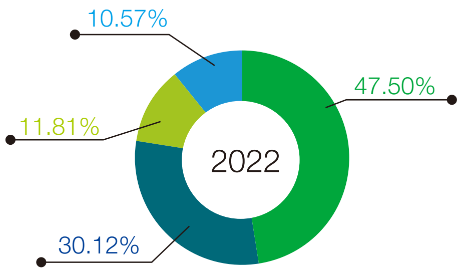
Unit: RMB'000

PM wind turbine generators



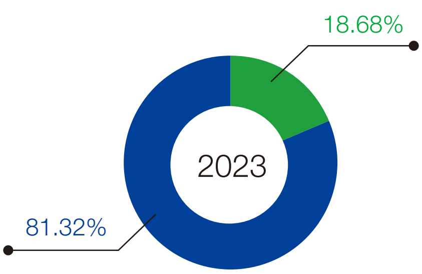
Unit: RMB'000

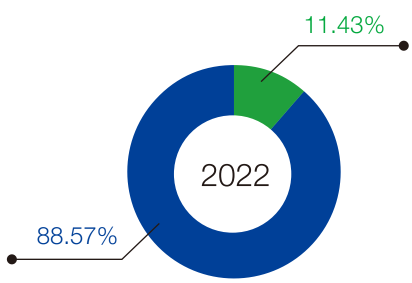




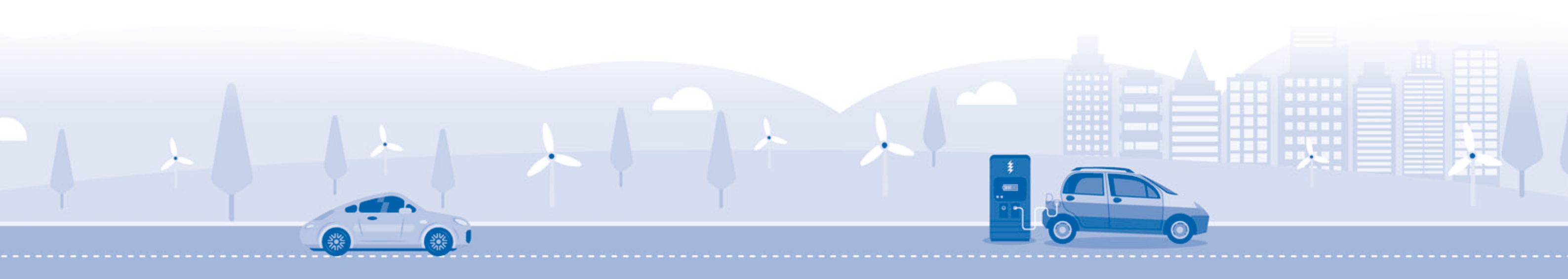
NEVs and automotive parts   Energy-saving VFACs   PM wind turbine generators   Others

REVENUE BY SALES REGION





Mainland China   Overseas



SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

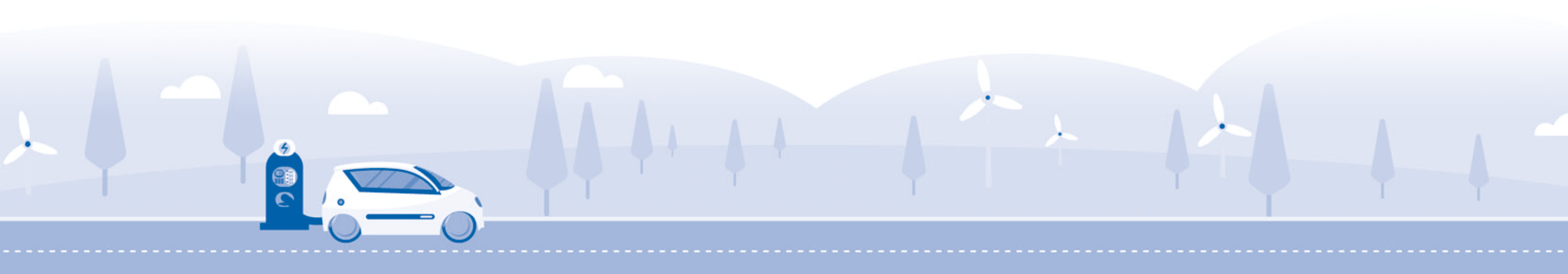
FINANCIAL SUMMARY FOR THE LAST FIVE FINANCIAL YEARS

	For the year ended 31 December				
	2019	2020*	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating performance					
Revenue	1,630,117	2,417,346	4,080,072	7,165,187	**6,687,864**
Gross profit	344,161	574,557	914,939	1,159,028	**1,074,921**
Profit before tax	178,741	278,717	512,419	766,695	**616,955**
Profit for the year	156,597	244,700	453,974	704,585	**566,879**
Profit for the year attributable to owners of the parent	156,889	244,502	453,224	702,687	**563,693**
Profitability					
Gross profit margin	21.11%	23.77%	22.42%	16.18%	**16.07%**
Profit margin for the year	9.61%	10.12%	11.13%	9.83%	**8.48%**
Earnings per share (RMB)**					
Earnings per share – basic	0.14	0.23	0.41	0.53	**0.42**
Earnings per share – diluted	0.14	0.23	0.41	0.52	**0.42**

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

** 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.

	For the year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	2,860,186	3,522,128	6,050,784	11,220,454	**11,825,956**
Total liabilities	1,529,980	1,954,652	3,084,433	4,432,680	**4,788,804**
Equity attributable to owners of the parent	1,330,183	1,567,301	2,965,400	6,784,850	**7,021,484**
Leverage ratio	53.49%	55.50%	50.98%	39.51%	**40.49%**



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

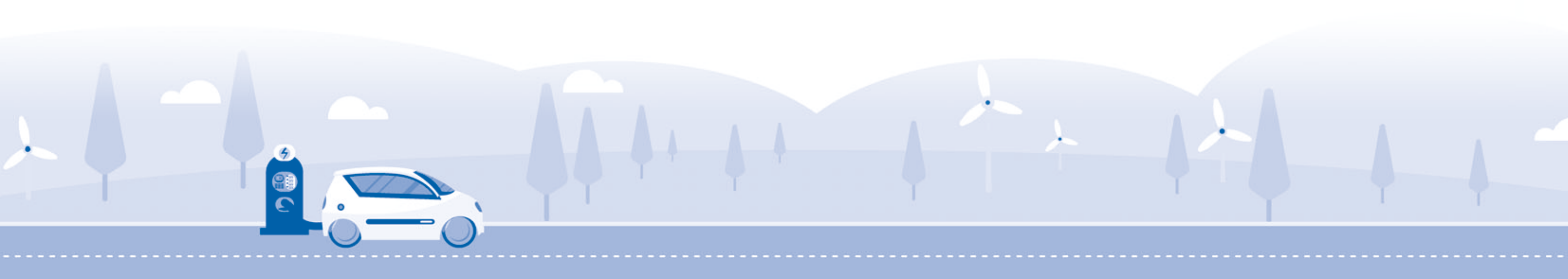
1. Industry Development Trend

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

High-performance NdFeB PMs are national key new materials and high-tech products, and have always been strongly supported by relevant national industrial policies. Since the implementation of the "Fourteenth Five-Year Plan for National Economic and Social Development and the Outline of Long-Term Goals for 2035 of the People's Republic of China", all localities, all departments have formulated a series of detailed policies around the "Fourteenth Five-Year Plan". In 2023, the Central Committee of the Communist Party of China and the State Council issued the "Outline for Building a Quality Powerful Country (《質量強國建設綱要》)" which re-emphasized that "to promote economic development with a focus on quality and efficiency, it is proposed to establish a green-oriented approach to quality development. This entails implementing targeted measures to enhance resource efficiency in key industries and products, expediting the development of crucial core technology breakthroughs in low-carbon, zero-carbon, and carbon-negative sectors, and driving the low-carbon transition of high-energy-consuming industries". In March 2024, the State Council published the Action Plan for Promoting Large-scale Equipment Upgrades and Consumer Goods Trade-in (《推動大規模設備更新和消費品以舊換新行動方案》). The Plan proposes the implementation of four major actions, including equipment upgrades, consumer goods trade-in, recovery and recycling, and standard enhancement. By 2027, it is expected that the recycling volume of end-of-life vehicles will approximately double as compared to 2023. The trading volume of used vehicles will increase by 45% as compared to 2023, while the recycling volume of waste home appliances will increase 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 REPMs industry continues its rapid growth.

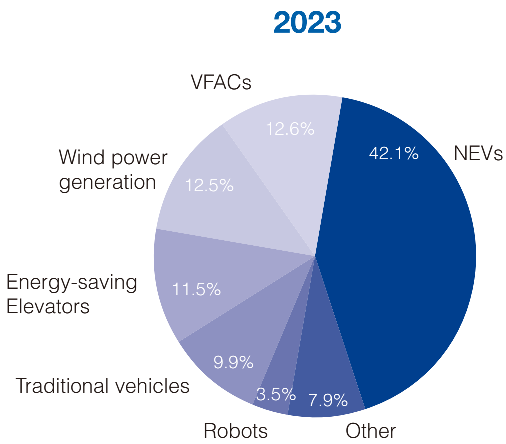
(2) High-performance REPMs are widely used, and the market demand is growing rapidly

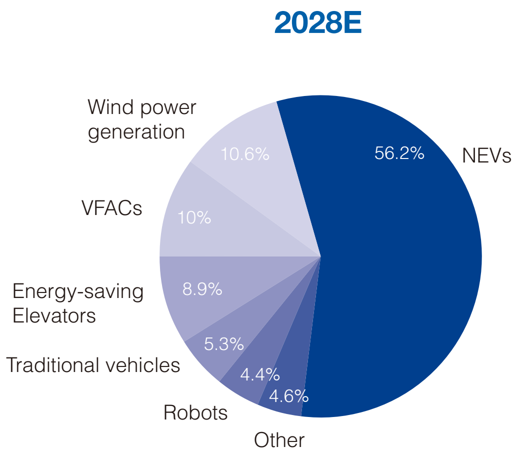
High-performance REPMs are essential core materials in the fields of clean energy and energy conservation and environmental protection. They help reduce the power consumption of various motors and have significant energy-saving effects. The downstream applications of REPMs are broad, are in line with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



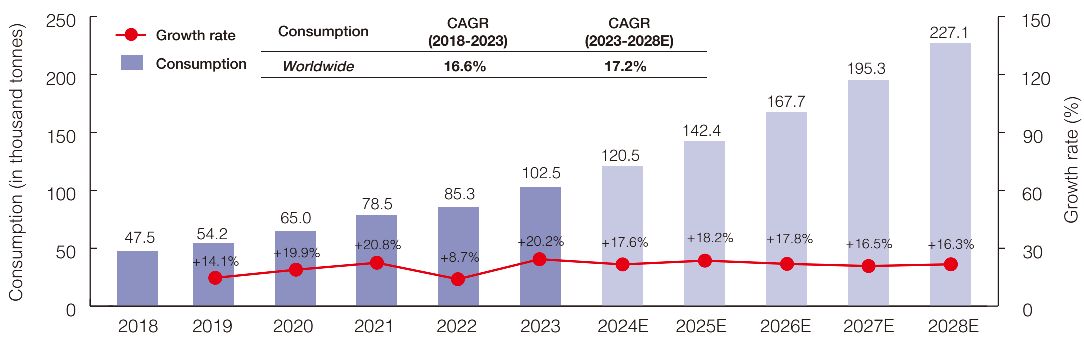
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 charts represent "the global consumption of high-performance REPMs by downstream applications for 2023 and 2028 (forecasted)", based on the Frost & Sullivan Report.



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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 of passenger vehicle from China Passenger Cars Association (CPCA) in 2023, domestic retail sales volume of passenger NEVs for the year reached 7,740,000 units, representing a year-on-year increase of 36.2%, accounting for 35.66% of the annual retail sales volume of passenger vehicles. The penetration rate of NEVs has increased by 8.04 percentage points, indicating a shift in NEV consumption from policy-driven to market demand-led growth. In addition, the global NEV market maintains high-speed growth. According to the global sales of passenger NEVs published by CleanTechnica, the global cumulative sales of NEVs in 2023 reached 13.6893 million, representing a year-on-year increase of 31%, accounting for 16% of the overall market share. Various vehicle enterprises worldwide have released relevant NEVs plans and actively deployed NEVs production capacity. 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 approximately 24.2% from 2023 to 2028.

2. **Energy-saving VFACs Sector**

In 2019, seven departments including the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the "Notice on the Issuance of the Green and Efficient Refrigeration Action Plan" F.G.H.Z. [2019] No. 1054), which specified that by 2022, the energy efficiency access level of household air conditioners will increase by 30%. By 2030, the energy efficiency access level for major refrigeration products will further increase by more than 15%. With the official implementation of "Minimum Allowable Values of the Energy Efficiency and Energy Efficiency Grades for Room Air Conditioners" on 1 July 2020, fixed-frequency air-conditioning products were completely phased out and high-efficiency VFACs have become the mainstream of the market, and the demand for high-performance NdFeB magnetic steel, which are used as core materials for VFAC compressors, will increase significantly in the future. According to statistics of China IOL, the production volume of household air conditioners in China was 170.44 million units in 2023, reaching a record high with new breakthroughs in both domestic and foreign markets, among which 119.84 million units were household VFACs, demonstrating an impressive penetration rate of 70.3%.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Wind Power Generation Sector

According to the "14th Five-Year Plan" for Renewable Energy Development jointly issued by nine departments including the National Development and Reform Commission and the National Energy Administration on 1 June 2022, the annual power generation capacity of renewable energy will reach about 3.30 trillion KWHs in 2025. During the "14th Five-Year Plan" period, the increase in renewable energy power generation capacity will account for more than 50% of the increase in overall electricity consumption across the whole society, and the wind power generation capacity and solar power generation capacity will double. In 2022, a total of 23 provinces announced their own "14th Five-Year Plan" energy-related special project plans. According to the data released by Bloomberg New Energy Finance ("BNEF") recently, the newly-added installed capacity of global wind power was 118GW, representing an increase of 36% compared to 2022. On 27 March 2023, the Global Wind Energy Council (GWEC) released its 2023 Global Wind Energy Report, which predicted that a rapidly adapting policy environment worldwide has set the stage for accelerated growth in the coming years. It is expected that the average annual newly-added installed capacity for wind power generators will be amounted to 136 GW in the next five years, with a CAGR of 15%. By 2024, the newly-added installed capacity for global onshore wind turbine generators will exceed 100GW for the first time. The newly-added installed capacity for global offshore wind power generators will also reach a new high of 25GW by 2025.

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

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, it is expected that 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, electronic and electrical sector, 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. The Ministry of Industry and Information Technology, along with other fifteen departments, jointly issued the "14th Five-Year Plan" for Robot Industry Development (《「十四五」機器人產業發展規劃》) in December 2021. The plan highlights that robots are regarded as "the jewel in the crown of the manufacturing industry", and the research and development, manufacturing and application of robots is a significant indicator of a country's technological innovation and high-end manufacturing standards. The Ministry of Industry and Information Technology issued the "Guiding Opinions on the Innovation and Development of Humanoid Robots (《人形機器人創新發展指導意見》)" in October 2023, 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, and specific arrangements would be made in key technological breakthroughs, product cultivation, scenario expansion, ecological creation and safeguards. High-performance NdFeB magnetic steel is the key component of robots and industrial servo motors. Along with the rapid development, the robotics and industrial servo motors sector will become an important growth point for the application of high-performance NdFeB magnetic steel in the future.

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.

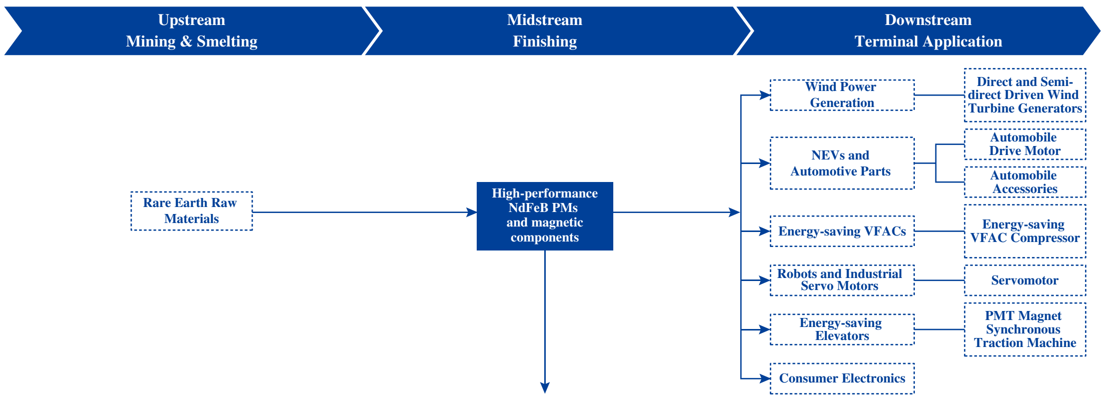
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

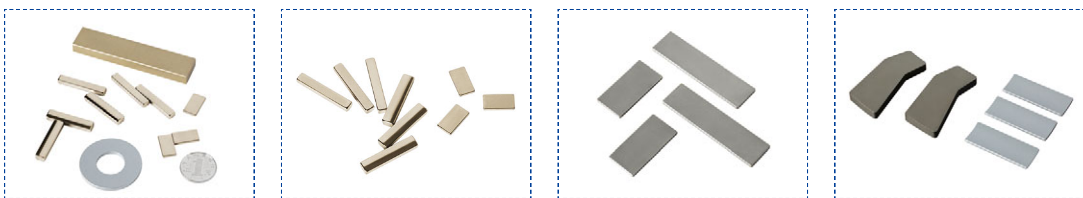
2. Principle Business of the Company During the Reporting Period

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

(1) The Main Business and Product Usage of the Company

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



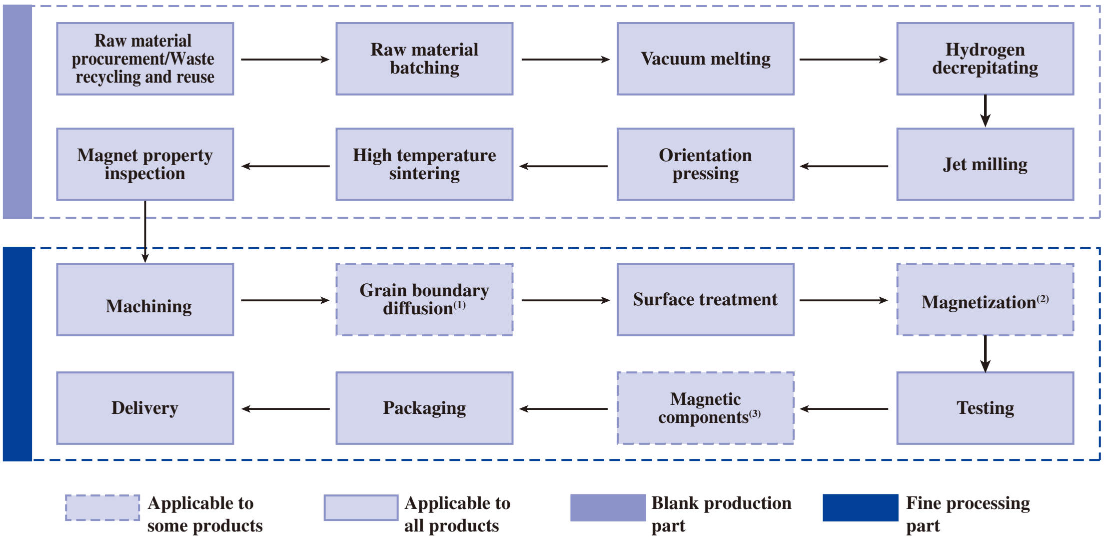


Products of the Company

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) The Business Model of the Company

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



Production Workflow

Notes:

(1) GBD technology is widely applied in the production of the high-performance NdFeB PMs finished products in energy-saving VFACs sector and NEVs and automotive parts sector as production of high-performance NdFeB PMs in these sectors requires more medium and heavy rare earth 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 PM finished products in 3C sector.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) Business Drivers and Position in the Industry

1. Keep Market Leading in New Energy and Energy Conservation Sector

The Company had a total production output of high-performance REPMs of 15,154 tonnes in 2023, an increase of 18.52% over the same period of last year, among which 13,226 tonnes of high-performance REPMs were produced using GBD technology, an increase of 32.72% over the same period of last year, accounting for 87.28% of the Company's total production output for the same period, with an increase of 9.34 percentage points over the same period of last year. The Company had a total sales volume of high-performance REPMs of 15,122 tonnes in 2023, representing an increase of 25.60% compared to the same period of last year.

As for NEVs and automotive parts, the Company is a leading global provider of magnetic steel for drive motors in the NEV industry. The Company's products are used by the world's top 10 NEV manufacturers. In addition, the Company is also a significant provider of magnetic steel for traditional automotive parts. In 2023, the Company's revenue from the NEVs and automotive parts sector reached RMB3.303 billion, an increase of 14.33% over the same period of last year, and the sales volume of the Company's magnetic steel products for NEV drive motors can assemble approximately 3.90 million passenger NEVs in 2023. According to the data published by CleanTechnica, the sales volume of global passenger NEVs was 13.6893 million units in 2023.

As for energy-saving VFACs, eight of the world's top ten VFAC compressor manufacturers are the customers of the Company. In 2023, the Company's revenue from the energy-saving VFACs sector reached RMB1.324 billion. The sales volume of the Company's magnetic steel products for energy-saving VFACs can assemble with approximately 54.00 million VFAC compressors in 2023.

As for wind power generation, five of the world's top ten wind turbine generators are the customers of the Company. In 2023, the Company's revenue from the wind power sector reached RMB585 million, and the sales volume of the Company's magnetic steel products for this sector can equip wind turbine generators with an approximate aggregate installed capacity of 3.9GW.

In 2023, the Company's revenue from the robots and industrial servo motors sector reached RMB217 million. In addition, The Company has also actively expanded into new energy and energy-saving environmental protection sectors such as 3C, energy-saving elevators and rail transit, and has become one of the key suppliers of high-performance magnetic steels in such sectors.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Core Technology Remain Leading in the Industry

The Company has the industry-leading GBD technology. On one hand, the Company indicates that customers in the wind power industry can reduce their production cost by reducing or eliminating the addition of medium and heavy rare earth in the production of high-performance NdFeB PMs through the formula optimization. On the other hand, in the sectors of NEVs and energy-saving VFACs, the Company has been developing high-grade products using GBD technology and has achieved mass production and delivery based on customer needs, and maintained the high-performance of magnetic products while significantly reducing the use of medium and heavy rare earth. In 2023, the Company produced a total of 13,226 tonnes of high-performance REPMs using GBD technology, which reflected an increase of 32.72% over the same period of last year, accounting for 87.28% of the Company's total production output for the same period, with an increase of 9.34 percentage points over the same period of last year. In 2023, the Company's research and development expenses amounted to RMB354 million, accounting for 5.29% of the revenue.

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

(1) The World's Leading Manufacturer of High-Performance 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 market segment leadership in the following key downstream sectors. 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 such as 3C, robotics and industrial servo motors, energy-saving elevators and rail transit, with a leading position in the market.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) The Company Adheres to Long-Term Principle, and the Strategic Planning is Clear and Gradually Implemented, with Strong Delivery Capability

Based on the future market demand, 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 of production capacity of high-performance REPMs in 2025 and established the advanced production line of magnetic components.

The Company's annual production capacity of high-performance NdFeB PM blanks has currently reached 23,000 tonnes with an annual capacity utilization rate of over 90% in 2023. Baotou (Phase II) Project with an annual capacity of 12,000 tonnes, Ningbo Project with an annual output of 3,000 tonnes of high-end Magnets and 100 million units/sets of components and Ganzhou High-efficiency and Energy-saving Motors Magnets Base Project are currently under construction as schedule. It is expected that the production line with an annual production capacity of 38,000 tonnes/year of blanks will be completed by the end of 2024.

The Company planned to invest in the construction of the "Project for Mexico's new production line with an annual output of 1 million units/sets of magnetic components" in Mexico. After the completion of the construction, the Project will bring about an annual production capacity of 1 million units/sets of magnetic components. It will enhance the Company's market competitiveness in various fields including humanoid robots and NEVs.

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

(3) The Company's Long-Term Stable Strategic Cooperation with Major Rare Earth Suppliers

Rare earths are China's strategic resources. The Company has built production factories in Ganzhou, Jiangxi Province as the main production area for heavy rare earths and in Baotou, Inner Mongolia as 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 China Northern Rare Earth Group Co., Ltd. and China Rare Earth Group Co., Ltd. Meanwhile, the Company adjusted its rare earth raw material procurement and inventory strategies in a more cautious manner based on rare earth price movement trend and orders on hand, established a price adjustment mechanism with key customers, optimized formulas, improved the process, and took other measures to minimize the impact of rare earth raw material price fluctuations on the Company's operating results.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(4) Strong Production Optimization, Research and Development Capability and Industry-Leading GBD Technology

High-performance NdFeB PMs feature high barriers for production technology. The High-performance NdFeB PMs used in energy-saving VFAC compressors and NEV drive motors require the use of GBD technology. By adopting this technology, the Company can reduce the consumption of medium and heavy rare earths while maintaining the high performance of NdFeB PMs and develop high-grade products. The Company continues to invest in research and development. In 2023, the Company's research and development expenses amounted to RMB354 million, accounting for 5.29% of the revenue. The Company has mastered a self-developed core technology and patent system with GBD technology as its core, which includes GBD technology, formula system, grain refinement technology, one-time molding technology, production process automation technology and new coating technology against high temperature and high corrosion. These core technology and high-grade products have been highly recognized by customers in various fields and have obtained many fixed-point and large-scale orders from international customers. The Company's overseas sales revenue has continued to grow steadily.

(5) Industry-Leading ESG Practice, Supporting the Carbon Neutrality Strategy with Practical Actions

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

(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, and reduces production costs. It also provides customers with comprehensive high-performance NdFeB PMs technology solutions. In response to different requirements of downstream customers for end products, the Company has demonstrated 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 strong relationships with customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

(7) Sophisticated and Stable Management Team and Active Optimization of Business Layout

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

Focusing on long-term business development, the Company has actively optimized its business layout. It has set up subsidiaries in Hong Kong, Europe, Japan, the United States, Mexico and South Korea, as the Company's platforms for logistics service and sales, etc. The Company has seen an increasing portion of overseas sales year by year.

4. Review of Operations during the Reporting Period

In 2023, 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 strategy formulated by the Board of Directors, the management team worked diligently and smoothly through the cycle of sharp rise and fall in rare earth prices in the four years since 2020, and overcame various adverse factors including intensified competition in the industry. In 2023, with the gradual implementation of the Company's new projects, its production capacity has steadily increased. The Company accelerated the informatization and automation of the production management and actively expanded business in emerging areas including humanoid robots sector. The Company also strengthened the ESG construction and continuously improved corporate governance. The overall strength of the Company has been further enhanced.

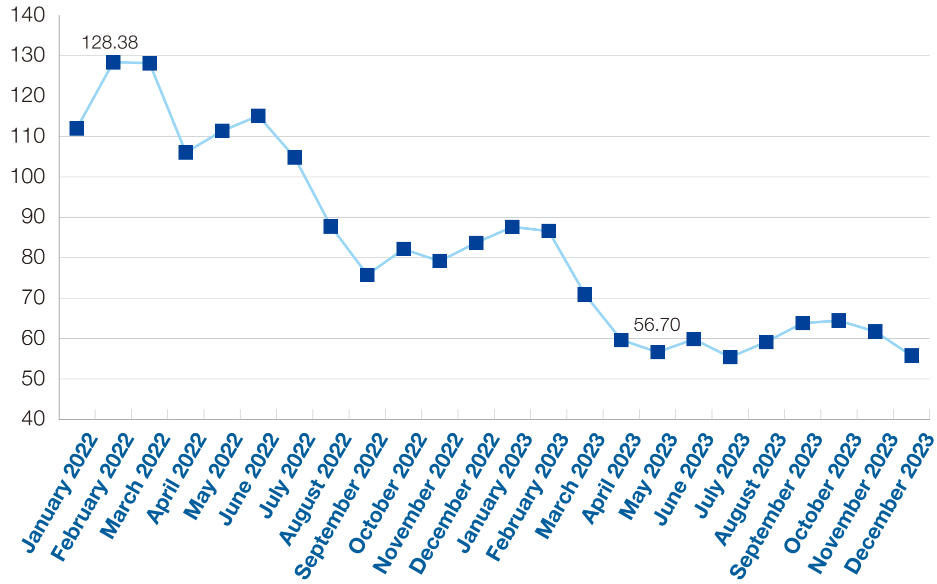
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(1) Focusing on the Main Business and Stabilizing the Operations

In 2023, there was higher volatility in the price of rare earth raw material. Taking metal neodymium (tax inclusive) as an example, according to the data published by the Asianmetal.cn, Association of China Rare Earth Industry and other parties, the average price in January to December 2023 was RMB0.6514 million/tonne, representing a decrease of approximately 35.64% as compared to the average price of RMB1.0121 million/tonne during the same period of 2022. In addition, the average price in January 2023 was RMB0.8764 million/tonne, and the average price in December 2023 was RMB0.5575 million/tonne, which caused a relatively large fluctuation in the price of rare earth raw materials since the beginning of the year. The management of the Company adopted timely response strategies to grasp market opportunities and stabilize operations. In 2023, the Company had a total sales volume of high-performance REPMs of 15,122 tonnes, representing an increase of 25.6% over the same period of last year. In the meantime, the Company continued to increase its investment in research and development on the magnetic materials, magnetic components and robots automation. The research and development expense of the Company for 2023 was RMB354 million, representing an increase of 4.86% over the same period of last year, and accounting for 5.29% of the revenue.

The chart of the monthly average unit price of neodymium at Asianmetal.cn

Unit: ten thousand/tonne



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the Company continuously focused on the new energy and energy conservation sectors, as well as the core application areas such as NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, robots and industrial servo motors and energy-saving elevators and rail transit. In 2023, the Company achieved revenue of RMB6,687.9 million, representing a year-on-year decrease of 6.66%; domestic sales revenue of RMB5,438.6 million, representing a year-on-year decrease of 14.30%, and overseas sales revenue of RMB1,249.2 million, representing a year-on-year increase of 52.57%; realized profit for the year attributable to owners of the parent of RMB563.7 million, representing a year-on-year decrease of 19.78%; realized profit for the year attributable to owners of the parent after deducting non-recurring gain or loss of RMB493.4 million, representing a year-on-year decrease of 27.68%; excluding the impact of exchange gains of RMB150 million from financing through the listing on Hong Kong Stock Exchange in 2022 and newly-added expense of RMB16.4 million on its research and development for the year, the net profit of the Company for 2023 basically maintained stable as compared to 2022. In 2023, the Company had a net cash flow from operating activities reached RMB1.518 billion, representing a significant growth as compared to the same period of last year.

(2) Strengthening Market Position in New Energy and Energy Conservation Sectors

In 2023, the Company's revenue from the NEVs and automotive parts sector reached RMB3.303 billion, representing a growth of 14.33% over the same period of last year. The sales volume of the Company's magnetic steel products for NEV drive motors can assemble approximately 3.90 million passenger NEVs in 2023. According to the data published by CleanTechnica, the sales volume of global passenger NEVs was 13.6893 million units. The Company is a leading global supplier of magnetic steel for drive motors in the NEV industry with products used by the world's top ten NEV manufacturers. The Company was awarded the "Special Contribution Award" in the BYD New Energy Vehicle Core Supplier Convention 2023 for its outstanding comprehensive strength and contribution, and was honored with the "Best Technological Progress Award" by UAES.

In 2023, the Company's revenue from the energy-saving VFACs sector reached RMB1.324 billion, and the Company's sales volume of magnetic steel products for energy-saving VFACs can assemble approximately 54 million units of VFAC compressors. The Company has maintained its leading position in the global energy-saving VFACs sector and eight of the world's top ten manufacturers of VFAC compressors are the Company's customers. In January 2024, the Company won the "Excellent Supplier 2023" award in the annual supplier evaluation of Midea's industrial technology business group.

In 2023, the Company's revenue from the wind power generation sector reached RMB585 million. The Company's sales volume in this sector can be installed with wind turbines with an installed capacity of about 3.9 GW, and five of the world's top ten wind turbine manufacturers are the Company's customers. The Company was recognized by Goldwind Technology as the "5A Supplier with Good Quality and Credit" for nine consecutive years.

In 2023, the Company's revenue from the robots and industrial servo motors sector reached RMB217 million. In addition, the Company is also actively expanding into new energy and energy-saving environmental protection sectors such as 3C, energy-saving elevators and rail transit, and has become one of the key suppliers of high-performance magnetic steels in such sectors.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) Enhancing Lean Management and Continuing to Increase R&D Investment

The Company considers technology innovation as a crucial driver for the development of intelligent manufacturing. It is committed to strengthening collaborative among industry, academia, and research institutions to achieve synergistic innovation. By focusing on breakthroughs in key core technology, the Company aims to enhance its core competitiveness. In 2023, the Company continued to promote the informationization and automatization of production management. The Company's lean production has formed a mature and effective system. Through the continuous optimization of the informationization management system, the research and application of equipment internet of things, the level of informationization and the ability of lean management have significantly improved. By upgrading the automated production equipment and other hardware, the Company gradually established a production system comprised of "automation, intelligentization and digitalization".

In terms of technological R&D, the Company has established a self-developed core technology and patent system with GBD technology as its core, which includes GBD technology, formula system, grain refinement technology, one-time molding technology, production process automation technology and new coating technology against high temperature and high corrosion. As of 31 December 2023, the Company had a total of 115 invention patents and utility model patents authorized and under application in various overseas regions, such as Europe, the United States, and Japan. The total production volume of the Company's high-performance REPMs in 2023 amounted to 15,154 tonnes, representing an increase of 18.52% as compared with the same period of last year. Of which, 13,226 tonnes of high-performance REPMs were produced using the GBD technology, representing an increase of 32.72% over the same period of last year and accounting for 87.28% of the Company's total production volume during the same period, up 9.34 percentage points as compared with that of the same period of last year.

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 R&D production capacity and the level of automation and informatization in terms of high-end magnetic materials and magnetic components, and to improve the market competitiveness in terms of humanoid robots and NEVs of the Company. In 2023, the Company's research and development expense was RMB354 million, accounting for 5.29% of the revenue of the company, an increase of RMB16.4 million compared to 2022. During the Reporting Period, the Company maintained extensive and in-depth cooperative relationships with relevant universities and research institutions through industry-academia-research collaboration. The Company undertook research tasks related to the national key R&D program "Research on Magnetic Characteristics and Defect Detection Technology in REPMs Production Processes (稀土永磁生產過程磁特性和缺陷檢測技術的研究)" Additionally, the Company signed a strategic cooperation framework agreement with Jiangxi University of Science and Technology. When participating in and acting as a responsible entity of the application for the admission to the Ganzhou Rare Metals Municipal Industry and Education Consortium (贛州市稀有金屬市域產教聯合體協會), the Company was included in the list of the first batch of national-level Municipal Industry and Education Consortium.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(4) Construction of the Company's Production Capacity as Schedule

The Company's blanks production capacity has reached an annual production capacity of 23,000 tonnes with annual capacity utilization rate of over 90% throughout 2023. 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 sets of components and Ganzhou project of the magnetic materials for energy-efficient motor base are under construction as schedule. It is expected that the above projects will gradually be in operation in 2024. The Company plans to build a production capacity of 40,000 tonnes/year of high-performance REPMs by 2025 and establish the advanced production line of magnetic components.

Location of Plant	Production capacity (tonne/year)	Major Project Name	Status	Time to put into production
Ganzhou City, Jiangxi Province	15,000	–	Production output reached	2021
Baotou City, Inner Mongolia	8,000	High-Performance REPM Base Project	Production output reached	June 2022
Ningbo City, Zhejiang Province	3,000	Project with an annual production capacity of 3,000 tonnes of high-end magnets and 100 million sets of components	Construction completed	By the end of 2024
Baotou City, Inner Mongolia	12,000	High-Performance REPM Base (Phase II) Project	Under construction	By the end of 2024
Ganzhou City, Jiangxi Province	2,000	Project of the magnetic materials for energy-efficient motor base	Under construction	2025
Total	40,000			

In January 2023, JLMAG MEXICO, S.A. DE C.V., a wholly-owned subsidiary of the Company, was incorporated in Mexico. The Company plans to invest and construct Mexico New Production Line Project with 1 million units/sets of Magnetic Components per year in Mexico which is now steadily underway.

(5) Implementing the repurchase of shares on schedule

A Board meeting was convened on 30 October 2023, in which "the Resolution of 'Repurchase of the Shares of the Company" was considered and approved. As of 22 December 2023, the Company repurchased a total of 8,015,784 A Shares of the Company through centralized price bidding, which accounts for approximately 0.60% of the existing total share capital of the Company. The highest consideration for the repurchase was RMB20.55 per share, while the lowest consideration was RMB19.22 per share. The total consideration was RMB159,983,171.22, and the implementation of this repurchase is completed.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(6) Maintaining a higher percentage of dividends

The business scale of the Company has greatly expanded since its listing, and the Company actively adopted the dividend policy, and its investors could fully enjoy the results and continuous returns from the development of the Company. Since its listing in 2018, the Company distributes dividend every year, with the total dividend paid amounted to RMB600 million, accounting for more than 35% of the profit for the year attributable to owners of the parent. Under the profit distribution plan of the Company for 2023, which is based on the share capital of A Shares and H Shares on the equity registration date determined in this equity distribution implementation announcement, after deducting the shares held under the designated repurchase account of A Shares, it is declared that a dividend of RMB2.60 (tax included) for every 10 Shares will be distributed to all shareholders, it is estimated that the total dividend will be RMB347.6 million, which accounts for more than 60% of the profit for the year attributable to owners of the parent of the Company in 2023.

(7) Attaching great importance to ESG construction and actively fulfilling social responsibility

With the mission of "Employing rare earth to create better life", the Company attaches great importance to ESG practice, and is committed to protecting the environment and fulfilling corporate social responsibility. The Company reduces its own carbon emissions through the construction of photovoltaic power stations, technological innovation, lean production, process energy saving, efficiency improvement, equipment replacement and green power conversion, and provides REPMs to new energy and energy saving companies that are industry-leading to help the world achieve the carbon neutrality target. In 2023, the Company continued to be awarded the ISO14064 Carbon Verification Certificate and PAS2060 Carbon Neutrality Certificate by SGS. The sales volume of the magnetic steel products on sectors of NEVs and automotive parts, energy-saving VFACs and wind power generation contributed to a reduction of carbon emission of approximately 34.02 million tonnes.

The Company is committed to enhancing its ESG performance. We actively fulfil our social responsibilities by integrating ESG factors such as compliance, low-carbon development, environmental management, quality assurance, safety responsibility, talent management and social contribution into our business operations and daily management. In October 2023, the Company established the ESG Committee to fully co-ordinate the Company's ESG-related work and continuously improved its ESG strategy. Meanwhile, the Company continued to strengthen the construction of its ESG system. In 2023, the Company received an industry-leading S&P Global ESG score, and was honored with the highest rating of AAA in CNI and CSI ESG index. The Company also won a number of awards, including the "Excellent ESG Practice Cases of Listed Companies in 2023" by the China Association for Public Companies, and "2023 ESG Pioneer Case" awarded by Securities Daily. The Company's ESG work has been recognized by customers and the capital market.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The green power initiative of the Company has been actively put into action. During the Reporting Period, the Company entered into the "Photovoltaic Power Station Contract Energy Management Cooperation Agreement" with Ganzhou Tiancheng Tongchuang Intelligent Energy Co., Ltd. (贛州天誠同創智慧能源有限公司), a wholly-owned subsidiary of Goldwind Technology in respect of the Rooftop Distributed Photovoltaic Power Station, with an aggregate installed capacity of 2.6051MW. The joint project of the 3.2 MW distributed photovoltaic power generation between The Baotou Company of JL (金力包頭公司) and China Resources New Energy Investment Co., Ltd. (華潤新能源投資有限公司) have published government announcement, and it is expected to be integrated into the power grid in 2024, JL Ningbo Company (金力寧波公司) planned to achieve the building objective of "sponge factory" through the measures of setting up rainwater collection and reuse system, the installation of photovoltaic boards and the rooftop greening at its factory site.

The Company attaches great importance to social responsibility and is actively engaged in charitable activities. Since the establishment of university scholarships in 2012, the Company has awarded scholarships to 1,060 college students, with a total reward amount of RMB3.76 million. In 2023, the Company continued to increase its investment in safety production and environmental protection, with the total expenditure on environmental protection and safety of approximately RMB24.89 million during the Reporting Period. The Company pays taxes in accordance with the law. During the Reporting Period, the Company paid various taxes of RMB126 million and has been awarded the "Top Taxpayer" Award in Ganzhou Economic and Technological Development Zone for consecutive twelve years, while various taxes of approximately RMB25.84 million were paid by JL MAG Baotou in 2023. The Company was included in the 2023 Top 100 Jiangxi Enterprises and 2023 Top 100 Jiangxi Private Enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(8) Continuously improving corporate governance and strengthening investor relations management

As a listed company in both A share and H share regimes, the Company has continued to improve and optimize its corporate governance structure. The general meeting of shareholders, the Board, the Supervisory Committee and the senior management of the Company have clearly defined their powers and responsibilities and are operating soundly. While meeting the governance requirements for listing on both sides of the border, the Board has become increasingly diversified in the light of the Company's development strategy and actual situation, and the executive directors have rich experience in corporate management. In terms of improving the corporate system, the Company timely amended internal control system in accordance with relevant laws and regulations, so as to fully ensure the accuracy and effectiveness of the Company's internal governance. In addition, the Company attaches great importance to the management of investor relations, and actively develops communication with investors.

With its excellent performance in corporate governance, information disclosure, investor relations management and regular operation, the Company was awarded the A (Excellent) rating for the fourth consecutive year in the appraisal of information disclosure of listed company in 2022, announced by the Shenzhen Stock Exchange. The Company was also awarded "Top 50 Valued List Companies in ChiNext (創業板上市公司價值50強)" in the 17th China Listed Companies Value Selection. In the 18th "Golden Round Table Award" of the Boards of Directors of Chinese Listed Companies, the Company was awarded the "Special Contribution Award for Corporate Governance". The Company was successfully selected as one of the "2023 Best Practice Case of Office of the Board of Directors of Listed Companies" by the China Association for Public Companies." In the 2022 national selection of "Panorama Investor Relations Gold Award", the Company's investor relations work was awarded the "Outstanding IR Company", "Outstanding IR Team" and "Best Institutional Communication Award" for its outstanding performance.

VI. FUTURE DEVELOPMENT STRATEGY AND BUSINESS PLAN OF THE COMPANY

(1) 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)". As the importance of carbon emissions control for achieving high-quality economic development has been repeatedly emphasized, continuous efforts are being made at all levels and across various sectors to further enhance and refine related policies. In general, High-performance REPMs have several advantages over traditional magnets, 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 operating efficiency. Compared to traditional motors, REPM motors can achieve energy savings of up to 15% to 20% and are widely used in various fields such as NEVs and automotive parts, energy-saving VFACs, wind power generation, robotics and industrial servo motors and energy-saving elevators.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As a core components supplier in the field of new energy, energy conservation and environmental protection, the Company will take practical actions to promote the realization of global carbon neutrality goals. The Company adheres to the R&D, production and sales of high-performance NdFeB PMs as its main business, by means of the high-speed growth of downstream market and the promotion of industry policies, maintains its leading edges in NEVs and automotive parts, energy-saving VFACs, wind power generation, and actively explores markets of magnetic components for humanoid robots, 3C and rail transit, optimizes its product structure and customer structure, and lowers the operation risks. Meanwhile, the Company will continue to increase its investment in technological 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, this goal will be accomplished through the implementation of the following strategies:

1. Establishment of industry-leading production capacity of magnetic materials 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 and deepen the penetration of our products in the downstream industries through R&D and upgrading production lines. Currently, the Company's total annual production capacity of high-performance NdFeB PMs blanks amounts to 23,000 tonnes. 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 sets of components and Ganzhou project of the magnetic materials for energy-efficient motor base are under construction as schedule. It is expected that the above projects will gradually be in operation in 2024. The Company plans to build a production capacity of 40,000 tonnes/year of high-performance REPM blanks and establish the advanced production line of magnetic components by 2025.

In January 2023, JLMAG MEXICO, S.A. DE C.V., a wholly-owned subsidiary of the Company, was incorporated in Mexico. The Company plans to invest and construct the production line project with an annual output of 1 million sets of magnetic components in Mexico. Upon the project is completed and put in operation, we will have a production capacity of 1 million sets of magnetic components. The Company adheres to the development strategy of internationalization, and in the future, it will actively implement the projects gradually to enhance its market competitiveness in areas such as humanoid robots and NEVs, so as to provide more favorable conditions for the expansion in overseas markets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Strengthen our R&D innovation and broaden our product categories

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

(1) Continue to carry out R&D projects to consolidate the Company's current technology and optimize formulations, introduce new high-performance products and technology of magnetic materials and components, timely respond to customers' demands for upgrading magnetic material products as-well-as magnetic components for humanoid robot and lead the technology innovation in our industry;

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

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

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

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

3. Expand the Company's global business footprint

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

In January 2023, the company's Ganzhou photovoltaic Power Station Project was completed and connected to the grid, with an aggregate installed capacity of approximately 2.6MW. So far, the Baotou Photovoltaic Power Station Project (包頭光伏電站項目) has published the information announcement from Baotao Municipal Government, and the construction is underway. The Ningbo factory of the Company is building a "green sponge factory". The Company will continue to adhere to the concept of green development in our business operations in the future. In addition to contributing REPMs to assist the world in achieving its goal of carbon peak and carbon neutrality, the Company has also actively cooperated with leading new energy companies in a green power initiative based on its business needs.

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

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

(2) 2024 Annual Business Plan

Formulated by the Board of Directors of the Company, the Company's business strategy for the year 2024 is "Scaling New Heights with Customer-orientated, Focus on the Core Business and R&D Innovation". The Company will continue to enhance lean, quality, production efficiency and informatization management through innovative technologies. The Company will also replenish industrial chain resources, continue to increase production capacity, and improve the ESG practice to achieve stable development of the Company. To implement the above business policies, the Company's 2024 annual business plan is as follows:

1. **Construction Plan for Projects Under Construction**

Multi-base production is not only a requirement from customers for supply chain security, but also helps the Company diversify risks, reduce costs and better secure resources. The Company will actively promote the construction of the "Project of High-performance REPMs Base (Phase II) with annual production capacity of 12,000 tonnes" in Baotou, the "Project of Realizing an Annual Production Capacity of 3,000 Tonnes of High-end Magnets and 100 million Units/Sets of Components" in Ningbo and the "High-efficiency and Energy-saving Motors Magnets Base Project" in Ganzhou; plan to invest in the construction of the "Production Line Project with annual production capacity of 1 million units/sets of magnetic components" in Mexico. Leveraging on the continuously improvement of production layout, the Company will capture the development opportunities in the downstream market, expand the scale of production capacity and realize scale effect, and improve the Company's competitiveness in various fields, thus achieving the constant enhancement of the Company's profitability.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Market Development Plan

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

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

3. Technology Development and Innovation Plan

Innovative technology is the major indicator of the development of technology enterprises and innovation encourages the quality development of the Company.

(1) In respect of materials engineering, through continuously promoting the reduction of heavy rare earth addition through technological innovation, while expanding the application area of high-abundance rare earth to achieve greater breakthrough.

(2) In the pre-design phase of new product design, we accurately identify the needs of our customers, work closely with them, use our own professional skills to help them optimize the design, improve performance, reduce costs, increase the success rate of R&D, and strive to turn the results of our technological research and development into innovative products.

(3) We will continue to invest in the research and development of magnetic components for humanoid robots and conduct joint research and development with more customers around the world in order to grasp the trend of the times and create new performance growth points.

(4) Intelligent manufacturing R&D center works closely with the production system to develop and manufacture automated equipment in large quantity, and iteratively upgrade production lines in large-scale production practices.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Quality Control and Lean Management Plan

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

5. Team Building Plan

Talent is regarded as the greatest asset by the Company. The Company attracts talent with vision, selects talent with performance and retains them with career. The Company will further enhance the incentive mechanism, including share incentives, and will reward the superiors while phasing-out the inferiors to motivates the talent team. The Company will strive to strengthen and expand the Company’s platform to provide a larger career development platform for well-prepared, responsible employees. Given that the implementation of the share repurchase plan was completed in December 2023, the Company currently holds a total of 8,015,784 A Shares in the Company’s designated account for securities repurchase. The aforesaid repurchased shares will be used for share incentive scheme or employee stock ownership plan as appropriate in the future, in accordance with the relevant regulations.

To sum up, the Company is committed to maintaining a customer-centric approach, long-term vision, and a focus on its main business. It will seize the emerging opportunities in the demand for magnetic components for humanoid robot and strive to enhance its technological innovation and cost-effectiveness. Meanwhile, the Company aims to establish a production capacity of 40,000 tonnes of high-performance REPM materials and advanced magnetic components production lines by 2025. Looking ahead, the Company aspires to become a world-class leader in REPMs and magnetic components industry with five strengths, namely technological superiority, scale and cost advantages, advanced magnetic components, a robust rare earth recycling industry chain, and a sustainable low-carbon ESG framework. The Company is dedicated to contributing JL's magnetic power to the goals of "2030 Carbon Peak" and "2060 Carbon Neutrality," while creating greater value for its shareholders and society as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

V. FINANCIAL REVIEW

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

(1) Overview

During the Reporting Period, the Group's revenue amounted to RMB6,687.9 million, representing a decrease of RMB477.3 million from RMB7,165.2 million in 2022. The gross profit of the Group was RMB1,074.9 million, representing a decrease of RMB84.1 million from RMB1,159.0 million in 2022. The basic earnings per share of the Group was RMB0.42.

During the Reporting Period, the profit for the year attributable to owners of the parent amounted to RMB563.7 million, representing an decrease of RMB139.0 million or 19.8% from RMB702.7 million in 2022, which was mainly due to the significant decrease of the Group's exchange gains during the Reporting Period as compared to the same period of last year and the continuous increase on R&D expenses. Excluding the impact of the exchange gains of RMB150 million from financing for the listing of Hong Kong Shares in 2022 and new investments in R&D of RMB16.4 million this year, the profit level for the year of the Group in 2023 remained basically stable as compared to 2022.

(2) Revenue and Cost of Sales Analysis

During the Reporting Period, there was a relatively large fluctuation in the price of rare earth raw materials. Taking metal neodymium (tax inclusive) as an example, according to the data published by the Asianmetal.cn, the average price from January to December 2023 was RMB0.6514 million/tonne, representing a decrease of approximately 35.64% as compared to the average price of RMB1.0121 million/tonne in the same period of 2022. In addition, the average price in January 2023 was RMB0.8764 million/tonne, and the average price in December 2023 was RMB0.5575 million/tonne, which showed a relatively large fluctuation in the price of rare earth raw materials since the beginning of the year.

During the Reporting Period, the Group generated revenue from sales of NdFeB magnetic steel and other products. Revenue decreased by RMB477.3 million or 6.7% from RMB7,165.2 million in 2022 to RMB6,687.9 million in 2023. The decrease in revenue was mainly due to the decline in the average selling price of the Group's NdFeB magnetic steel products as compared to the same period last year, which was affected by the significant fluctuations and downward trend in the market prices of rare earth raw materials during the Reporting Period. The sales volume of the Group's NdFeB magnetic steel products continued to increase from 12,041 tonnes in 2022 to 15,122 tonnes in 2023, representing an increase of 3,081 tonnes or 25.6%.

During the Reporting Period, other business revenue was mainly generated from the Group's sales of wastes of rare-earth magnetic mud amounted to RMB923.2 million, representing an decrease of 14.7% as compared to RMB1,082.4 million in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The main revenue is divided by product downstream applications:

	For the year ended 31 December			
	2023		2022	
	RMB'000	**%**	RMB'000	%
– NEVs and automotive parts	**3,303,212**	**57.30%**	2,889,085	47.50%
– Energy-saving VFACs	**1,323,735**	**22.96%**	1,832,226	30.12%
– PM wind turbine generators	**584,804**	**10.14%**	718,142	11.81%
– Other	**552,864**	**9.60%**	643,368	10.57%
Total	**5,764,615**	**100.00%**	6,082,821	100.00%

During the Reporting Period, the cost of sales of the Group mainly consisted of direct materials, direct labour and manufacturing expenses for the production of NdFeB magnetic steel and other products. Cost of sales decreased by RMB393.3 million from RMB6,006.2 million in 2022 to RMB5,612.9 million in 2023. The decrease in cost of sales was mainly due to the decline in market price of rare earth raw materials during the Reporting Period.

(3) Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB1,074.9 million (RMB1,159.0 million in 2022), with a gross profit margin of 16.1% (2022: 16.2%), which represented a slight decrease, mainly due to (i) the relatively huge fluctuation in the price of rare earth raw materials since the beginning of 2023, which would have a certain downward impact on the gross profit margin as a result of the transfer difference of costs and selling prices in the short term; and (ii) the decrease in the unit selling price of the products in the fourth quarter exceeded the decrease in the unit costs as a result of the impact of the intensified competition in the market, which resulted in a significant decrease in the gross profit margin in the fourth quarter, and the gross profit margin level for the year was pulled down as a whole.

(4) Other income and gains

The Group's other income and gains, which mainly included government grants, bank interest income, gains from wealth management products, gains from changes in fair value of forward foreign exchange agreement and others, which increased by 94.2% from RMB84.8 million in 2022 to RMB164.7 million in 2023, primarily due to (i) an increase of RMB32.3 million in bank interest income; (ii) an increase of RMB31.2 million in government grants; (iii) an increase of RMB5.8 million in gains from wealth management products; and (iv) an increase of RMB3.2 million in gains from changes in fair value of forward foreign exchange agreement.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(5) Impairment losses on inventories

The Group's impairment losses on inventories, which represented the amount by which the carrying amount of inventories exceeded their recoverable amount, increased by 188.3% from RMB10.3 million in 2022 to RMB29.7 million in 2023, mainly due to fluctuations in the net realizable value of inventories based on the estimated selling price of finished products.

(6) Impairment losses reversed/(recognised) on financial assets, net

The Group's reversal/(recognition) of impairment losses on financial assets, net mainly represented the provision for impairment of the Group's accounts receivable and notes receivable. During the Reporting Period, the reversal of impairment of financial assets was RMB5.8 million, and the impairment losses on financial assets in 2022 was RMB11.9 million. The change was mainly due to the reversal of impairment losses on notes receivable and accounts receivable of RMB6.2 million during the Reporting Period.

(7) Other expenses

The Group's other expenses mainly included losses on forward exchange locks, donation, and losses on disposal of non-current assets, decreased by 65.8% from RMB21.9 million in 2022 to RMB7.5 million in 2023, mainly due to the absence of floating loss on forward foreign exchange settlement during the Reporting Period (the floating loss on forward foreign exchange settlement was RMB10.4 million in 2022).

(8) Financial expenses

The Group's finance costs, which mainly included interest expense on interest-bearing bank and other borrowings and other finance costs in relation to the Company's lease liabilities, decreased by 25.3% from RMB68.9 million in 2022 to RMB51.5 million in 2023, mainly due to a decrease of RMB19.7 million in interest expenses.

(9) Foreign Exchange Differences, net

The Group's net foreign exchange differences, which represented the losses or gains resulting from translation of currencies at different exchange rates, was recorded as a gain of RMB33.0 million in 2023, representing a decrease of approximately RMB150.3 million as compared to a gain of RMB183.3 million in 2022, mainly due to the relatively large exchange gain from the Group's listing of H Shares in 2022.

(10) Income tax expenses

The Group's income tax expenses, which included current income tax and deferred income tax, decreased by 19.3% from RMB62.1 million in 2022 to RMB50.1 million in 2023, primarily due to the decrease in the Group's profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(11) Profit for the year

The Group's profit for the year decreased by 19.5% from RMB704.6 million in 2022 to RMB566.9 million in 2023. Excluding the impact of factors such as the foreign exchange gains of RMB150 million from financing through the listing on the Hong Kong Stock Exchange in 2022 and new investment in research and development expenses of RMB16.4 million incurred for the year, the net profit for 2023 basically remained stable as compared to 2022.

The Group's profit margin for the year (i.e. profit for the year as a percentage of revenue) decreased from 9.8% in 2022 to 8.5% in 2023.

(12) Cash flows

	For the year ended 31 December	
Summary of cash flows	**2023**	2022
	RMB'000	RMB'000
Net cash flows from operating activities	**1,517,766**	310,124
Net cash flows used in investing activities	**–942,047**	–754,333
Net cash flows (used in)/from financing activities	**–815,626**	2,435,892
Net (decrease)/increase in cash and cash equivalents	**–239,907**	1,991,683

1. Net cash flows from operating activities

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

The Group's net cash flow generated from operating activities for the year ended 31 December 2023 was RMB1,517.8 million, mainly due to the Group's profit before tax of RMB617.0 million, and adjusted for non-cash and non-operating items.

2. Net cash flows used in investing activities

The Group's net cash flow used in investing activities mainly included purchase of property, plant and equipment, and wealth management products and investment in associates etc.

The Group's net cash flow used in investing activities for the year ended 31 December 2023 was RMB942.0 million, mainly due to the purchase of property, plant and equipment of RMB730.9 million, and the purchase of other long-term assets of RMB74.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Net cash flows used in financing activities

Net cash flows used in financing activities of the Group mainly included repayment of bank borrowings, settlement of letter of credit, and payment of dividends and interests.

The Group's net cash flow used in financing activities for the year ended 31 December 2023 was RMB815.6 million. Cash outflow mainly consisted of repayment of bank loans of RMB835.7 million, settlement of letter of credit of RMB637.6 million, dividend payment of RMB218.2 million and repurchase of treasury shares of RMB160.0 million. Such cash outflows were partially offset by cash inflows from new bank loans of RMB769.7 million.

(13) Financial position

Non-current assets increased by RMB896.2 million from RMB2,093.5 million as of 31 December 2022 to RMB2,989.7 million as of 31 December 2023, primarily due to the increase in property, plant and equipment and other intangible assets during the Reporting Period. Current assets decreased by RMB290.7 million from RMB9,127.0 million as of 31 December 2022 to RMB8,836.3 million as of 31 December 2023, primarily due to the decrease in the balance of trade receivables, notes receivables as well as cash and cash equivalents during the Reporting Period.

Current liabilities decreased by RMB127.8 million from RMB4,111.3 million as of 31 December 2022 to RMB3,983.5 million as of 31 December 2023, primarily due to the decrease in the balance of short-term borrowings during the Reporting Period.

Non-current liabilities increased by RMB483.9 million from RMB321.4 million as of 31 December 2022 to RMB805.3 million as of 31 December 2023, mainly due to the increase in interest bearing bank and other borrowings and deferred income.

As of 31 December 2023 and 31 December 2022, the Group had net current assets of RMB4,852.8 million and RMB5,015.7 million, respectively, and total equity of RMB7,037.2 million and RMB6,787.8 million, respectively.

As of 31 December 2023 and 31 December 2022, the Group's cash and cash equivalents amounted to RMB3,156.7 million and RMB3,400.4 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(14) Inventories

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

	As of December 31	
	2023	2022
	RMB'000	RMB'000
Raw materials	**812,672**	543,899
Work in progress	**370,692**	342,093
Finished goods	**1,037,948**	1,050,935
	2,221,312	1,936,927
Less: Impairment provision		
Work in progress	**–2,099**	–1,739
Finished goods	**–6,033**	–4,047
	–8,132	–5,786
	2,213,180	1,931,141

The Group's inventories increased from RMB1,931.1 million as of 31 December 2022 to RMB2,213.2 million as of 31 December 2023, primarily due to the carrying amount of raw materials in inventories of RMB812.7 million as at 31 December 2023, representing an increase of 49.4% compared to the carrying amount of RMB543.9 million as at 31 December 2022.

(15) Property, plant and equipment

Property, plant and equipment mainly consisted of buildings, land under ownership, machinery and equipment, furniture and fixtures, motor vehicles, office and other equipment and construction in progress. As of 31 December 2023 and 31 December 2022, the carrying amount of the Group's property, plant and equipment amounted to RMB2,473.9 million and RMB1,706.6 million, respectively. The increase in the Group's plant, property and equipment during the Reporting Period was primarily due to the increase in investment in equipment in relation to new production lines and the increase of automation of production facilities as well as the purchase of land under ownership.

(16) Indebtedness and Gearing Ratio

As of 31 December 2023, the Group's interest-bearing bank and other borrowings amounted to RMB946.5 million. Among the total borrowings, borrowings of RMB402.3 million would be due within one year while borrowings of RMB544.2 million was the long-term borrowings for more than one year.

As of 31 December 2023, our gearing ratio, calculated by dividing total liabilities by total assets, was 40.5%, compared to 39.5% as of 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(17) Pledge of assets

As of 31 December 2023, the Group had no pledged property, plant and equipment (as of 31 December 2022: RMB138.7 million);

As of 31 December 2023, the Group had no pledged right-of-use assets (as of 31 December 2022: RMB27.4 million).

(18) Contingent liabilities

As of 31 December 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

I STATEMENT OF CHANGES IN SHARE CAPITAL

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

II SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

(1) Shareholding of the top ten shareholders

As at 31 December 2023, the shareholding of the top ten shareholders of the Company was set out as below

Unit: Share

Name	Nature	Shareholding percentage	Number of shares held at the end of the Reporting Period	Changes during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Shares pledged, marked or frozen	
							Status	Number
Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司)	Domestic non-state-owned legal person	28.79%	387,100,160	145,162,560	0	387,100,160	Pledged	16,000,000
HKSCC NOMINEES LIMITED	Overseas legal person	14.93%	200,745,600	75,279,600	0	200,745,600	N/A	0
Ganzhou Industrial Investment Holding Group Co., Ltd. (贛州工業投資控股集團有限公司)	State-owned legal person	5.14%	69,120,000	25,920,000	0	69,120,000	N/A	0
Goldwind Investment Holding Co., Ltd. (金風投資控股有限公司)	Domestic non-state-owned legal person	4.98%	67,036,352	19,800,032	0	67,036,352	N/A	0
Shaanxi Coal Industry Co., Ltd. (陝西煤業股份有限公司)	State-owned legal person	3.99%	53,631,950	53,631,950	0	53,631,950	N/A	0
Ganzhou Xinsheng Investment Management Center (limited partnership) (贛州欣盛投資管理中心(有限合夥))	Domestic non-state-owned legal person	1.75%	23,536,435	8,826,163	0	23,536,435	N/A	0
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	Overseas legal person	1.38%	18,584,354	–8,889,655	0	18,584,354	N/A	0
China Universal Asset Management Co., Ltd.– social insurance fund17022 combination (匯添富基金管理股份有限公司－社保基金17022組合)	other	0.75%	10,111,220	4,651,220	0	10,111,220	N/A	0
Tian'an Life Insurance Company- participating products (天安人壽保險股份有限公司－分紅產品)	other	0.71%	9,600,000	3,600,000	0	9,600,000	N/A	0
Ganzhou Geshuo Investment Management Center (limited partnership) (贛州格碩投資管理中心(有限合夥))	Domestic non-state-owned legal person	0.64%	8,603,174	3,226,190	0	8,603,174	Pledged	3,504,000
Description on the affiliated or acting-in-concert relationships among the above shareholders	(1) Among the above shareholders, Ruide Venture was the controlling shareholder of the Company, which was held as to 40%, 30% and 30%, respectively, by Cai Baogui (蔡報貴), Hu Zhibin (胡志濱) and Li Xinnong (李忻農) who were the de facto controllers of the Company. In addition, Ganzhou Xinsheng was held as to 89.12% by Cai Baogui and 10.88% by Hu Zhibin; Ganzhou Geshuo was held as to 61.00% by Hu Zhibin and 39.00% by Li Xinnong. Cai Baogui, Huzhibin, Li Xinnong, Ruide Venture, Ganzhou Xinsheng and Ganzhou Geshuo are persons acting in concert; and (2) apart from the above shareholders, the Company was not aware of any affiliated or acting-in-concert relationships among other shareholders.							

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

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

As of 31 December 2023, to the knowledge of the Directors, the following person (other than the directors, supervisors and the chief executive of the Company) who have or are deemed have interests and short positions in the shares or underlying shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be kept under section 336 of the SFO are as follows:

Name	Class of Shares	Nature of interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
Cai Baogui[4][5]	A Shares	Interests of controlled corporation	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)	36.87%	31.37%
Hu Zhibin[4]	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)	36.87%	31.37%
Li Xinnong[4][6]	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)	36.87%	31.37%
Jiangxi Ruide Venture Investment Co., Ltd.[4]	A Shares	Beneficial owner	387,100,160 (L)	33.84%	28.79%
Ganzhou Industrial Investment Holding Group Co., Ltd.[13]	A Shares	Beneficial owner	69,120,000 (L)	6.04%	5.14%
Goldwind Science & Technology Co., Ltd.[7]	A Shares	Interests of controlled corporation	67,036,352 (L)	5.86%	4.98%
Goldwind Investment Holdings Co., Ltd.[7]	A Shares	Beneficial owner	67,036,352 (L)	5.86%	4.98%

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Name	Class of Shares	Nature of interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.[8]	H Shares	Beneficial owner	34,270,800 (L)	17.07%	2.55%
China Chengtong Holdings Group Ltd.[8]	H Shares	Interests of controlled corporation	34,270,800 (L)	17.07%	2.55%
Rosefinch Fund Management Co., Ltd.[9]	H Shares	Investment Manager	27,993,320 (L)	13.94%	2.08%
China Resources (Holdings) Company Limited[10]	H Shares	Interests of controlled corporation	11,423,600 (L)	5.69%	0.85%
China Resources Company Limited[10]	H Shares	Interests of controlled corporation	11,423,600 (L)	5.69%	0.85%
China Resources Inc.[10]	H Shares	Interests of controlled corporation	11,423,600 (L)	5.69%	0.85%
CR & CNIC Investment Limited[10]	H Shares	Interests of controlled corporation	11,423,600 (L)	5.69%	0.85%
CR Alpha Fund Management Limited[10]	H Shares	Interests of controlled corporation	11,423,600 (L)	5.69%	0.85%
CR Alpha Fund, L.P.[10]	H Shares	Interests of controlled corporation	11,423,600 (L)	5.69%	0.85%
CR Alpha Investment II Limited[10]	H Shares	Beneficial owner	11,423,600 (L)	5.69%	0.85%
CRC Bluesky Limited[10]	H Shares	Interests of controlled corporation	11,423,600 (L)	5.69%	0.85%
CITIC Corporation Limited[11]	H Shares	Interests of controlled corporation	6,923,400 (L)	3.45%	0.51%
CITIC Glory Limited[11]	H Shares	Interests of controlled corporation	6,923,400 (L)	3.45%	0.51%
CITIC Group Corporation[11]	H Shares	Interests of controlled corporation	6,923,400 (L)	3.45%	0.51%
CITIC Limited[11]	H Shares	Interests of controlled corporation	6,923,400 (L)	3.45%	0.51%
CITIC Polaris Limited[11]	H Shares	Interests of controlled corporation	6,923,400 (L)	3.45%	0.51%
Prudential PLC[12]	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%

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

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

(2) Represents the percentage of the number of shares in the relevant class as at 31 December 2023 divided by the number of shares in the relevant class of the Company in issue.

(3) Represents the percentage of the number of shares in the relevant class as at 31 December 2023 divided by the number of all shares of the Company in issue (totalling 1,344,771,235 shares, including 200,745,600 H Shares and 1,144,025,635 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.

Jiangxi Ruide Venture Investment Co., Ltd. was held as to 40%, 30% and 30%, respectively, by Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong. Under the SFO, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are deemed to be interested in the 387,100,160 A Shares held by Jiangxi Ruide Venture Investment Co., Ltd..

(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 as a general partner, directly holds 8,603,174 A Shares of the Company, and in accordance with the SFO, Mr. Li 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..

(9) Pursuant to a corporate substantial shareholder notice filed by Rosefinch Fund Management Co., Ltd. to the Stock Exchange on 31 October 2023, it directly holds 27,993,320 H Shares of the Company.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(10) 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.

(11) 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.

(12) 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.

(13) Formerly known as Ganzhou Rare Earth Group Co., Ltd.

Save as disclosed above, as at 31 December 2023, there was no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was recorded in the register kept by the Company under section 336 of the SFO.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

III CHANGES IN THE CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

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

(1) Controlling shareholder

As of 31 December 2023, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong, and the investment holding entities under their control, namely Jiangxi Ruide Venture Investment Co., Ltd., Ganzhou Geshuo Investment Management Center (limited partnership), and Ganzhou Xinsheng Investment Management Center (limited partnership), jointly hold approximately 31.37% interest of the total issued share capital of the Company, which constitute a group of controlling shareholders of the Company under the Hong Kong Listing Rules.

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

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

(3) De facto controllers

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

1 CORPORATE GOVERNANCE PRACTICE

(1) Improvement of Corporate Governance in the Reporting Period

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

(2) General Meetings of Shareholders

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

As of 31 December 2023, 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 registered 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:

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	Approximate percentage of total shareholdings in the Company
Cai Baogui[1, 3]	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	36.87%	31.37%
Hu Zhibin[1]	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	36.87%	31.37%
Li Xinnong[1, 4]	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	36.87%	31.37%
Lyu Feng[2]	A Shares	Interests of controlled corporation	2,168,862		
	A Shares	Beneficial owner	2,115,648		
			4,284,510	0.38%	0.32%

CORPORATE GOVERNANCE REPORT (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. Jiangxi Ruide Venture Investment Co., Ltd. was held as to 40%, 30% and 30%, respectively, by Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong. Under the SFO, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are deemed to be interested in the 387,100,160 A Shares held by Jiangxi Ruide Venture Investment Co., Ltd.

(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, Mr. Cai 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 as a general partner, directly holds 8,603,174 A Shares of the Company, and in accordance with the SFO, Mr. Li is deemed to be interested in 8,603,174 A Shares held by Ganzhou Geshuo Investment Management Center (limited partnership).

Save as disclosed above, as of 31 December 2023, 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.

(4) Securities Transactions by Directors and Supervisors

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

(5) Performance of Duties by Independent Directors

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

(6) The Company's Independence of Controlling Shareholders

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

(7) Horizontal Competition with Controlling Shareholders

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

(8) Improvement and Implementation of Internal Control System

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

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

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

(9) Assessment and Incentive Mechanism for Senior Management

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

1. Compliance with the Corporate Governance Code

The Board is committed to upholding a high standard of corporate governance practices with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Company has adopted the applicable corporate governance rules specified in the Corporate Governance Code set out in Appendix C1 of the Listing Rules.

During the Reporting Period, save for (1) deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code; and (2) temporary non-compliance with the requirements set out under Rules 3.21, 3.25 and 3.27A of the Listing Rules from 21 June 2023 to 5 July 2023, the Company has complied with the applicable provisions set out in the Corporate Governance Code.

Pursuant to code provision C.2.1 of the Part 2 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Baogui is our co-founder, the Chairman and the general manager (same nature as the chief executive officer). From the inception of the Group's business, Mr. Cai has been responsible for the overall management, decision-making and strategy planning of our Group and is essential to our Group's growth and business expansion. Since Mr. Cai is the key personnel for our Group's development and he will not undermine our Group's interests in any way under any circumstances, our Board considers that vesting the roles of chairman and general manager in the same person, Mr. Cai, would not create any potential harm to the interest of our Group and it is, on the contrary, beneficial to the management of our Group. In addition, the operation of the senior management and our Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Cai, as both the Chairman and general manager of our Group. Our Board currently comprises two executive Directors (including Mr. Cai), four non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

On 21 June 2023, immediately following the retirement of Mr. You Jianxin and Mr. Yuan Taifang as the independent non-executive Directors of the Company and members of the relevant special committees of the Board due to the expiration of their terms of office, the Company was unable to comply with the relevant requirements of the Rules 3.21, 3.25 and 3.27A of the Listing Rules on the number of members and composition of the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee of the Board. Since Mr. Zhu Yuhua was appointed as a member of the Strategy Committee and the Audit Committee, and the chairman of the Remuneration and Appraisal Committee of the third session of the Board of Directors of the Company, and Ms. Cao Ying was appointed as a member of the Nomination Committee and the chairman of the Audit Committee of the third session of the Board of Directors of the Company on 5 July 2023, the Company has regained compliance with the relevant requirements of the Listing Rules above. For further details, please refer to the Company's H Share announcements dated 22 June 2023 and 5 July 2023.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

2 THE BOARD OF DIRECTORS

(1) The Board of Directors

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

2 The Board of Directors of the Company shall convene regular Board meeting at least four times each year. The Board meeting is convened by the chairman, and all Directors and Supervisors shall be notified in writing 14 days prior to the meeting. In 2023, a total of six Board meetings were held by the Company.

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

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

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

(2) Chairman and General Manager

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

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

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

(3) Composition of the Board

1 As of 31 December 2023 and the annual report date, the Board of the Company consists of nine members (please refer to the section headed "Profile of Directors, Supervisors and Senior Management), including two executive Directors, four non-executive Directors and three independent non-executive Directors (accounting for at least one third of the total members of the Board).

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

(4) Appointment, Re-election and Removal

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

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

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

(5) Nomination Committee

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

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

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

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

4 During the Reporting Period, the Nomination Committee convened one meeting. The Nomination Committee held the second meeting of the Nomination Committee of the Third Session of the Board of Directors on 20 March 2023, at which it reviewed the "Proposal on the By-election of Non-Independent Directors of the Third Session of the Board" (《關於補選第三屆董事會非獨立董事的議案》), the "Proposal on the Departure of the Independent Directors upon Expiry of Their Term of Office and the By-election of the Independent Directors of the Third Session of the Board" (《關於獨立董事期滿離任暨補選第三屆董事會獨立董事的議案》), the "Proposal on the Employment of a Deputy General Manager of the Company" (《關於聘任公司副總經理的議案》) and the "Proposal on the Implementation of the Diversity Policy of the Board in 2023" (《關於2023年度公司董事會多元化政策執行情況的議案》).

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

(6) ESG Committee

The "Resolution on the Establishment of an ESG Committee" (《關於設立環境、社會及治理(ESG)委員會的議案》) have been considered and approved at the 22nd Meeting of the Third Session of the Board of Directors of the Company held on 25 October 2023.

The Board announced that for the purpose of further promoting the Company's ESG efforts and strengthening the ability to execute the various ESG objectives, the establishment of the ESG Committee was intended to be launched to coordinate the Company's ESG efforts and resource coordination, provide comprehensive supervision of its ESG-related matters, and perform ESG-related control duties when identifying its major ESG improvement plans. In addition, important ESG issues and investment proposal reports would also be evaluated as the Company's annual ESG report under review for improving the consistency of its ESG disclosure.

The ESG Committee reports on the work of the Board. The Board elected Mr. Cai Baogui, Chairman and general manager, as the chairman of the ESG Committee for the current term, and Cao Ying, Yu Han, Yi Pengpeng and Su Quan as members of the ESG Committee. The term of office of the ESG Committee is the same as the term of office of the Third Session of the Board of Directors.

No meeting of the ESG Committee was held during the Reporting Period.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(7) Duties of Directors

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

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

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

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

5. The Company has arranged appropriate liability insurance coverage for the Directors, Supervisors and senior management.

(8) Directors' Trainings and Continuous Professional Development

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Name of Directors	Attending or participating in relevant seminars/reading materials
Executive Directors	
Mr. Cai Baogui	✓
Mr. Lyu Feng	✓
Non-executive Directors	
Mr. Hu Zhibin	✓
Mr. Li Xinnong	✓
Mr. Liang Minhui[1]	✓
Mr. Li Xiaoguang[1]	✓
Mr. Li Fei[2]	✓
Independent Non-executive Directors	
Mr. Zhu Yuhua[1]	✓
Mr. Xu Feng	✓
Ms. Cao Ying[1]	✓
Mr. You Jianxin[3]	✓
Mr. Yuan Taifang[3]	✓

Notes:

(1) Mr. Liang Minhui, Mr. Li Xiaoguang, Mr. Zhu Yuhua and Ms. Cao Ying were appointed on 21 June 2023;

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

(3) Mr. You Jianxin and Mr. Yuan Taifang ceased to be independent non-executive Directors on 21 June 2023.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(9) Attendance Record of Directors

For the year ended 31 December 2023, the record of the Directors attending the Board meetings, Board Committees' meetings and shareholders' general meetings are as follows:

	Number of Board meetings and Board Committees' meetings attended/number of Board meetings and Board Committees' meetings held for the year ended 31 December 2023						
Name	Board[4]	Remuneration and Appraisal Committee	Audit Committee	Nomination Committee	Strategy Committee	Environmental, Social and Governance Committee[5]	Number of general meetings attended
Executive Directors							
Mr. Cai Baogui	6	N/A	N/A	1	2	Not held	2
Mr. Lyu Feng	6	2	N/A	N/A	N/A	N/A	2
Non-executive Directors							
Mr. Hu Zhibin	6	N/A	4	N/A	0	N/A	2
Mr. Li Xinnong	6	N/A	N/A	N/A	0	N/A	2
Mr. Liang Minhui[1]	4	N/A	N/A	N/A	N/A	N/A	1
Mr. Li Xiaoguang[1]	4	N/A	N/A	N/A	0	N/A	1
Mr. Li Fei[2]	0	0	0	0	0	N/A	0
Independent Non-executive Directors							
Mr. Zhu Yuhua[1]	4	1	2	N/A	1	N/A	1
Mr. Xu Feng	6	2	N/A	1	2	N/A	2
Ms. Cao Ying[1]	4	N/A	2	0	N/A	Not held	1
Mr. You Jianxin[3]	2	1	2	N/A	1	N/A	1
Mr. Yuan Taifang[3]	2	N/A	2	1	N/A	N/A	1

Notes:

1. Mr. Liang Minhui, Mr. Li Xiaoguang, Mr. Zhu Yuhua and Ms. Cao Ying were appointed on 21 June 2023, and the table sets out above their attendance in meetings of the Company as of 31 December 2023 since the date of his appointment;

2. Mr. Li Fei resigned on 17 March 2023. The table sets out above Mr. Li Fei's attendance in meetings of the Company from 1 January 2023 to 17 March 2023;

3. Mr. You Jianxin and Mr. Yuan Taifang ceased to be independent non-executive Directors of the Company with effect from 21 June 2023. The table sets out above the attendance of Mr. You Jianxin and Mr. Yuan Taifang in the meetings of the Company from 1 January 2023 to 21 June 2023;

4. Statistics on the number of Board meetings attended by Directors include the number of Board meetings attended by Directors on site and the number of Board meetings attended by Directors by means of communication;

5. The ESG Committee of the Company was established on 25 October 2023 and no meeting of the ESG Committee was held during the Reporting Period.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(10) Data Provision and Use

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

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

3 REMUNERATION AND APPRAISAL COMMITTEE

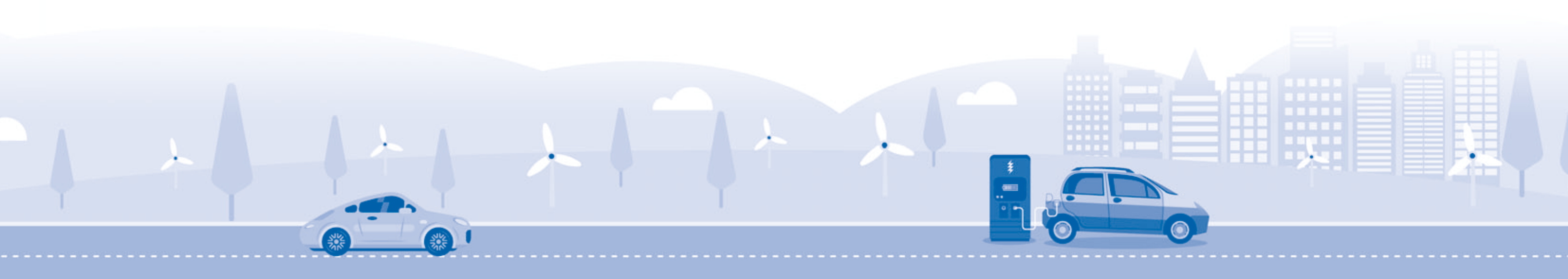
1 The Board of the Company has set up a Remuneration and Appraisal Committee, in which independent non-executive Director Mr. Zhu Yuhua serves as chairman of the committee and executive Director Mr. Lyu Feng and independent non-executive Director Mr. Xu Feng serve as members of the committee. The principal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

2 The Remuneration and Appraisal Committee consults the Chairman and the general manager regarding the remuneration proposals for other executive Directors. Through the assessment by the Remuneration and Appraisal Committee, it is believed that the executive Directors of the Company fulfilled the responsibilities specified in the Director Service Contract in 2023.

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

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

1. The seventh meeting of the third session of the Remuneration and Assessment Committee under the Board of Directors was held on 20 March 2023, which considered and approved the Proposal on the Assessment Report in respect of the Remuneration and Performance of the Senior Management of the Company in 2022 (《關於公司2022年度高管薪酬績效考核報告的議案》), the Proposal on the Set-up of Performance Assessment Indicators for the Senior Management in 2023 (《關於2023年度高管績效考核指標設定的議案》) and the Proposal on the Purchase of Liability Insurance for the Company, Directors, Supervisors and Senior Management (《關於為公司及董事、監事、高級管理人員購買責任保險的議案》);



CORPORATE GOVERNANCE REPORT (CONTINUED)

2. The eighth meeting of the third session of the Remuneration and Assessment Committee under the Board of Directors was held on 13 October 2023, which considered and approved the Proposal on the Fulfilment of the Conditions for Releasing Restrictions during the Third Release Period of the 2020 Restricted Stock Incentive Plan of the Company (《關於公司2020年限制性股票激勵計劃第三個解除限售期解除限售條件成就的議案》), the Proposal on the Company's Initial Grant of the 2020 Restricted Stock Incentive Plan and the Fulfilment of the Conditions for the Grant of Reserved Portion during the Third Release Period in 2020 and for the Grant of Remaining Reserved Portion during the Second Release Period in 2021 (《關於公司2020年限制性股票激勵計劃首次授予及2020年授予預留部分第三個歸屬期、2021年授予剩餘預留部分第二個歸屬期歸屬條件成就的議案》), the Proposal on the Repurchase and Cancellation of the Restricted Stocks Granted, but not yet Released, to Certain Participants under the 2020 Restricted Stock Incentive Plan (《關於回購註銷2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票的議案》) and the Proposal on the Invalidation of Certain Type II Restricted Shares Granted but not yet Vested (《關於作廢部分已授予尚未歸屬的第二類限制性股票的議案》).

4 ACCOUNTABILITY AND AUDIT

(1) Financial Reporting

1 The Directors are responsible for supervising accounts preparation in each financial period so that all accounts truly and fairly present the business condition, operating results and cash flow performance of the Company during the same period. The Board of the Company approved the Annual Financial Report (2023) and guarantees that the information contained in the financial report is free of any false records, misleading statements or material omissions and will assume joint and several liabilities for the authenticity, accuracy and completeness of the information contained therein.

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

(2) Internal Controls and Risk Management

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

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

3 In terms of risk management, based on the Articles of Association and the current management system, the Company has formulated a risk management system and established a risk management organization system, in combination with the domestic and overseas regulatory rules and the actual situation of the Company's production, operation and management. The Company organizes annual risk assessment every year, identifies major and important risks, implements risk management responsibilities, formulates major and important risk response strategies and measures in combination with internal control, and regularly tracks the implementation of major risk response measures to ensure the Company's major risks can receive sufficient attention, monitoring and response. The Company has comprehensively identified significant environmental, social and governance risks related to its operations, including environmental protection, climate change, clean technology development and innovation, anti-corruption, occupational health and safety, community relations, etc., and has formulated relevant measures to address them, and the Company also requires relevant departments to implement relevant measures in their operations and management. For more details, please refer to the "2023 Environment, Social

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

(3) Audit Committee

1 The Board of the Company has set up an Audit Committee, in which Ms. Cao Ying, an independent non-executive Director serves as the chairman of the Committee and Mr. Zhu Yuhua (an independent non-executive Director) and Mr. Hu Zhibin (a non-executive Director) serve as members of the committee. The primary functions of the Audit Committee include reviewing and supervising the Group's financial reporting process and internal control system, reviewing connected transactions and making recommendations to the Board. Audit Committee has reviewed this annual report.

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

(1) The ninth meeting of the third session of the Audit Committee under the Board of Directors was held on 20 March 2023, which considered and approved the Proposal on the 2022 Annual Report, its Summary and the 2022 Annual Results of the Company (《關於公司2022年度報告、報告摘要及2022年度業績的議案》), the Proposal on the 2022 Financial Accounting Report of the Company (《關於<公司2022年度財務決算報告>的議案》), the Proposal on the 2022 Profit Distribution Proposal and Conversion of Capital Reserve Plan (《關於2022年度利潤分配及資本公積轉增股本預案的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage of the Proceeds from A Share in 2022 (《關於<公司2022年度A股募集資金存放與使用情況的專項報告>的議案》), the Proposal on the 2022 Internal Control Self-assessment Report of the Company (《關於<公司2022年度內部控制自我評價報告>的議案》), the Proposal on the Appointment of Audit Firm of the Company for 2023 (《關於聘請公司2023年度審計機構的議案》), and the 2022 Internal Audit Work Report and 2023 Internal Audit Work Plan (《2022年度內部審計工作報告及2023年度工作計劃》);

CORPORATE GOVERNANCE REPORT (CONTINUED)

(2) The tenth meeting of the third session of the Audit Committee under the Board of Directors was held on 14 April 2023, which considered and approved the Proposal on the 2023 First Quarterly Report of the Company (《關於<公司2023年第一季度報告>的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage of the Proceeds from A Share in the First Quarter of 2023 (《關於<公司2023年第一季度A股募集資金存放與使用情況的專項報告>的議案》) and the 2023 First Quarterly Audit Work Report (《2023年一季度審計工作報告》);

(3) The eleventh meeting of the third session of the Audit Committee under the Board of Directors was held on 12 August 2023, which considered and approved the Proposal on the 2023 Half-year Report and its Summary and 2023 Half-year Results Announcement of the Company (《關於公司2023年半年度報告、報告摘要及2023年半年度業績公告的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage by the Company of the Proceeds from A Share in the Half Year of 2023 (《關於<公司2023年半年度A股募集資金存放與使用情況的專項報告>的議案》) and the First Half of 2023 Audit Work Report (《2023年上半年度審計工作報告》);

(4) The twelfth meeting of the third session of the Audit Committee under the Board of Directors was held on 13 October 2023, which considered and approved the Proposal on the 2023 Third Quarterly Report of the Company (《關於<公司2023年第三季度報告>的議案》), the Proposal on the Investment Project for the Issuance of Shares to Specific Target Subscribers and Use of Remaining Proceeds as Permanent Supplement to Working Capital in 2020 (《關於2020年向特定對象發行股票募集資金投資項目結項並使用節餘募集資金永久性補充流動資金的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage by the Company of the Proceeds from A Share in the Third Quarter of 2023 (《關於<公司2023年第三季度A股募集資金存放與使用情況的專項報告>的議案》) and the 2023 Third Quarterly Audit Work Report (《2023年三季度審計工作報告》).

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

5 DELEGATION OF BOARD POWERS

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

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

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

1. The fourth meeting of the third session of the Strategy Committee under the Board of Directors was held on 20 March 2023, which considered and approved the Proposal on on the Company's 2022 Sustainability Report and Environmental, Social and Corporate Governance Report (《公司2022年可持續發展報告暨環境、社會與公司治理報告的議案》), the Resolution on the General Mandate to Issue Additional A Shares or H Shares of the Company (《關於增發公司A股或H股股份一般性授權的議案》), the Resolution on the Request to the General Meeting to Authorize the Board Of Directors to Handle Matters in Relation to the Small-Scale Rapid Financing (《關於提請股東大會授權董事會辦理小額快速融資相關事宜的議案》) and the Resolution on the General Authorization for the Issuance of Onshore and Offshore Debt Financing Instruments (《關於申請發行境內外債務融資工具一般性授權的議案》);

2. The fifth meeting of the third session of the Strategy Committee under the Board of Directors was held on 12 August 2023, which considered and approved the Proposal on the Termination of Acquisition of 46% equity interests in Xinyang Yen Sonic Technology Co., Ltd. and 51% equity interests in Suzhou Yuange Electronics Co., Ltd. (《關於終止收購信陽圓創磁電科技有限公司46%股權和蘇州圓格電子有限公司51%股權的議案》), and the Resolution on the Changes in the Use of Proceeds from H Shares (《關於變更H股募集資金使用用途的議案》)

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

6 INVESTOR RELATIONS

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

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

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

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

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

(6) The Board of the Company has reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the Reporting Period. Having considered the multiple channels of communication and above specific measures in place, the Board is satisfied that the Shareholders' Communication Policy has been properly in place for 2023 and is effective.

CORPORATE GOVERNANCE REPORT (CONTINUED)

7 COMPANY SECRETARY

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

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

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

8 BOARD DIVERSITY POLICY

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

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness. Looking forward, the Company will continue to carry forward gender diversity on the Board. The Board has made every effort to include female Directors into the Board (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles). On 30 March 2023, the Board approved the nomination of Ms. Cao Ying as a candidate for the third session of the Board as an independent non-executive Director of the Company and she was appointed on 21 June 2023. For details of Ms. Cao's appointment, please refer to the H Share announcements of the Company dated 30 March 2023 and 22 June 2023.

The Company has adopted and will continue to adopt measures to promote the diversity of employees in all levels. All eligible employees will equally have the opportunities in employment, trainings and career development. The Company will, when recruiting middle-level and senior managers, continue to ensure gender diversity. In this way, the Company will be able to have a number of senior management positions for females and invite potential females to join the Board in due course, so as to ensure the gender diversity of the Board. The Group will continue to attach importance to the training for female talents and provide them with long-term development opportunities. Currently, the male to female ratio of the Company's employees (including senior management) is approximately 2.12:1, and after prudent consideration, the Board is of the view that we have achieved the gender diversity of employees.

CORPORATE GOVERNANCE REPORT (CONTINUED)

9 Anti-corruption Policy

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

10 DIVIDEND POLICY

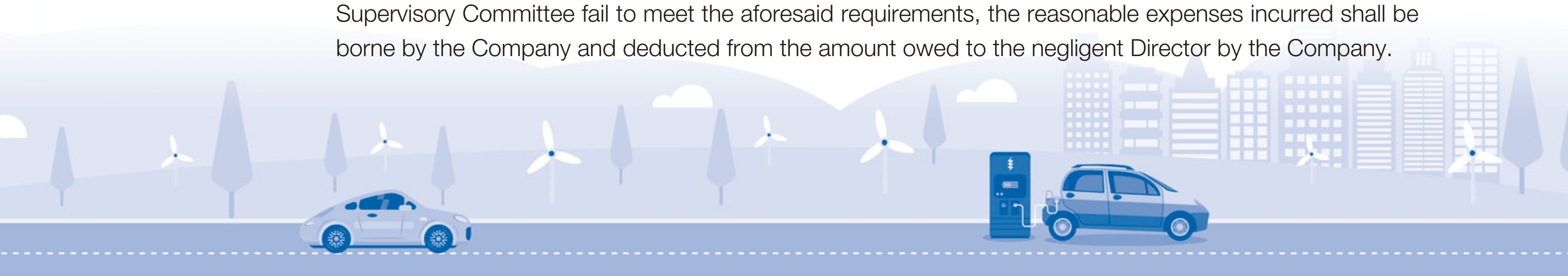
The Company's profit distribution policy maintains continuity and stability while taking into account the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company. The Company preferentially adopts the profit distribution method of cash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

11 SHAREHOLDERS' RIGHTS

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

(1) Right to convene extraordinary general meetings

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



CORPORATE GOVERNANCE REPORT (CONTINUED)

(2) To put forward proposals at shareholders' general meetings

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

(3) Making enquiries to the Board

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

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

12 ARTICLES OF ASSOCIATION

The amendments to the Articles of Association of the Company have been considered and approved through its 2022 annual general meeting, the 2023 first A Shares Class Meeting and the 2023 first H Shares Class Meeting held on 21 June 2023, the first extraordinary general meeting of 2023 held on 23 November 2023. For details, please refer to the H Share announcements of the Company dated 30 March 2023 and 24 August 2023 and the H Share circulars dated 4 May 2023 and 6 November 2023 respectively. Save as disclosed above, there were no material changes in the Memorandum of the Association of the Company for the year ended 31 December 2023. The latest Articles of Association of the Company is available on the Company's website and the website of the Stock Exchange.

REPORT OF THE BOARD OF DIRECTORS

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

1 BUSINESS REVIEW

(1) Principal Activities

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

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

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

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

(3) Environmental, Social and Governance Performance

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

To demonstrate the Company's commitment to stakeholders in terms of transparency and accountability, the Company will publish an independent ESG Report in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules. The report will demonstrate the Company's commitment to sustainable development during the year under review and will also involve significant economic, environmental and social achievements and impacts arising from the activities of the Company and its joint ventures. The report can be viewed or downloaded in electronic form on the official websites of the Stock Exchange and the Company.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

2 RESULTS AND DIVIDEND

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

The Board of Directors of the Company has resolved to recommend the declaration of final dividends for the year ended 31 December 2023. The dividends will be distributed to all shareholders at a rate of RMB2.6 (tax inclusive) per 10 shares based on the share capital after deduction of shares held in the Company's A-share repurchase account on the equity registration date determined in the equity distribution implementation announcement. Based on the total share capital is calculated as 1,336,755,451 shares after deducting the number of shares held by the Company's A-share repurchase account as of the disclosure date of the profit distribution plan, the total amount is expected to be approximately RMB347.6 million.

The above recommendation is subject to the approval of the 2023 annual general meeting of the Company. It is expected that the above distribution will be distributed to eligible shareholders within two months upon the convening of the shareholders' general meeting. During the period from the disclosure date of the profit distribution plan to the Company's registration date for the implementation of the equity distribution, if there are changes in the Company's share capital due to the exercise of share incentives, listing of newly issued shares, share repurchases, or other matters, the Company will adjust the total distribution amount in accordance with the unchanged distribution ratio. In other words, the Company will maintain a cash dividend of RMB2.6 (tax included) per 10 shares, adjusting the total amount of cash dividend distribution accordingly.

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

Taxation

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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 Connection and Shenzhen-Hong Kong Stock Connection, the Company shall withhold income tax at a rate of 20% for individual investors and securities investment funds, while the Company will not withhold income tax on dividend income for enterprise investors, and the tax payable shall be declared and paid by the enterprises themselves. With regard to dividend income received by Hong Kong market Investors (Including both enterprises and individuals) from investing in A Shares of the Company through Shenzhen-Hong Kong Stock Connection, the Company will withhold income tax at the rate of 10%, and file tax withholding returns with the competent tax authority. Where there is any tax resident of a foreign country out of the investors and the rate of income tax on dividends is less than 10%, as provided for in the tax treaty between the country and the PRC, the enterprise or individual may personally, or entrust a withholding agent to, file an application for the tax treatment under the tax treaty with the competent tax authority of the Company. Upon review, the competent tax authority will refund tax based on the difference between the amount of tax has been collected and the amount of tax payable calculated at the tax rate as set out in the tax treaty.

3 FINANCIAL SUMMARY

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

4 PROPERTY, PLANT AND EQUIPMENT

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

5 SHARE CAPITAL

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

6 EQUITY-LINKED AGREEMENTS

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

7 RESERVES

Details of changes in the reserves of the Company during the Reporting Period are set out in Note 45 to the Financial Statements of this annual report. As of the end of the Reporting Period, the reserves of the Company available for distribution to shareholders amounted to approximately RMB1,406.8 million.

8 BORROWINGS

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

9 MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

On 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 Ruide Venture and its designated wholly-owned overseas subsidiaries and other qualified investors who are independent third parties in compliance with the requirements of applicable laws and regulations and the Hong Kong Stock Exchange. Assuming that the new H Shares are issued at the Proposed Issue Price, the gross proceeds to be raised from the Proposed Issuance of H Shares will be no more than HK$220,273,523 (stated figure inclusive), which will be used to support the Company's business development, replenish the Company's working capital and repay the Company's debts when they fall due, after deduction of expenses relating to the issuance. At the same date, 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 the Controlling Shareholder Subscriber (namely Ruide Venture and its designated wholly-owned overseas subsidiaries), 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 wholly-owned overseas subsidiaries. For details, please refer to the H Share announcement of the Company dated 26 January 2024. The aforesaid matters are subject to the approval of the shareholders in shareholders' general meeting and further announcement will be made by the Company in compliance with the Listing Rules.

On 28 March 2024, the Board considered and approved a final cash dividend of RMB2.60 (tax included) per 10 shares for the year 2023 to shareholders, which is estimated to be a total of RMB347.6 million, which is still subject to the approval of the shareholders at the forthcoming annual general meeting.

10 CHARITABLE DONATIONS

During the Reporting Period, the Company's charitable donations amounted to RMB0.68 million.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

On 25 October 2022, considering that 4 participants receiving the Type I Restricted Shares under the Company's Restricted Share Incentive Plan resigned, the Company held the seventeenth meeting of the third session of the Board and the fifteenth meeting of the third session of the Supervisory Committee, respectively, which considered and approved the Proposal on the Repurchase and Cancellation of the Restricted Stocks Granted, but not yet Released, to Certain Participants under the 2020 Restricted Share Incentive Plan (《關於回購註銷2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票的議案》). Accordingly, the Company repurchased and cancelled a total of 14,016 Class I restricted A Shares granted to 4 participants but subject to lock up restrictions (the repurchase price per share was RMB13.1375 and the total repurchase fund was RMB184,135.2). For details, please see the H Share overseas regulatory announcement of the Company dated 25 October 2022. The above repurchase and cancellation were completed on 21 June 2023. For details, please refer the H Share overseas regulatory announcement of the Company dated 22 June 2023.

On 25 October 2023, considering that 7 participants receiving the initial grant under the Company's Restricted Share Incentive Plan have resigned, the Company considered and approved the Proposal on the Repurchase and Cancellation of the Restricted Stocks Granted, but not yet Released, to Certain Participants under the 2020 Restricted Share Incentive Plan (《關於回購註銷2020年限制性股票激勵計劃部份激勵對象已獲授但尚未解除限售的限制性股票的議案》) at the 22nd meeting of the third session of the Board and the 19th meeting of the third session of the Supervisory Committee. Accordingly, the Company repurchased and cancelled 94,772 Class I restricted A Shares granted to 7 participants but subject to lock up restrictions (the repurchase price per share was RMB8.0484 and the total repurchase fund was RMB762,762.9648). As at the end of the Reporting Period, the Company has not completed the cancellation of the aforesaid Shares. For details, please refer to the H Share overseas regulatory announcement of the Company dated 25 October 2023.

On 30 October 2023, to protect the interests of investors, enhance investors' confidence, and improve the long-term incentive mechanism to drive the Company's long-term development, after considering the Company's operational situation, financial condition, and development strategy, the Company convened the Twenty-third Meeting of the Third Session of the Board of Directors and the Twentieth Meeting of the Third Session of the Supervisory Committee of the Company to consider and approve the "Proposal for the Repurchase of the Company's Shares"(《關於〈回購公司股份方案〉的議案》). As at 22 December 2023, the Company had repurchased a cumulative total of 8,015,784 A shares of the Company by way of centralized bidding and trading during the period from 21 December to 22 December 2023, which accounted for approximately 0.60% of the total issued share capital of the Company. The highest trading price of the repurchased shares was RMB20.55 per share and the lowest trading price was RMB19.22 per share, with a total transaction amount of RMB159,983,171.22 (excluding transaction fees), the Company's share repurchase programme has been completed on 22 December 2023. For details, please refer to the H Share overseas regulatory announcement of the Company dated 22 December 2023.

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

12 PRE-EMPTIVE RIGHTS

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

13 DIRECTORS

As at the date of this annual report the Board of our Company was comprised of Mr. Cai Baogui (蔡報貴) and Mr. Lyu Feng (呂鋒) as executive Directors; Mr. Hu Zhibin (胡志濱), Mr. Li Xinnong (李忻農), Mr. Liang Minhui (梁敏輝) and Mr. Li Xiaoguang (李曉光) as non-executive Directors; and Mr. Xu Feng (徐風), Mr. Zhu Yuhua (朱玉華) and Ms. Cao Ying (曹穎) as independent non-executive Directors.

During the Reporting Period, the changes of Directors, Supervisors and senior management of the Company are as follows:

(1) Mr. Li Fei resigned as a non-executive Director of the Company due to work changes with effect from 17 March 2023.

(2) Mr. Su Quan resigned as Supervisor and Chairman of the Supervisory Committee of the Company due to work adjustments with effect from 24 March 2023; Mr. Su Quan was appointed as the deputy general manager of the Company with effect from 30 March 2023.

(3) Mr. Liang Qilu was elected as an employee Supervisor of the third session of the Supervisory Committee of the Company with effect from 24 March 2023.

(4) Ms. Sun Yixia was elected as the chairlady of the third session of the Supervisory Committee of the Company with effect from 30 March 2023.

(5) Mr. Liang Minhui and Mr. Li Xiaoguang were appointed as non-executive Directors of the Company with effect from 21 June 2023.

(6) Mr. Zhu Yuhua was appointed as independent non-executive Director of the Company with effect from 21 June 2023; Mr. Zhu Yuhua was appointed as the chairman of the Remuneration and Appraisal Committee, a member of the Audit Committee and a member of the Strategy Committee of the Company on 5 July 2023.

(7) Ms. Cao Ying was appointed as independent non-executive Director of the Company with effect from 21 June 2023. She was appointed as a member of the Nomination Committee and the chairman of the Audit Committee of the Company on 5 July 2023.

(8) Mr. You Jianxin retired as an independent non-executive Director, a member of the Audit Committee, a member of the Strategy Committee and the chairman of the Remuneration and Appraisal Committee of the Company with effect from 21 June 2023 due to expiry of his term of office.

(9) Mr. Yuan Taifang retired as an independent non-executive Director, chairman of the Audit Committee and member of the Nomination Committee of the Company with effect from 21 June 2023 upon expiry of his term of office.

(10) Mr. Hu Zhibin, Mr. Li Xinnong, Mr. Li Xiaoguang were appointed as members of the Strategy Committee of the Company on 24 August 2023.

(11) The Company established the ESG Committee on 25 October 2023. On the same day, Mr. Cai Baogui was appointed as the chairman of the ESG Committee, and Ms. Cao Ying, Mr. Yu Han, Mr. Yi Pengpeng and Mr. Su Quan were appointed as members of the ESG Committee.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Save as disclosed in this annual report, there was no change in the information of Directors, Supervisors and chief executives during the Reporting Period that is required to be disclosed in this report pursuant to Rules 13.51B(1) to 13.51B(2) of the Listing Rules. For details of the changes in Directors and Supervisors and the biography of the newly appointed Directors and Supervisors, please refer to the relevant H Share announcements of the Company dated 17 March 2023, 24 March 2023, 30 March 2023, 22 June 2023 and 5 July 2023.

14 SUPERVISORS

As at the date of this annual report, the Supervisors were Ms. Sun Yixia, Mr. Li Hua and Mr. Liang Qilu.

15 BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

16 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

17 CONTRACTS WITH DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, during the Reporting Period, there was no other contracts of significance between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries and there was no any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries.

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

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

19 DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

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

20 NON-COMPETITION AGREEMENT

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

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

21 INDEMNITY OF DIRECTORS AND SUPERVISORS

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

22 MANAGEMENT CONTRACTS

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

23 LOAN AND GUARANTEE

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

24 SHARE INCENTIVE PLAN

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

(1) Purpose

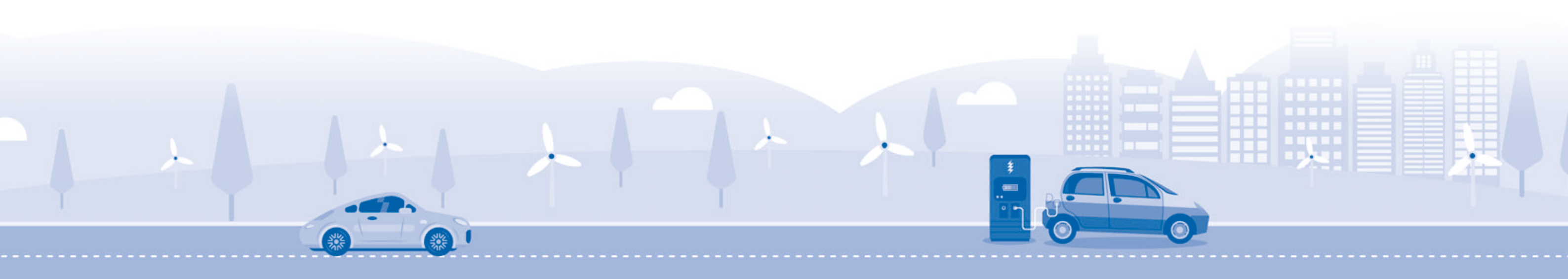
The purpose of the Restricted Share Incentive Plan is to establish and improve the Company's long-term incentive mechanism, attract and retain outstanding personnel, to motivate senior management and core technical and business personnel of the Company, to effectively combine together the interest of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

(2) Incentive participants, maximum entitlement

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

The total number of shares available for grant under the Restricted Share Incentive Plan is 13,203,200 A Shares. Due to the Company's capitalization issue in 2023 and the implementation of 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 1.57% of the total share capital of the Company as at the date of this annual report and approximately 1.85% of the total issued A Shares of the Company as at the date of this annual report.

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



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

Grant price

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

Basis of determination

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

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

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

Adjustment of grant price

The repurchase 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: $P=P_0 x(P_1+P_2 xn) \div [P_1 x(1+n)]$

(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.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Fair value of restricted shares

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

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

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

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

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

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

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

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

Initially granted Type II Restricted Shares

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

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

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

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

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

Reserved Type II Restricted Shares

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

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

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

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

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

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

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

(6) Terms

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

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

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

Unit: Shares

		Number of restricted shares								
Name of the grantees	Position	Held and locked at the beginning of the Reporting Period	Converted and locked during the Reporting Period	Unlocked during the Reporting Period	Granted during the Reporting Period	Cancelled during the Reporting Period	Held and locked at the end of the Reporting Period	Unlocking period (Note 2)	Grant date	Grant price of the restricted shares (RMB/share)
Cai Baogui	Chairman, Executive Director and General Manager	192,000	115,200	307,200	–	–	–	Four years	26 August 2020	Note 1
Hu Zhibin	Non-executive Director	288,000	172,800	460,800	–	–	–	Four years	26 August 2020	Note 1
Lyu Feng	Vice Chairman, Executive Director and Vice General Manager	38,400	23,040	61,440	–	–	–	Four years	26 August 2020	Note 1
Huang Changyuan	Vice General Manager	38,400	23,040	61,440	–	–	–	Four years	26 August 2020	Note 1
Mao Huayun	Vice General Manager	38,400	23,040	61,440	–	–	–	Four years	26 August 2020	Note 1
Xie Hui	Chief Financial Officer	19,200	11,520	30,720	–	–	–	Four years	26 August 2020	Note 1
Yu Han	Vice General Manager	86,400	51,840	138,240	–	–	–	Four years	26 August 2020	Note 1
Other 205 grantees (Note 4)	–	523,488	305,683	720,383	–	14,016 (Note 3)	94,772	Four years	26 August 2020	Note 1
Total	**-**	**1,224,288**	**726,163**	**1,841,663**	**-**	**14,016**	**94,772**	**-**	**-**	**-**

Note:

(1) According to the Restricted Share Incentive Plan, the grant price of the Type I Restricted Shares was RMB21.62 per share and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price of the Type I Restricted Shares in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, the grant price of the Type I Restricted Shares in 2022 was then adjusted to RMB13.1375 per share. 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 "(4) Lock-up period and unlocking arrangement (Type I Restricted Shares)" in this section.

(3) During the Reporting Period, considering that 4 participants receiving the initial grant under the Restricted Share Incentive Plan resigned in 2021 before the expiry of the lock-up period, the Company repurchased and cancelled a total of 14,016 Class I restricted A Shares granted to 4 participants but subject to lock up restrictions (the repurchase price per share was RMB13.1375 and the total repurchase fund was RMB184,135.20).

(4) As at the end of the Reporting Period, out of the other 205 grantees, 11 are former employees.

REPORT OF THE BOARD OF DIRECTORS (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: Shares

		Number of restricted shares							
Name of the grantees	Position	Unvested at the beginning of the Reporting Period	Granted during the Reporting Period	Adjusted to the number unvested due to the 2023 Capitalization Issue during the Reporting Period	Can be vested during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Unvested at the end of the Reporting Period	Exercise price
Lyu Feng	Vice Chairman, Executive Director and Vice General Manager	528,000	–	145,152	673,152	264,000	22,080	387,072	Note 1
Huang Changyuan	Vice General Manager	307,200	–	92,160	399,360	–	153,600	245,760	Note 1
Mao Huayun	Vice General Manager	307,200	–	92,160	399,360	153,600	–	245,760	Note 1
Xie Hui	Chief Financial Officer	230,400	–	69,120	299,520	115,200	–	184,320	Note 1
Yu Han	Vice General Manager	307,200	–	92,160	399,360	153,600	–	245,760	Note 1
Lu Ming	Secretary of the Board, deputy general manager	307,200	–	92,160	399,360	153,600	–	245,760	Note 1
Yi Pengpeng	Deputy general manager	307,200	–	92,160	399,360	80,000	73,600	245,760	Note 1
Other 205 grantees (Note 3)	Core employees	1,871,168	–	978,701	2,849,868	2,456,384	239,884	153,600	Note 1
Total	**-**	**4,165,568**	**-**	**1,653,773**	**5,819,340**	**3,376,384**	**489,164**	**1,953,792**	**-**

Note:

(1) According to the Restricted Share Incentive Plan, the grant price of the Type II Restricted Shares was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price of the Type II Restricted Shares in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, the grant price of the Type II Restricted Shares in 2022 was then adjusted to RMB13.1375 per share. 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 corresponding vesting period for Type II Restricted Shares, see "(5) Vesting period and arrangement (Type II Restricted Shares)" in this section.

(3) As at the end of the Reporting Period, out of 208 grantees, 7 are former employees.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(8) Accounting policies, accounting treatments and financial impacts

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

25 RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

26 MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Company's largest customer accounted for approximately 13.75% of the Company's total revenue. The total revenue from the Company's five largest customers accounted for approximately 46.54% of the Company's revenue.

During the Reporting Period, the Company's largest supplier accounted for approximately 48.26% of the Company's total amount of procurement. The Company's five largest suppliers accounted for approximately 81.81% of the Company's total amount of procurement.

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

27 EMPLOYEE AND REMUNERATION POLICY

The Group had total 5,461 employees as at the end of the Reporting Period. The employment contracts signed by the Group 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 Group'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.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

28 RETIREMENT BENEFITS

The employees of the Company are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the Company are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Company with respect to this retirement benefits scheme is to make the required contributions under the scheme. For details of the Group's employee pension schemes, please refer to the pension schemes in the accounting policies in the notes to the consolidated financial statements. Contributions to the defined contribution plan by the Group for its employees are fully and immediately vested when the contributions are made and may not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions.

29 RELATED PARTY TRANSACTIONS

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

30 CONTINUING CONNECTED TRANSACTIONS

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

31 SUFFICIENCY OF PUBLIC FLOAT

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

32 AUDITORS

There has been no change in auditors since the Listing Date. The consolidated financial statements of the Company for the Reporting Period contained in this annual report was audited by the Ernst & Young. Ernst & Young and Ernst & Young Hua Ming LLP, as the Company's international auditor and PRC auditor, respectively will be re-appointed at the 2023 annual general meeting.

The remuneration for the audit services of Ernst & Young and Ernst & Young Hua Ming LLP for the year ended 31 December 2023 was RMB4.75 million. In addition, Ernst & Young (China) Advisory Limited provided transfer pricing services and other consulting services to the Company for a remuneration of RMB0.55 million in aggregate.

33 COMPLIANCE WITH LAWS AND REGULATIONS

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

34 MATERIAL LEGAL, LITIGATION AND ARBITRATION

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

35 ENVIRONMENTAL POLICY AND PERFORMANCE

For details of the Group's environmental performance, please refer to the "2023 Environmental, Social and Governance Report" published by the Company.

36 RISK FACTORS

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

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

The Company has built production factories in Ganzhou, Jiangxi Province, the main production area for heavy rare earth and Baotou, Inner Mongolia, the main production area of light rare earths. The Company has established a long-term strategic cooperation relationship with main rare earth raw material suppliers including China Northern Rare Earth Group Co., Ltd. and China Rare Earth Group Co., Ltd.. Meanwhile, the Company adjusted timely to more cautious rare earth raw material procurement and inventory strategies according to rare earth price movement trend and orders on hand, established a price adjustment mechanism with main customers, optimized formulas, improved the process, and taken other measures to reduce the adverse effect of rare earth raw material price fluctuations on the Company's operating results.

(2) Policy risks

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

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

(3) Risks relating to overseas sales

The Company has steadily developed overseas markets and its overseas business gradually increased. It may face risks such as changes in international geopolitical, economic, trade, and financial conditions as well as changes in regulatory policies and the additional tariffs. Meanwhile, The Company settles its sales revenue with overseas customers mainly in foreign currencies. In recent years, as affected by the global economic situation, the exchange rate between RMB an USD, RMB and EUR is more volatile. The Company avoided the impacts of exchange rate fluctuation mainly through methods such as foreign exchange forward exchange settlement（外匯遠期結匯）. However, significant fluctuations in foreign exchange rates not only affect the Company's revenue of sales denominated in foreign currencies, but also affect the Company's exchange gains and losses.

Countermeasures: The Company will pay close attention to changes in the global political, economic, trade and financial markets, keep abreast of relevant national regulatory policies and policies on tariffs and exchange rates for analysis and judgment, and maintain close communication with clients. In particular, the Company selects appropriate exchange rate management tools for active management of exchange rate risks. When the spot rate is higher than forward rate, the Company avoids foreign exchange rate risk mainly though timely settlement of foreign exchange. When the fluctuation of foreign exchange rates becomes more significant and the spot rate is lower than forward rate, the Company prudently adopts methods such as hedging to reduce the foreign exchange risk.

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

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

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

According to the needs of the Group's business development, as reviewed and approved by the Board of Directors 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 Directors of the Company, 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 of Directors 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 aforesaid 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.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

The use of net proceeds, the use of unutilized net proceeds and the expected timeline for the use of the remaining unutilized net proceeds as at the end of the Reporting Period are as follows:

No.	Use of proceeds	Net proceeds (HK$ million)	Percentage of net proceeds (%)	Amount utilized as at the end of the Reporting Period (HK$ million)	Unutilized net proceeds as at the end of the Reporting Period (HK$ million)	Expected timeline for the use of the unutilized net proceeds
1	Construction of Ningbo production base	806.4	20.0%	806.4	0.0	N/A
2	Potential acquisitions	604.9	15.0%	307.2	297.7	By the end of 2024[4]
3	Research and development	403.2	10.0%	232.9	170.3	By the end of 2024
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	Mexico New Production Line Project with 1 million units/sets of Magnetic Components per year	403.2	10.0%	403.2	0.0	N/A
7	Working capital and general corporate purposes[3]	806.4	20.0%	645.3	161.1	By the end of 2024
	Subtotal	4,032.1	100.0%	3,403.0	629.1	

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 29 December 2023;

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.

Note 4: On 24 August 2023, the Company has resolved to terminate the aforesaid transactions since conditions precedent under the Transactions as agreed are not yet fulfilled in the course of Xinyang Yen Equity Transfer and Suzhou Yuange Equity Transfer, together with the occurrence of changes in the market environment; after research, the Company has not identified any specific acquisition target at this stage so that the expected timetable for the full utilization of the net unused proceeds from the plan for "Potential Acquisitions" will be deferred accordingly.

REPORT OF THE SUPERVISORY COMMITTEE

To all the shareholders,

In 2023, in accordance with the Articles of Association and relevant domestic and overseas regulations, the Supervisory Committee of the Company and all its Supervisors strictly performed their supervisory duties, actively participated in the supervision of the decision-making process, carefully reviewed and effectively regulated major decisions of the Company, and endeavored to safeguard the interests of the shareholders and the Company.

During the Reporting Period, the Supervisory Committee convened five meetings in total, at which, among others, Proposals on the Annual Report, the Financial Report, the Internal Control Evaluation Report, the Report on the Work of the Supervisory Committee and equity incentives were considered and approved. The members of the Supervisory Committee attended the Board meetings and general meetings of shareholders regarding discussion on material decision-making of the Company's operation and supervised on the financial and operational positions of the Company.

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

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

Secondly, the 2023 Annual Report and Financial Reports, among others, prepared by the Company conform to the requirements of domestic and overseas securities regulatory authorities and relevant systems. The information disclosed therein is true, accurate and complete, which objectively and fairly presents the operating results and financial condition of the Company. The dividend distribution scheme takes into account both the long-term benefits of the Company and shareholders' benefits. No violation of confidentiality provisions in the persons who were responsible for financial report preparation and review has been found.

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

In 2024, the Supervisory Committee of the Company and all its Supervisors will continue to adhere to the principle of diligence and integrity, earnestly fulfill the supervisory duties conferred by shareholders, strictly review major decisions, strengthen procedure control and process supervision, increase the efforts to supervise the affiliated branches (subsidiaries), and endeavor to safeguard the interests of the Company and shareholders.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Overview

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

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

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

Board

As at the date of this annual report, our Board consists of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table sets forth key information about the Directors.

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Cai Baogui (蔡報貴)	53	Chairman, executive Director and general manager	August 2008	August 2008	Responsible for overall planning and strategic development, management and business operations of the Group
Mr. Lyu Feng (呂鋒)	56	Vice chairman, executive Director and deputy general manager	August 2008	April 2016	Responsible for participating in the decision-making of material matters of the Company and responsible for the supply chain management of the Company
Mr. Hu Zhibin (胡志濱)	52	Non-executive Director	August 2008	August 2008	Responsible for participating in the decision-making of material matters of the Company
Mr.Li Xinnong (李忻農)	55	Non-executive Director	August 2008	August 2008	Responsible for participating in the decision-making of material matters of the Company
Liang Minhui (梁敏輝)	51	Non-executive Director	June 2023	June 2023	Responsible for participating in the decision-making of material matters of the Company
Li Xiaoguang (李曉光)	49	Non-executive Director	June 2023	June 2023	Responsible for participating in the decision-making of material matters of the Company
Zhu Yuhua (朱玉華)	60	Independent non-executive Director	June 2023	June 2023	Responsible for supervising and providing independent advice on the operation and management of the Company
Cao Ying (曹穎)	50	Independent non-executive Director	June 2023	June 2023	Responsible for supervising and providing independent advice on the operation and management of the Company
Xu Feng (徐風)	51	Independent non-executive Director	July 2021	July 2021	Responsible for supervising and providing independent advice on the operation and management of the Company

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Chairman and Executive Director

Mr. Cai Baogui (**蔡報貴**), aged 53, is one of our founders and the Chairman, executive Director and general manager of our Company. After being appointed as the chairman and the general manager of the Company in August 2008, Mr. Cai was subsequently re-designated as an executive Director in July 2021, and is primarily responsible for the overall planning and strategic development, management and business operations of the Group.

Mr. Cai has been an executive partner of Ganzhou Xinsheng Investment Management Center (Limited Partnership) (贛州欣盛投資管理中心(有限合夥)) since December 2020, a director of Ganzhou Xiexin Chaoneng Magnetic Co., Ltd. (贛州協鑫超能磁業有限公司) since June 2019, a director of China Permanent Magnet New Energy Group Co., Ltd. (中國永磁新能源集團有限公司) since December 2011. He served as the chairman of A-TECH Electronics Technology (Xinyu) Co., Ltd. (力德電子科技(新余)有限公司) from August 2006 to December 2023. Mr. Cai served as the production manager and secretary to the factory operation committee of Dongguan Deyuan Plastic Products Co., Ltd. (東莞德源塑膠製品有限公司) from 1994 to 2002. From 1993 to 1994, he was a lecturer at Nanchang University (南昌大學).

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

Executive Director

Mr. Lyu Feng (**呂鋒**), aged 56, is the vice Chairman, executive Director and the deputy general manager of the Company. After being appointed as a Director of the Company in April 2016, Mr. Lyu was subsequently re-designated as an executive Director in July 2021, and is primarily responsible for participating in the decision-making of material matters and supply chain management of the Company.

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

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

Non-executive Directors

Mr. Hu Zhibin (**胡志濱**), aged 52, is one of our founders and a non-executive Director of our Company. After being appointed as a Director of the Company in August 2008, Mr. Hu was subsequently re-designated as a non-executive Director in July 2021, and is primarily responsible for participating in the decision-making of material matters of the Company.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Hu has been the chairman and general manager of Shenzhen Ruizhou Industrial Co., Ltd. (深圳市瑞洲實業股份有限公司) since March 2019, an executive director of Zhongrui Menghao (Ningbo) Investment Management Co., Ltd. (中瑞盟灝（寧波）投資管理有限公司) since December 2018, the chairman of Zhongrui Runhe (Ningbo) Investment Management Co., Ltd. (中瑞潤和（寧波）投資管理有限公司) since November 2016. He has been appointed as a director of Lanxi (Ningbo) Assets Management Co., Ltd. (瀾溪（寧波）私募基金管理有限公司) since June 2016, an executive director and the general manager of Zhongrui Intelligence International Holding Co., Ltd. (中瑞智慧國際控股有限公司) since September 2014, a director of China Permanent Magnet New Energy Group Co., Ltd. (中國永磁新能源集團有限公司) since December 2011, chairman of Shenzhen Guoke Ruicheng Technology Co., Ltd. (深圳市國科瑞成科技有限公司) since 2011, a director of A-TECH Electronics Technology (Xinyu) Co., Ltd. (力德電子科技（新余）有限公司) from August 2006 to December 2023, the chairman of the board of directors of Rachee (Hongkong) Limited (瑞成（香港）有限公司) since April 2004, and an executive director and the general manager of Shenzhen Rachee Science & Technique Industrial Co., Ltd. (深圳市瑞成科訊實業有限公司) since November 2001. From June 1996 to February 2005, he served as the general manager of Shenzhen Ocean Power Chemical Technology Co., Ltd. (深圳海川化工科技有限公司). From July 1994 to May 1996, he worked as an assistant engineer at Shengli Oilfield (勝利油田).

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

Mr. Li Xinnong (**李忻農**), aged 55, is one of our founders and a non-executive Director of our Company. After being appointed as a Director of the Company in September 2008, Mr. Li was subsequently re-designated as a non-executive Director in July 2021, and is primarily responsible for participating in the decision-making of material matters of the Company.

Mr. Li has been the chairman of the board of directors of Xinyu Boxun Automobile Co., Ltd. (新余博迅汽車有限公司) since October 2017. He has been a director of Jiangxi Jiufa Zhuanyongche Co., Ltd. (江西玖發專用車有限公司) since July 2014. He has been an executive director and the general manager of Hunan Boxun Investment Holding Group Co., Ltd. (湖南博迅投資控股集團有限公司) since November 2013. He has been a director of China Permanent Magnet New Energy Group Co., Ltd. (中國永磁新能源集團有限公司) since December 2011. He served as a director of A-TECH Electronics Technology (Xinyu) Co., Ltd. (力德電子科技（新余）有限公司) from August 2006 to December 2023. He served as a deputy chief engineer of Vitop Bioenergy (China) Co., Ltd. (天年生物（中國）有限公司) from August 1995 to January 1998.

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

Mr. Liang Minhui (梁敏輝), aged 51. He has served as teacher of the Economics and Law Department, teacher of Business Administration Department, and director of the Employment Guidance Center for Graduates of Students' Work Office of Gannan Normal University, chief economist, member of party committee, and deputy director of State-owned Assets Supervision and Administration Commission of Ganzhou City, Jiangxi Province, since October 2021, he has been deputy secretary of the party committee and general manager of Ganzhou Development Investment Holding Group Co., Ltd.

Mr. Liang Minhui graduated from Jiangxi University of Finance and Economics with a master's degree in management in June 2005.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Li Xiaoguang (李曉光), aged 49. From 1994 to 1999, he was manager of the Information Department of the Chang'an Road Business Department of Shaanxi Securities, from 1999 to 2000, he served as manager of the Investment Banking Department of CITIC Securities Xi'an Business Department, from 2000 to 2014, he served as assistant to the general manager of Western Securities Chang'an Central Road and general manager of the Marketing Department of Western Securities, from 2014 to 2018, he served as deputy manager of the Securities Department of Shaanxi Coal Industry Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 601225), since December 2018, he has been manager of the Securities Department of Shaanxi Coal Industry Co., Ltd. He served as the secretary of the Board of Shaanxi Coal Industry Co., Ltd since October 2023; and the Director of Shaanxi Coal Industry Co., Ltd since November 2023.

Mr. Li Xiaoguang graduated from Shannxi Institute of Finance & Economics (陝西財經學院) with a bachelor's degree in accounting.

Independent Non-executive Directors

Mr. Zhu Yuhua (朱玉華), aged 62. He was appointed as an independent non-executive director of the Company in June 2023 and primarily responsible for supervising and providing independent advice on the operation and management of the Company.

From 1988 to 2022, he has worked in the China Nonferrous Metals Techno-Economic Research Institute (有色金屬技術經濟研究院). He has served as deputy director and director, assistant to the president and vice president of the Standards Center. He is currently chief member of the National Non-ferrous Metals Standardization Technical Committee (全國有色金屬標準化技術委員會), member of the National Expert Advisory Committee on New Material Industry Development (國家新材料產業發展專家諮詢委員會), and member of the China Standardization Expert Committee (中國標準化專家委員會). Mr. Zhu Yuhua has served as an independent director of Yonz Technology Co., Ltd. (永臻科技股份公司) since October 2021, an independent director of Jiangsu Jiuwu High-Tech Company Limited (江蘇久吾高科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300631) since June 2022, an independent director of Jiangxi Special Electric Motor Co., Ltd. (江西特種電機股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002176) since June 2022.

Mr. Zhu Yuhua graduated from Central South University with a master's degree in non-ferrous metallurgy.

Ms. Cao Ying (曹穎), aged 51, a registered accountant in the PRC. She was appointed as an independent non-executive director of the Company in June 2023 and primarily responsible for supervising and providing independent advice on the operation and management of the Company.

From 1996 to 1999, she served as auditor of Deloitte & Touche LLP (Beijing), from 2000 to 2001, as accounting director of Hawaiian Power Beijing Representative Office, from 2007 to 2014, as assistant professor of the School of Accountancy of the Chinese University of Hong Kong, and since 2014, as associate professor of the School of Accountancy of the Chinese University of Hong Kong.

Ms. Cao Ying obtained a doctor degree in accountancy from the Texas A&M University, United States of America.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Xu Feng (**徐風**), aged 51, was appointed as an independent non-executive Director of the Company in July 2021, primarily responsible for supervising and providing independent advice on the operations and management of the Company.

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

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

Supervisory Committee

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

Name	Age	Position	Date of joining our Group	Date of appointment as Supervisor	Function and responsibility
Sun Yixia (孫益霞)	49	Chairman of the Supervisory Committee	October 2009	June 2013	Responsible for the overall operation of the Supervisory Committee and the supervision of the Board, senior management and the business operations of the Group
Li Hua (李華)	50	Supervisor	December 2020	April 2021	Responsible for the supervision of the Board, senior management and the business operations of the Group
Liang Qilu (梁起祿)	37	Employee Supervisor	February 2010	March 2023	Responsible for the supervision of the Board, senior management and the business operations of the Group

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. Sun Yixia (**孫益霞**), aged 49, was appointed as the chairman of the Supervisory Committee of the Company in March 2023, primarily responsible for the overall operation of the Supervisory Committee and the supervision of the Board, the senior management and the business operations of the Group. Since October 2009, Ms. Sun has served successively as the director and the manager of the human resources department, responsible for the human resources and administrative management of the Company as well as employee supervisor.

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

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

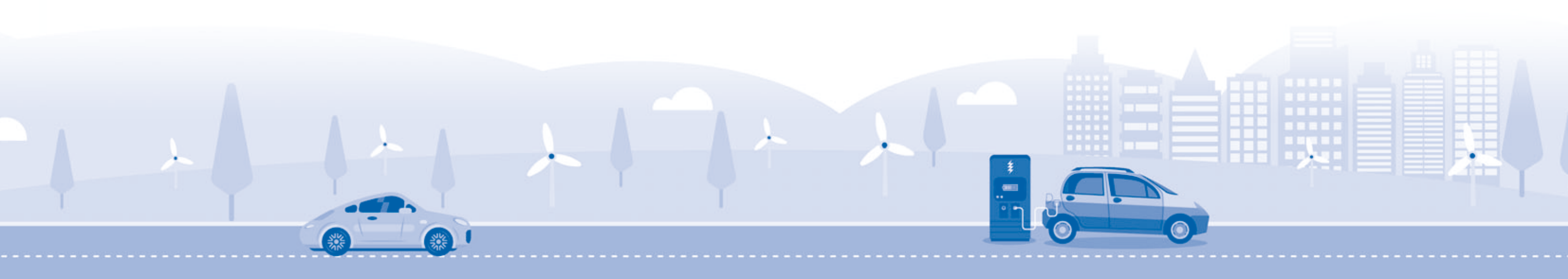
Mr. Li Hua (**李華**), aged 50, was appointed as a supervisor of the Company in April 2021, primarily responsible for the supervision of the Board, senior management and the business operation of the Group. Mr. Li has served as an audit manager of the Company since December 2020, primarily responsible for reviewing the Company's business and management, assets and capital utilization.

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

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

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

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



PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management

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

Name	Age	Position	Date of joining our Group	Date of appointment as a member of senior management	Function and responsibility
Cai Baogui (蔡報貴)	53	Chairman, general manager	August 2008	August 2008	Responsible for the overall planning, management and business operations of the Group
Lyu Feng (呂鋒)	56	Deputy chairman, deputy general manager	August 2008	June 2013	Responsible for the supply chain management of the Company
Huang Changyuan (黃長元)	43	Deputy general manager	August 2008	June 2013	Responsible for the marketing of the Company
Mao Huayun (毛華雲)	50	Deputy general manager	August 2009	June 2013	Responsible for the production, research and development of the Company
Lu Ming (鹿明)	47	Deputy general manager and secretary to the Board	September 2009	June 2013	Responsible for the investment and financing, strategic planning and capital operation of the Company
Yu Han (于涵)	43	Deputy general manager	June 2011	April 2013	Responsible for the marketing of the Company
Xie Hui (謝輝)	45	Chief Financial Officer	July 2013	July 2013	Responsible for the financial management of the Company
Yi Pengpeng (易鵬鵬)	41	Deputy general manager	March 2019	March 2020	Responsible for the technical research of the Company and development and the management of JL MAG Ningbo Technology (金力永磁(寧波)科技有限公司)
Su Quan (蘇權)	38	Deputy general manager	November 2008	March 2023	Responsible for the human resources of the Company and the management of Jinli Permanent Magnet (Baotou) Technology Co., Ltd.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

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

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

Mr. Huang Changyuan (**黃長元**), aged 43, has successively served as the assistant general manager and deputy general manager of the Company since August 2008, and is primarily responsible for the Group's marketing. From September 2003 to February 2006, he served as the deputy engineer of procurement of Dongguan Kanghua Hospital (東莞康華醫院), and from March 2006 to April 2008 he served as the manager of the procurement contract department of Dongguan Renkang Hospital (東莞仁康醫院).

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

Mr. Mao Huayun (**毛華雲**), aged 50, has successively served as the chief engineer and deputy general manager of our Company since August 2009, and is primarily responsible for the production, research and development of our Company.

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

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

Mr. Lu Ming (鹿明), aged 47, has successively served as the senior manager of the department of finance and investment, the deputy general manager and the secretary to the Board of the Company since September 2009, and was appointed as a joint company secretary of the Company in July 2021. He is primarily responsible for the investment and financing, strategic planning and capital operations of the Company.

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

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Yu Han (**于涵**), aged 43, has successively served as the assistant to deputy manager, deputy director, special assistant to general manager and deputy general manager of the Company since June 2011, and is primarily responsible for the marketing of the Company.

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

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

Ms. Xie Hui (**謝輝**), aged 45, was appointed as the Chief Financial Officer of the Company in July 2013, and is primarily responsible for the financial management of the Company.

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

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

Mr. Yi Pengpeng (**易鵬鵬**), aged 41, has been successively served as the chief technology officer and deputy general manager of the Company since March 2019, and is primarily responsible for the technical research and development and the management of JL MAG Ningbo Technology.

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

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

Mr. Su Quan (**蘇權**), age 38. Since November 2008, he has successively served as sales manager, assistant general manager, supervisor and chairman of the Supervisory Committee of the Company. He currently acts as the deputy general manager of the Company and is mainly responsible for human resources management and management of Jinli Permanent Magnet (Baotou) Technology Co., Ltd.(金力永磁(包頭)科技有限公司).

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Joint Company Secretaries

Mr. Lu Ming (鹿明)

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

Ms. Zhang Xiao (張瀟)

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

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

Name	Gender	Age	Position	Status	Start date of the term of office	End date of the term of office	Number of shares held at the beginning of the period (shares)	Number of shares increased during the period (shares)	Number of shares reduced during the period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reason for changes
Cai Baogui	Male	53	Chairman, executive Director, general manager	In office	24 June 2015	23 April 2024	640,000	-	-	384,000	1,024,000	The dividend distribution for 2022
Hu Zhibin	Male	52	Non-executive Director	In office	24 June 2015	23 April 2024	960,000	-	-	576,000	1,536,000	The dividend distribution for 2022
Li Xinnong	Male	55	Non-executive Director	In office	24 June 2015	23 April 2024	-	-	-	-	-	-
Liang Minhui	Male	51	Non-executive Director	In office	21 June 2023	23 April 2024	-	-	-	-	-	-
Li Xiaoguang	Male	49	Non-executive Director	In office	21 June 2023	23 April 2024	-	-	-	-	-	-
Lyu Feng	Male	56	Deputy chairman	In office	23 April 2021	23 April 2024	1,058,280	264,000	-	793,368	2,115,648[1]	The dividend distribution for 2022 and implementation of the share incentive plan
			Executive Director	In office	26 April 2016	23 April 2024						
			Deputy general manager	In office	24 June 2015	23 April 2024						
Zhu Yuhua	Male	62	Independent non-executive director	In office	21 June 2023	23 April 2024	-	-	-	-	-	-
Xu Feng	Male	51	Independent non-executive director	In office	19 July 2021	23 April 2024	-	-	-	-	-	-
Cao Ying	Female	51	Independent non-executive director	In office	21 June 2023	23 April 2024	-	-	-	-	-	-
Sun Yixia	Female	49	Chairman of the Supervisor Committee	In office	30 March 2023	23 April 2024	-	-	-	-	-	-
			Supervisor	In office	24 June 2015	23 April 2024						
Li Hua	Male	50	Supervisor	In office	23 April 2021	23 April 2024	-	-	-	-	-	-
Liang Qilu	Male	37	Employee Supervisor	In office	24 March 2023	23 April 2024	-	-	-	-	-	-
Huang Changyuan	Male	43	Deputy general manager	In office	24 June 2015	23 April 2024	840,800	-	-	504,480	1,345,280	The dividend distribution for 2022

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name	Gender	Age	Position	Status	Start date of the term of office	End date of the term of office	Number of shares held at the beginning of the period (shares)	Number of shares increased during the period (shares)	Number of shares reduced during the period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reason for changes
Mao Huayun	Male	50	Deputy general manager	In office	24 June 2015	23 April 2024	1,440,600	153,600	-	956,520	2,550,720	The dividend distribution for 2022 and implementation of share incentive plan
Lu Ming	Male	47	Deputy general manager, secretary of the Board	In office	24 June 2015	23 April 2024	834,880	153,600	-	593,088	1,581,568	The dividend distribution for 2022 and implementation of share incentive plan
Yu Han	Male	43	Deputy general manager	In office	24 June 2015	23 April 2024	964,000	153,600	-	670,560	1,788,160	The dividend distribution for 2022 and implementation of share incentive plan
Xie Hui	Female	45	Chief Financial Officer	In office	24 June 2015	23 April 2024	688,780	115,200	-	482,388	1,286,368	The dividend distribution for 2022 and implementation of share incentive plan
Yi Pengpeng	Male	41	Deputy general manager	In office	20 March 2020	23 April 2024	179,200	80,000	-	155,520	414,720	The dividend distribution for 2022 and implementation of share incentive plan
Su Quan	Male	38	Deputy general manager	In office	30 March 2023	23 April 2024	-	-	-	-	-	-
			Chairman of Supervisory Committee	Resigned	24 June 2015	24 March 2023						
You Jianxin	Male	63	Former Independent Director	Resigned	13 January 2017	21 June 2023	-	-	-	-	-	-
Yuan Taifang	Male	56	Former Independent Director	Resigned	13 January 2017	21 June 2023	-	-	-	-	-	-
Li Fei	Male	48	Former Director	Resigned	23 April 2021	17 March 2023	-	-	-	-	-	-
Total	-	-	-	-	-	-	7,606,540	920,000	-	5,115,924	13,642,464	-

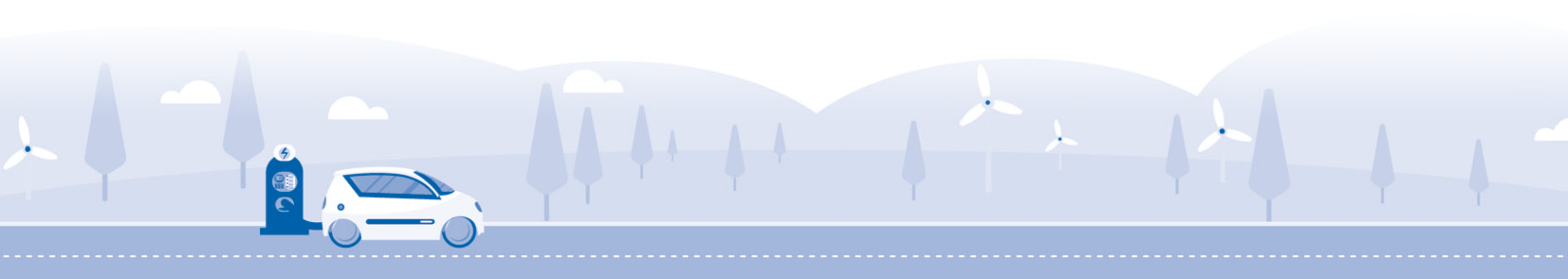
Note: (1) As of the end of the Reporting Period, in addition to 2,115,648 A Shares of the Company held directly by Mr. Lyu Feng, as a general partner of Ganzhou Huirui Investment Management Center (Limited Partnership) ("Ganzhou Huirui"), he also indirectly holds 2,168,862 A Shares of the Company through Ganzhou Huirui.

3 CONTRACTUAL INTERESTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2023 or during any time of this year, none of the Directors or Supervisors entered into any material contract to which the Company or any of its shareholding companies, any subsidiary or any fellow subsidiary of the Company was a party to make such Director or Supervisor entitled to any material interest.

4 CONTRACTS WITH DIRECTORS AND SUPERVISORS

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



PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

5 REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: RMB ten thousand

Name	Age	Gender	Position	Status	Total pre-tax remunerations received from the Company	Whether receiving remunerations from any related party of the Company
Cai Baogui	Male	53	Chairman, executive Director, general manager	In office	175.84	No
Hu Zhibin	Male	52	Non-executive Director	In office	15.00	Yes
Li Xinnong	Male	55	Non-executive Director	In office	15.00	Yes
Liang Minhui	Male	51	Non-executive Director	In office	0.00	Yes
Li Xiaoguang	Male	49	Non-executive Director	In office	0.00	Yes
Lyu Feng	Male	56	Deputy chairman, executive Director, deputy general manager	In office	158.68	No
Zhu Yuhua	Male	62	Independent non-executive Director	In office	6.25	No
Xu Feng	Male	51	Independent non-executive Director	In office	15.00	Yes
Cao Ying	Female	51	Independent non-executive Director	In office	6.25	No
Sun Yixia	Female	49	Chairman of Supervisory Committee	In office	34.17	No
Li Hua	Male	50	Supervisor	In office	32.97	No
Liang Qilu	Male	37	Employee Supervisor	In office	13.02	No
Huang Changyuan	Male	43	Deputy general manager	In office	142.49	No
Mao Huayun	Male	50	Deputy general manager	In office	165.36	No
Lu Ming	Male	47	Deputy general manager, deputy general manager	In office	147.40	No
Yu Han	Male	43	Deputy general manager	In office	147.40	No
Xie Hui	Female	45	Chief Financial Officer	In office	140.80	No
Yi Pengpeng	Male	41	Deputy general manager	In office	135.96	No
Su Quan	Male	38	Deputy general manager	In office	118.00	No
			Chairman of Supervisory Committee	Resigned		No
You Jianxin	Male	63	Former independent non-executive Director	Resigned	8.75	No
Yuan Taifang	Male	56	Former independent non-executive Director	Resigned	8.75	No
Li Fei	Male	48	Former non-executive Director	Resigned	5.00	Yes
Total					1,492.09	

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

6 INFORMATION OF EMPLOYEES OF THE GROUP

As at 31 December 2023, the Group had 5,461 employees and there was no resigned or retired employee for which the Company was liable to bear costs.

7 CHANGES IN THE CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL

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

8 REMUNERATION POLICY

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

9 TRAINING

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of JL Mag Rare-Earth Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 115 to 196, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

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

Key audit matter	**How our audit addressed the key audit matter**
Impairment of trade receivables	
As at 31 December 2023, trade receivables of the Group were RMB1,981 million, accounting for 16.75% of the total assets. The impairment for trade receivables was RMB24 million, accounting for 1.21% of the trade receivables. An impairment analysis was performed at the end of the reporting period, using a provision matrix to measure expected credit losses. The provision rates were initially based on the Group's historical observed default rates. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. The Group is required to use significant accounting estimates and judgements when determining the historical loss rates and forward-looking information. Therefore, we regard this matter as a key audit matter. The Group's accounting policies of impairment of trade receivables are disclosed in note 2.4 and details of the Group's impairment of trade receivables are disclosed in note 23 to the consolidated financial statements.	We have performed relevant audit procedures, including but not limited to: 1) Evaluating the design, implementation, and effectiveness of key internal controls over the impairment of trade receivables; 2) Assessing the appropriateness of the Group's accounting policy over impairment; 3) Obtaining and reviewing the credit risk portfolio which was categorised by credit risk characteristic and testing the accuracy of the ageing of trade receivables; reviewing the impairment matrix model used by the management to estimate impairment of trade receivables; reviewing the calculation of expected credit loss rates, historical loss rates and forward-looking adjustments of trade receivables; analysing the rationality of the expected credit loss rates, historical loss rates and forward-looking adjustments of trade receivables, and recalculating the expected credit losses; 4) Performing the confirmations procedure of trade receivables on sampling basis and checking subsequent settlements; and 5) Reviewing the completeness of the relevant disclosures in the notes to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Revenue recognition	
During the year ended 31 December 2023, the Group derived revenue mainly from the sales of high-performance NdFeB permanent magnet materials. For the year ended 31 December 2023, the Group generated revenue on sale of NdFeB permanent magnet materials amounted to RMB5,765 million. Revenue from the sale of goods is recognised when the control of goods (i.e., NdFeB permanent magnet materials) is transferred to the customers. As revenue is one of the Group's key performance indicators and the inherent risk of misstatement in revenue recognition is high, we identified the recognition of the Group's revenue as a key audit matter. The Group accounting policies are disclosed in note 2.4 and details of the Group's revenue are disclosed in note 5 to the consolidated financial statements.	We have performed relevant audit procedures, including but not limited to: 1) Evaluating the design, implementation, and effectiveness of key internal controls over the revenue recognition and disclosure; 2) Reviewing the sales agreement terms, invoices, and documents supporting the control transfer on sampling basis to evaluate the management's judgement as to the point in time whether control of goods transfers to customers and whether the amounts were appropriate; 3) Reviewing documents supporting the control transfers and other evidence on sampling basis before and after 31 December 2023 to evaluate whether the revenue was recorded in the appropriate accounting period; 4) Performing confirmation procedures for transactions and balances and alternative procedures for those without response; 5) Performing analytical review procedures on the change of the revenue and gross profit margin of the major products; and 6) Reviewing the adequacy and reasonableness of corresponding disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Siu Ki Ricky.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**Year ended 31 December 2023 RMB'000**	Year ended 31 December 2022 RMB'000
Revenue	5	**6,687,864**	7,165,187
Cost of sales		**(5,612,943)**	(6,006,159)
Gross profit		**1,074,921**	1,159,028
Other income and gains	8	**164,729**	84,771
Selling and distribution expenses		**(35,081)**	(36,107)
Administrative expenses		**(184,271)**	(172,478)
Research and development expenses		**(353,884)**	(337,476)
Impairment losses on inventories		**(29,662)**	(10,279)
Impairment losses reversed/(recognised) on financial assets, net		**5,786**	(11,936)
Other expenses	9	**(7,525)**	(21,947)
Finance costs	10	**(51,482)**	(68,879)
Foreign exchange differences, net		**33,038**	183,286
Share of gains/(losses) of associates		**386**	(1,288)
PROFIT BEFORE TAX	11	**616,955**	766,695
Income tax expenses	12	**(50,076)**	(62,110)
PROFIT FOR THE YEAR		**566,879**	704,585
Attributable to:			
Owners of the parent		**563,693**	702,687
Non-controlling interests		**3,186**	1,898
		566,879	704,585
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For profit for the year (RMB)		**0.42**	0.53
Diluted			
– For profit for the year (RMB)		**0.42**	0.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
PROFIT FOR THE YEAR	**566,879**	704,585
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:		
Exchange differences on translation of foreign operations	**384**	(269)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**384**	(269)
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	**(44)**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(44)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**340**	(269)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**567,219**	704,316
Attributable to:		
Owners of the parent	**563,909**	702,343
Non-controlling interests	**3,310**	1,973
	567,219	704,316

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,473,946**	1,706,646
Right-of-use assets	16(a)	**223,745**	223,193
Other intangible assets	17	**8,295**	4,734
Investments in associates	18	**6,501**	5,136
Deferred tax assets	19	**561**	1,738
Equity investments designated at fair value through other comprehensive income	20	**13,262**	13,306
Other non-current assets	21	**263,381**	138,739
TOTAL NON-CURRENT ASSETS		**2,989,691**	2,093,492
CURRENT ASSETS			
Inventories	22	**2,213,180**	1,931,141
Trade receivables	23	**1,980,548**	2,192,191
Notes receivable at amortised cost	24	**151,783**	548,736
Notes receivable at fair value through other comprehensive income ("FVOCI")	24	**212,489**	97,088
Prepayments, other receivables and other assets	25	**112,030**	46,903
Financial assets at fair value through profit or loss	26	**209,513**	143,471
Restricted cash	27	**729,031**	729,863
Cash and cash equivalents	27	**3,156,726**	3,400,384
Other current assets	28	**70,965**	37,185
TOTAL CURRENT ASSETS		**8,836,265**	9,126,962
TOTAL ASSETS		**11,825,956**	11,220,454
CURRENT LIABILITIES			
Trade and notes payables	29	**2,909,590**	2,603,486
Contract liabilities	30	**287,707**	23,895
Other payables and accruals	31	**367,517**	227,261
Interest-bearing bank and other borrowings	32	**402,290**	1,246,027
Lease liabilities	16(b)	**6,064**	4,143
Tax payables		**10,329**	3,264
Financial liabilities at fair value through profit or loss	33	**–**	3,219
TOTAL CURRENT LIABILITIES		**3,983,497**	4,111,295
NET CURRENT ASSETS		**4,852,768**	5,015,667
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,842,459**	7,109,159

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,842,459**	7,109,159
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**544,212**	200,000
Lease liabilities	16(b)	**9,054**	7,069
Deferred income	34	**201,899**	82,700
Deferred tax liabilities	19	**50,142**	31,616
TOTAL NON-CURRENT LIABILITIES		**805,307**	321,385
NET ASSETS		**7,037,152**	6,787,774
EQUITY			
Equity attributable to owners of the parent			
Share capital	35	**1,344,771**	837,956
Reserves	37	**5,676,713**	5,946,894
		7,021,484	6,784,850
Non-controlling interests		**15,668**	2,924
TOTAL EQUITY		**7,037,152**	6,787,774

Executive Director: Cai Baogui

Chief Financial Officer: Xie Hui

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

Year ended 31 December 2023

	Attributable to owners of the parent										
	Share capital RMB'000 (note 35)	Treasury shares* RMB'000	Share premium* RMB'000	Share incentive reserve* RMB'000	Fair value reserve of financial assets at fair value 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 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 year	-	-	-	-	-	-	-	563,693	563,693	3,186	566,879
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	260	-	260	124	384
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(44)	-	-	-	(44)	-	(44)
Total comprehensive income for the year	-	-	-	-	(44)	-	260	563,693	563,909	3,310	567,219
Share incentive plan expense	-	-	-	6,714	-	-	-	-	6,714	-	6,714
Tax implications related to a share incentive plan (notes 12 and 19)	-	-	-	(4,413)	-	-	-	-	(4,413)	-	(4,413)
Dividends declared	-	-	-	-	-	-	-	(218,163)	(218,163)	(566)	(218,729)
Repurchase of shares	-	(159,999)	-	-	-	-	-	-	(159,999)	-	(159,999)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	10,000	10,000
Repurchase obligation for shares issued under a share incentive plan	(14)	189	-	(170)	-	-	-	-	5	-	5
Transfer from retained profits	-	-	-	-	-	35,316	-	(35,316)	-	-	-
Vesting of Type I Restricted Shares	-	15,553	12,490	(12,490)	-	-	-	-	15,553	-	15,553
Exercise of Type II Restricted Shares	3,376	-	46,303	(16,651)	-	-	-	-	33,028	-	33,028
Transfer from share premium	503,453	-	(503,453)	-	-	-	-	-	-	-	-
At 31 December 2023	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2023

Year ended 31 December 2022

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

* These reserve accounts comprise the consolidated reserves of RMB5,676,713,000 and RMB5,946,894,000 in the consolidated statements of financial position as at 31 December 2023 and 2022, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	**Year ended 31 December 2023 RMB'000**	Year ended 31 December 2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**616,955**	766,695
Adjustments for:			
Finance costs	10	**51,482**	68,879
Loss on disposal of non-current assets	8,9	**2,081**	212
Share of (gains)/losses of associates		**(386)**	1,288
Fair value gains on Listed equity investment	8	**(3,609)**	–
Fair value changes of forward exchange agreements	8,9	**(3,220)**	10,445
Realised (gains)/losses of wealth management products	8,9	**(1,500)**	9,308
Depreciation of property, plant and equipment	11	**134,602**	86,808
Depreciation of right-of-use assets	11	**8,741**	7,657
Amortisation of other intangible assets	11	**643**	669
Amortisation of non-current assets	11	**3,018**	17,231
Amortisation of a share incentive plan	11	**6,714**	27,297
Impairment of inventories	11	**29,662**	10,279
Impairment losses (reversed)/recognised of financial assets	11	**(5,786)**	11,936
Foreign exchange differences		**(3,752)**	(153,234)
		835,645	865,470
Increase in inventories		**(311,701)**	(617,220)
Decrease/(increase) in trade receivables		**31,942**	(1,101,521)
Decrease/(increase) in notes receivable		**285,562**	(248,333)
Increase in prepayments, other receivables and other assets		**(65,587)**	(9,381)
(Increase)/decrease in other current assets		**(33,780)**	28,363
Increase in trade and notes payables		**306,104**	1,585,825
Increase in other payables and accruals		**114,313**	349,003
Increase/(decrease) in contract liabilities		**263,812**	(5,699)
Increase/(decrease) in deferred income		**119,199**	(9,593)
Decrease/(increase) in restricted cash		**832**	(485,823)
Cash generated from operations		**1,546,341**	351,091
Income tax paid		**(28,575)**	(40,967)
Net cash flows from operating activities		**1,517,766**	310,124

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Net cash flows from operating activities		**1,517,766**	310,124
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for leasehold land		**–**	(31,869)
Purchases of items of property, plant and equipment		**(730,869)**	(549,806)
Proceeds from disposal of items of property, plant and equipment		**2,836**	536
Purchases of items of other long-term assets		**(73,992)**	–
Additions to other intangible assets		**(716)**	(795)
Investment in an associate		**(980)**	(5,727)
Purchases of wealth management products		**(138,326)**	(595,345)
Proceeds from sale of wealth management products		**–**	428,673
Net cash flows used in investing activities		**(942,047)**	(754,333)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and contributions from non-controlling interests		**42,844**	3,450,438
New bank loans	38	**769,712**	813,179
New other loans	38	**6,207**	–
Repayment of bank loans	38	**(835,705)**	(1,228,009)
Settlement of letters of credit	38	**(637,612)**	(230,449)
Increase in discounted commercial acceptance notes	38	**82,206**	–
Principal portion of lease payments	38	**(4,203)**	(3,835)
Dividends paid	38	**(218,163)**	(209,108)
Trade receivable factor		**181,961**	53,989
Repurchase of treasury shares		**(159,999)**	–
Expenses relating to initial public offering		**–**	(142,131)
Interest paid	38	**(42,874)**	(68,182)
Net cash flows (used in)/from financing activities		**(815,626)**	2,435,892
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(239,907)**	1,991,683
Cash and cash equivalents at beginning of year		**3,400,384**	1,255,467
Effect of foreign exchange rate changes, net		**(3,751)**	153,234
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**3,156,726**	3,400,384

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2023

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name*	Place and date registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			% Direct	% Indirect	
Ganzhou Jinli Magnets Processing Co., Ltd. ("JL Processing") *	PRC/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	RMB1,000,000,000	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	–	100	Production
Ningbo Antaike Jinli Equity Investment Partnership Enterprise (Limited Partnership) ("Antaike")	PRC/Chinese Mainland 13 October 2023	RMB160,000,000	–	93.75	Business service

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgement* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

Impact on the consolidated statement of financial position:

	Increase/(decrease)					
	Before offsetting			**After offsetting** (note)		
	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000	**As at 31 December 2023 RMB'000**	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000
Deferred tax assets – Lease	**830**	1,185	–	**–**	–	–
Deferred tax liabilities – Lease	**830**	1,185	–	**–**	–	–

Note: The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. After assessment, the amendments did not have any impact to the Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

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

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

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

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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

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

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. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

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

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

* Land refers to the land owned by JL MAG MEXICO, a subsidiary of the Company.

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Other intangible assets

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

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

Software	5 to 10 years
Non-patented technology	10 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Research and development expenses

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

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

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

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

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

This category includes derivative instruments. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

Contract liabilities

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share incentive plan

The Company operates a share incentive plan. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the share price at the grant date, further details of which are given in note 36 to the consolidated financial statements.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

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

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

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

Estimation of inventories under net realisable value

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

4. OPERATING SEGMENT INFORMATION

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

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

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Chinese Mainland	**5,438,642**	6,346,375
Other countries/regions	**1,249,222**	818,812
Total revenue	**6,687,864**	7,165,187

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:

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Customer A	**919,778**	793,279
Customer B	**683,134**	910,460
	1,602,912	1,703,739

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Revenue from contracts with customers		
– Sale of NdFeB magnet materials	**5,764,615**	6,082,821
Revenue from other sources		
– Sale of rare-earth materials	**922,366**	1,081,670
– Rental income	**883**	696
Subtotal	**923,249**	1,082,366
Total	**6,687,864**	7,165,187

Revenue from contracts with customers

Disaggregated revenue information

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Type of goods		
Sale of NdFeB magnet materials	**5,764,615**	6,082,821
Geographical markets		
Chinese Mainland	**4,515,393**	5,264,074
Other countries/regions	**1,249,222**	818,747
Total	**5,764,615**	6,082,821
Timing of revenue recognition		
Goods transferred at a point in time	**5,764,615**	6,082,821

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

5. REVENUE (CONTINUED)

Revenue from contracts with customers (continued)

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

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of NdFeB magnet materials	**23,686**	28,916

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

6. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Fees:	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**3,061**	3,556
Performance related bonuses	**1,887**	2,228
Equity-settled share option expense	**7,601**	6,562
Social insurance and housing fund	**218**	245
Subtotal	**12,767**	12,591
Total	**12,767**	12,591

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

6. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

Year ended 31 December 2023

	Position	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Restricted share incentive RMB'000	Social insurance and housing fund RMB'000	Total RMB'000
Baogui Cai	Chairman and General Manager	936	822	2,815	99	4,672
Zhibing Hu	Director	150	–	4,223	–	4,373
Xinnong Li	Director	150	–	–	–	150
Feng Lyu	Vice Chairman and Deputy General Manager	745	842	563	83	2,233
Yuhua Zhu*	Independent Director	63	–	–	–	63
Feng Xu	Independent Director	150	–	–	–	150
Ying Cao*	Independent Director	63	–	–	–	63
Yixia Sun**	Chairman of the Board of Supervisors	234	108	–	18	360
Hua Li	Supervisor	226	103	–	–	329
Qilu Liang***	Employee Supervisor	118	12	–	18	148
Jianxin You*	Independent Director	88	–	–	–	88
Taifang Yuan*	Independent Director	88	–	–	–	88
Fei Li****	Director	50	–	–	–	50
Total		**3,061**	**1,887**	**7,601**	**218**	**12,767**

* Yuhua Zhu and Ying Cao were appointed as independent directors on with effect from 21 June 2023, while Jianxin You and Taifang Yuan resigned on the same date.

** Quan Su was resigned as a chairman of the Board of Supervisors, with effect from 24 March 2023. Yixia Sun was appointed as a chairman of the Board of Supervisors, with effect from 30 March 2023.

*** Qilu Liang was appointed as a employee supervisor on 24 March 2023.

**** Fei Li was appointed as a director on 23 April 2021 and resigned on 17 March 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

6. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

Year ended 31 December 2022

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023 and 2022 included three directors and two directors, respectively, details of whose remuneration are set out in note 6 above. Details of the remuneration for the years of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Salaries, allowances and benefits in kind	**1,652**	2,293
Performance related bonuses	**1,476**	2,550
Restricted share incentive	**1,830**	3,768
Social insurance and housing fund	**141**	239
Total	**5,099**	8,850

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

	Year ended 31 December 2023	Year ended 31 December 2022
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	2
Total	**2**	3

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

8. OTHER INCOME AND GAINS

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Other income		
Government grants	75,408	44,215
Bank interest income	71,865	39,556
Others	3,696	209
Total other income	150,969	83,980
Other gains		
Gains on disposal of items of property, plant and equipment	–	744
Fair value changes of forward exchange agreements	3,220	–
Gains on wealth management products	5,833	–
Fair value gains on Listed equity investment	3,609	–
Others	1,098	47
Total gains	13,760	791
Total other income and gains	164,729	84,771

9. OTHER EXPENSES

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Donations	684	1,211
Losses on disposal of items of property, plant and equipment	2,081	956
Losses on disposal of financial assets or liabilities	4,333	9,308
Fair value changes of forward exchange agreements	–	10,445
Others	427	27
Total	7,525	21,947

10. FINANCE COSTS

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Interest on bank loans and other loans	48,071	67,743
Interest on lease liabilities	410	439
Less: Interest capitalised	(77)	(1,594)
Other finance costs	3,078	2,291
Total	51,482	68,879

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

11. PROFIT BEFORE TAX

	Notes	**Year ended 31 December 2023 RMB'000**	Year ended 31 December 2022 RMB'000
Cost of raw materials and consumables		**4,912,026**	5,471,067
Depreciation of property, plant and equipment*	15	**134,602**	86,808
Depreciation of right-of-use assets*	16	**8,741**	7,657
Amortisation of other intangible assets*	17	**643**	669
Amortisation of other non-current assets		**3,018**	17,231
Research and development costs		**353,884**	337,476
Lease payments not included in the measurement of lease liabilities		**283**	671
Auditor's remuneration**		**4,750**	4,700
Expenses related to the initial public offering on the Hong Kong stock exchange		**–**	63
Employee benefit expense (including directors' remuneration):			
Wages, salaries and welfare		**519,960**	447,443
Expenses for the share incentive plan	36	**6,714**	27,297
Pension and other social insurances		**69,435**	52,994
Exchange gains, net		**(33,038)**	(183,286)
Impairment losses on inventories		**29,662**	10,279
Impairment losses (reversed)/recognised on financial assets		**(5,786)**	11,936
Gains/(losses) on disposal of property, plant and equipment	8,9	**2,081**	(212)
Government grants	8	**75,408**	44,215

* The depreciation of property, plant and equipment during the year ended 31 December 2023 are included in "Cost of sales", "Administrative expenses" and "Research and development expenses" in the consolidated statements of profit or loss. The depreciation of right-of-use assets and amortisation of other intangible assets during the year ended 31 December 2023 are included in "Cost of sales" and "Administrative expenses" in the consolidated statements of profit or loss.

** During the year ended 31 December 2023, auditors' remuneration included audit service provided by Ernst & Young and Ernst & Young Hua Ming LLP, amounting to RMB4.75 million (2022: RMB4.7 million).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

12. INCOME TAX

In general, the Group's entities in the Chinese Mainland are subject to PRC corporate income tax at the standard rate of 25% on their respective estimated taxable profits during the year ended 31 December 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%. No provision for the United States corporate income tax, the Japan corporate tax, the Mexico Federal corporate income tax, or the Hong Kong profit tax has been made during the year ended 31 December 2023, as there was no tax assessable income subject to the United States corporate income tax, the Japan corporate tax, or the Hong Kong profit tax, or the Mexico Federal corporate income tax during the year.

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Current income tax		
Charge for the years	**35,114**	39,105
(overprovision)/Underprovision in prior years	**(328)**	2,227
Deferred income tax (note 19)	**15,290**	20,778
Total	**50,076**	62,110

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

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Profit before tax	**616,955**	766,695
Tax expense calculated at the statutory tax rate of 25%	**154,239**	191,674
Effect of different tax rates of subsidiaries operating in other jurisdictions and tax concession	**172**	248
Tax effect of preferential income tax rates applicable to the Company	**(61,175)**	(77,816)
Non-deductible expenses	**1,037**	2,199
Tax effect of additional deductions	**(47,321)**	(58,926)
Non-taxable income	**(472)**	(1,259)
Adjustments in respect of current tax of previous periods	**(328)**	2,227
Profits and losses attributable to associates	**96**	(322)
Tax losses utilised from previous periods	**(300)**	(3,132)
Tax losses not recognised	**3,876**	6,935
Deductible temporary differences not recognised	**252**	282
Tax charge at the effective rate	**50,076**	62,110

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

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

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

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

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**563,693**	702,687
Less: Dividends attributable to owners of the restricted shares	**–**	(303)
Subtotal	**563,693**	702,384
Effect of dilution – dividends attributable to owners of the restricted shares	**–**	303
Total	**563,693**	702,687

	Number of shares	
	Year ended 31 December 2023	Year ended 31 December 2022
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**1,340,828,564**	1,334,954,250
Effect of dilution – weighted average number of ordinary shares:		
Share incentive plan (note 36)	**1,087,068**	5,059,896
Total	**1,341,915,632**	1,340,014,146

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

14. DIVIDENDS

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Proposed final – RMB26 cent per ordinary share in 2023 (2022: RMB26 cent per ordinary share)	**347,556**	217,869

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Land RMB'000	Total RMB'000
Year ended 31 December 2023								
At 31 December 2022 and 1 January 2023:								
Cost	591,824	948,239	90,091	8,587	9,980	394,763	–	2,043,484
Accumulated depreciation	(53,483)	(241,368)	(32,460)	(4,400)	(5,127)	–	–	(336,838)
Net carrying amount	538,341	706,871	57,631	4,187	4,853	394,763	–	1,706,646
At 1 January 2023, net of accumulated depreciation	538,341	706,871	57,631	4,187	4,853	394,763	–	1,706,646
Additions	–	3,611	94	1,607	545	672,333	232,104	910,294
Disposals	(8)	(3,700)	(1,116)	(142)	(4)	–	–	(4,970)
Depreciation provided during the year	(20,982)	(90,912)	(17,871)	(2,880)	(1,957)	–	–	(134,602)
Exchange realignment	7	6	–	1	39	–	–	53
Transfers	69,664	190,820	35,910	1,666	1,131	(302,666)	–	(3,475)
At 31 December 2023 net of accumulated depreciation	587,022	806,696	74,648	4,439	4,607	764,430	232,104	2,473,946
At 31 December 2023								
Cost	661,494	1,134,739	121,878	10,193	11,734	764,430	232,104	2,936,572
Accumulated depreciation	(74,472)	(328,043)	(47,230)	(5,754)	(7,127)	–	–	(462,626)
Net carrying amount	587,022	806,696	74,648	4,439	4,607	764,430	232,104	2,473,946

At 31 December 2023, there was no building pledged to secure general bank loans (31 December 2022: RMB138,732,000).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

16. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Leasehold land RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Total RMB'000
Year ended 31 December 2023					
Cost at 1 January 2023, net of accumulated depreciation	212,944	8,858	1,305	86	223,193
Additions	547	8,598	–	48	9,193
Depreciation provided during the year	(4,667)	(3,717)	(328)	(29)	(8,741)
Exchange realignment	–	44	58	(2)	100
At 31 December 2023:	208,824	13,783	1,035	103	223,745
At 31 December 2023:					
Cost	230,307	27,505	2,198	438	260,448
Accumulated depreciation	(21,483)	(13,505)	(1,212)	(349)	(36,549)
Exchange realignment	–	(217)	49	14	(154)
Net carrying amount	208,824	13,783	1,035	103	223,745

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

16. LEASES (CONTINUED)

The Group as a lessee (continued)

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

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

Note: At 31 December 2023, there was no land-use right pledged to secure general bank loans (31 December 2022: RMB27,389,000).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Carrying amount at 1 January	**11,212**	6,850
New leases	**8,646**	7,288
Accretion of interest recognised during the year	**410**	439
Payments	**(4,613)**	(4,274)
Exchange realignment	**(537)**	909
Carrying amount at end of the year	**15,118**	11,212
Analysed into:		
Current portion	**6,064**	4,143
Non-current portion	**9,054**	7,069

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

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Interest on lease liabilities	**410**	439
Depreciation charge of right-of-use assets	**4,075**	3,439
Expense relating to short-term leases and other leases with remaining lease (included in expenses)	**776**	671
Total amount recognised in profit or loss	**5,261**	4,549

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Non-patented technology RMB'000	Total RMB'000
Year ended 31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	**1,967**	**2,767**	**4,734**
Additions	**716**	**–**	**716**
Amortisation provided during the year	**(243)**	**(400)**	**(643)**
Transfers	**3,476**	**–**	**3,476**
Exchange realignment	**12**	**–**	**12**
At 31 December 2023	**5,928**	**2,367**	**8,295**
At 31 December 2023:			
Cost	**8,965**	**4,000**	**12,965**
Accumulated amortisation	**(3,037)**	**(1,633)**	**(4,670)**
Net carrying amount	**5,928**	**2,367**	**8,295**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

18. INVESTMENTS IN ASSOCIATES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Share of net assets	**6,501**	5,136

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

Name	**Particulars of issued shares held**	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Ganzhou Poly-Max Magnetics Co., Ltd. (Note 1)	Ordinary shares	PRC/Chinese Mainland	23.06%	Research and development of new materials

Note 1: On 12 June 2023, the shareholders of Ganzhou Poly-Max Magnetics Co., Ltd. ("Ganzhou Poly-Max") entered into an equity transfer agreement, in which JL Ningbo Investment acquired 3.3% of the equity interest of Hu Yongjun, the original shareholder, for RMB980,000. According to the agreement, JL Ningbo Investment paid Hu Yongjun RMB490,000 on 16 June 2023 and 24 July 2023, respectively. The shareholding of JL Ningbo Investment changed from 25.67% to 28.97%. In July 2023, Ningbo Jinci Lvneng equity Investment Partnership (LLP), one of the shareholders of Ganzhou Poly-Max, increased its capital, and the other shareholders of Ganzhou Poly-Max chose to waive their Right of First Refusal. JL Ningbo Investment's shareholding ratio changed from 28.97% to 23.06%.

The following table illustrates the financial information of the Group's associate that is not individually material:

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Share of the associates' profit/(loss) for the year	**386**	(1,288)
Share of the associates' total comprehensive income	**386**	(1,288)
Aggregate carrying amount of the Group's investment in the associate	**6,501**	5,136

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

19. DEFERRED TAX

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

Deferred tax liabilities	Depreciation allowance in excess of related depreciation	Right-of-use assets	Gains from changes in fair value	Tax free Government grants	Deferred tax liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022	55,797	12	–	–	55,809
At 31 December 2022 Effect of adoption of amendments to IAS12 (note 2.2(c))	–	1,185	–	–	1,185
At 1 January 2023 (restated)	55,797	1,197	–	–	56,994
Deferred tax charged/(credited) to profit or loss during the year	10,662	(284)	902	4,747	16,027
At 31 December 2023	**66,459**	**913**	**902**	**4,747**	**73,021**

Deferred tax assets	Deferred income	Impairment of financial assets	Impairment of inventories	Lease liabilities	Share Incentive Plan	Loss from changes in fair value	Deferred tax assets
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022	9,349	4,748	868	42	10,441	483	25,931
At 31 December 2022 Effect of adoption of amendments to IAS12 (note 2.2(c))	–	–	–	1,185	–	–	1,185
At 1 January 2023 (restated)	9,349	4,748	868	1,227	10,441	483	27,116
Deferred tax credited/(charged) to profit or loss during the year	4,827	(331)	352	(302)	(3,326)	(483)	737
Deferred tax charged to equity during the period*	–	–	–	–	(4,413)	–	(4,413)
At 31 December 2023	**14,176**	**4,417**	**1,220**	**925**	**2,702**	**-**	**23,440**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

19. DEFERRED TAX (CONTINUED)

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Net deferred tax assets	**561**	1,738
Net deferred tax liabilities	**50,142**	31,616

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

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Tax losses	**132,594**	104,320
Deductible temporary differences	**2,134**	1,128
Total	**134,728**	105,448

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023 RMB'000	31 December 2022 RMB'000
Unlisted equity investments, at fair value		
Ningbo Jinci Lvneng equity Investment Partnership (LLP)	**13,262**	13,306

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

21. OTHER NON-CURRENT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Advance payments for engineering equipment	**252,184**	124,523
Long-term prepaid expenses	**2,982**	6,001
Performance bond	**8,215**	8,215
Total	**263,381**	138,739

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

22. INVENTORIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Raw materials	**812,672**	543,899
Work in progress	**370,692**	342,093
Finished goods	**1,037,948**	1,050,935
Total	**2,221,312**	1,936,927
Less: Impairment provision		
Work in progress	**(2,099)**	(1,739)
Finished goods	**(6,033)**	(4,047)
Total	**(8,132)**	(5,786)
Total	**2,213,180**	1,931,141

23. TRADE RECEIVABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	**2,004,778**	2,218,681
Impairment	**(24,230)**	(26,490)
Net carry amount	**1,980,548**	2,192,191

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Less than 1 year	**1,980,506**	2,192,191
1 to 2 years	**42**	–
Total	**1,980,548**	2,192,191

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

23. TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
At beginning of the year	**26,490**	16,503
Impairment (reversed)/recognised	**(2,260)**	9,987
At end of the year	**24,230**	26,490

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**1.00%**	**10.00%**	**50.00%**	**100.00%**	**1.19%**
Gross carrying amount	**2,000,589**	**47**	**–**	**3,814**	**2,004,450**
Expected credit losses	**20,083**	**5**	**–**	**3,814**	**23,902**

As at 31 December 2022

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.00%	10.00%	50.00%	100.00%	1.18%
Gross carrying amount	2,214,334	–	–	4,019	2,218,353
Expected credit losses	22,143	–	–	4,019	26,162

An impairment analysis was performed at the end of the reporting period, using a provision matrix to measure expected credit losses. The provision rates were initially based on the Group's historical observed default rates for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

As at the end of the reporting period, the Group assessed the historical observed default rates and the forward-looking estimates, respectively. Based on the ageing analysis and the turnover rates analysis, the historical observed default rates were not materially changed during the reporting period. Based on the current economic conditions as well as reasonable and supportable forecasts of future economic conditions, including the industry and the credit rating of the customers, the forward-looking estimates were consistent during the reporting period. According to the above assessment, the expected credit loss rates were the same during the reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

24. NOTES RECEIVABLE

	31 December 2023 RMB'000	31 December 2022 RMB'000
Notes receivable at amortised cost		
Commercial acceptance notes	**153,316**	554,279
Less: Impairment	**(1,533)**	(5,543)
	151,783	548,736
Notes receivable at fair value through OCI		
Bank acceptance notes	**212,489**	97,088

Notes receivable of the Group are bank acceptance notes and commercial acceptance notes. Notes receivable of the Group are usually settled within six months from their respective dates of issuance. Impairment was recognised on commercial acceptance notes as at 31 December 2023 and 2022, respectively. The Group's bank acceptance notes are classified as financial assets measured at fair value through other comprehensive income.

Transferred financial assets that are not derecognised in their entirety:

As at 31 December 2023 and 2022, the Group has not discounted any commercial acceptance notes. The book value of the Group's discounted bank acceptances was RMB82,206,126.55 (as at 31 December 2022: Nil). The Group has retained the substantial risks and rewards, which include default risks relating to such discounted notes, and accordingly the full carrying amounts of the discounted notes and the associated interest-bearing bank borrowings are continued to be recognised. As at 31 December 2023, the carrying value of bank borrowings recognised by the Group totalled RMB82,206,126.55 (31 December 2022: Nil).

Transferred financial assets that are derecognised in their entirety:

The Group endorsed certain notes receivable accepted by banks in Chinese Mainland to certain of its suppliers in order to settle the trade payables due to such suppliers with aggregate carrying amounts of nil and RMB113,062,000 as at 31 December 2023 and 2022, respectively, and discounted certain bank acceptance notes to banks with aggregate amounts of RMB524,425,058.51 and RMB844,477,000 as at 31 December 2023 and 2022, respectively. The derecognised notes have a maturity from 1 to 12 months at the end of years. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised notes. Accordingly, it has derecognised the full carrying amounts of the derecognised notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the derecognised notes and the undiscounted cash flows to repurchase these derecognised notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the derecognised notes are not significant.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Prepayments	(a)	**66,396**	36,721
Deposits and other receivables	(b)	**46,840**	6,987
Interest receivables		**–**	3,941
Less: Impairment of other receivables	(c)	**(1,206)**	(746)
Total		**112,030**	46,903

(a) An ageing analysis of the prepayments as at the end of the reporting period is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Less than 1 year	**64,994**	34,873
1 to 2 years	**1,389**	1,848
2 to 3 years	**13**	–
Total	**66,396**	36,721

(b) Deposits and other receivables

An ageing analysis of the deposits and other receivables as at the end of the reporting period is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Less than 1 year	**45,173**	4,813
1 to 2 years	**1,054**	589
2 to 3 years	**216**	1,268
Over 3 years	**397**	317
Total	**46,840**	6,987

(c) The movements in the loss allowance for impairment of other receivables are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
At beginning of the year	**746**	435
Impairment provided	**460**	311
At end of the year	**1,206**	746

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Listed equity investments, at fair value*	**63,609**	–
Other unlisted investments, at fair value**	**145,904**	143,471
Total	**209,513**	143,471

* In October 2023, Antaike, an indirect 93.75%-owned subsidiary of the Company, participated in the targeted issuance of shares of China Rare Earth Group Resource Technology Co., Ltd..

** The above unlisted investments were wealth management products issued by banks. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cash and bank balances	**3,885,757**	4,130,247
Less: Restricted cash	**(729,031)**	(729,863)
Cash and cash equivalents	**3,156,726**	3,400,384
Denominated in:		
RMB	**3,633,936**	3,406,732
EUR	**31,960**	38,546
USD	**138,461**	178,711
JPY	**2,732**	2,321
HKD	**78,668**	503,937
Total	**3,885,757**	4,130,247

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

As at 31 December 2023 and 2022, the Group's bank balances of approximately RMB729,031,000 and RMB729,863,000 were deposited respectively as guarantees for the following bank acceptance notes, performance bonds, forward foreign exchange contracts and letters of credit:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Guarantee deposits for bank acceptance notes	**690,270**	692,265
Guarantee deposits for performance bonds	**27,271**	10,534
Guarantee deposits for forward foreign exchange contracts	**–**	7,415
Guarantee deposits for letters of credit	**–**	19,649
Other deposits	**11,490**	–
Total	**729,031**	729,863

RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Restricted cash mainly represents deposits held for issued bills payable.

28. OTHER CURRENT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deductible input value added tax	**70,367**	36,890
Others	**598**	295
Total	**70,965**	37,185

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

29. TRADE AND NOTES PAYABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables	**551,031**	429,422
Notes payable	**2,358,559**	2,174,064
Total	**2,909,590**	2,603,486

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Less than 1 year	**2,905,737**	2,603,061
1 to 2 years	**3,686**	243
2 to 3 years	**60**	108
Over 3 years	**107**	74
Total	**2,909,590**	2,603,486

The trade payables are non-interest-bearing and are normally settled within 75-day terms.

30. CONTRACT LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Short-term advances received from customers		
Sale of goods	**287,707**	23,895

Contract liabilities include short-term advances received to deliver NdFeB magnet materials.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

31. OTHER PAYABLES AND ACCRUALS

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
Dividend payables		**6**	6
Other payables	(a)	**274,262**	148,415
Salaries, wages and benefits payables		**78,342**	70,166
Taxes other than income tax payables		**14,907**	8,674
Total		**367,517**	227,261

(a) Other payables

	31 December 2023 RMB'000	31 December 2022 RMB'000
Payables to equipment vendors	**230,829**	101,885
Obligation for share repurchase	**800**	16,543
Security deposits	**9,296**	2,291
Audit fees	**2,246**	1,388
Reimbursement payables to employees	**1,744**	719
Others	**29,347**	25,589
Total	**274,262**	148,415

An ageing analysis of other payables as at the end of the reporting period is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Less than 1 year	**219,288**	143,465
1 to 2 years	**54,172**	2,932
2 to 3 years	**415**	1,793
Over 3 years	**387**	225
Total	**274,262**	148,415

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – credit	**2.7-3.5**	**2024**	**203,187**	3.00-3.90	2023	314,534
Current portion of long-term bank loans – credit	**3.00**	**2024**	**1,408**	3.30	2023	200,532
Current portion of long-term bank loans – secured*	**–**	**–**	**–**	3.30	2023	100,000
Letters of credit	**–**	**2024**	**115,489**	–	2023	630,961
Bank acceptance notes	**–**	**2024**	**82,206**	–	–	–
Total – current			**402,290**			1,246,027
Non – current						
Bank loans – credit	**2.7-3.3**	**2025**	**500,000**	3.30-4.35	2024	200,000
Bank Loan – secured**	**2.50**	**2028**	**44,212**	–	–	–
Total – non-current			**544,212**			200,000

* At 31 December 2022, the above secured bank loan is secured by buildings and land-use rights, with a net carrying value of RMB166,121,000 included in note 15, 16.

** The above secured bank borrowings were guaranteed by the Company for a subsidiary.

All the interest-bearing bank borrowings are denominated in RMB.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	**402,290**	1,246,027
In the second year	**500,000**	200,000
In the third to fifth years, inclusive	**44,212**	–
Total	**946,502**	1,446,027

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

33. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Derivative financial instruments	**–**	3,219

34. DEFERRED INCOME

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deferred government grants	**201,899**	82,700

35. SHARE CAPITAL

	31 December 2023 RMB'000	31 December 2022 RMB'000
Issued and fully paid	**1,344,771**	837,956

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

	Number of shares in issue	**Share capital** RMB'000
At 31 December 2021 and 1 January 2022	710,973,590	710,974
Issue of shares	125,466,000	125,466
Repurchase obligation for shares issued under incentive plan	(8,960)	(9)
Vesting of Type II Restricted Shares	1,525,568	1,525
At 31 December 2022 and 1 January 2023	837,956,198	837,956
Repurchase obligation for shares issued under incentive plan	(14,016)	(14)
Exercise of Type II Restricted Shares	3,376,384	3,376
Capitalization issue (Note)	503,452,669	503,453
At 31 December 2023	**1,344,771,235**	**1,344,771**

Note 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

36. SHARE INCENTIVE PLAN

The Company operates a share incentive plan (the "SIP") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SIP include the Company's directors and other employees of the Group. The Type I Restricted Shares under the SIP are valid for a maximum of 48 months from the date of completion of registration of the grant of restricted shares to the date of release of all restricted shares or cancellation of repurchase; the Type II Restricted Shares under the SIP are valid for a maximum of 48 months from the date of grant of restricted shares to the date of full vesting or lapsing.

On 26 August 2020 and 8 September 2020, the board of directors approved a total of 8,252,000 restricted shares (including Type I Restricted Shares and Type Two Restricted shares) to 221 participants to recognise their contribution and offer share incentive. Among them, 218 participants were granted 2,541,600 Type I Restricted Shares (representing 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 further approved the grant of 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 refers to A shares issued to the participants with certain restrictions stipulated under the SIP. On the grant date of Type I Restricted Shares, the participants of Type I Restricted Shares were entitled to receive newly issued A shares of the Company, with certain restrictions stipulated under the SIP. Type II Restricted Shares refers to A shares granted to the participants pursuant to which A shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the SIP. The Participants of Type II Restricted Shares have the right to subscribe new A shares in the future upon the satisfaction of certain vesting conditions under the SIP. These granted restricted shares have a contractual term of no more than four years and will be unlocked (in terms of Type I Restricted Shares) or vested (in terms of Type II Restricted Shares) over a three-year period. In the year, Type I Restricted Shares were issued and subscribed by the participants; Type II Restricted Shares were not issued to the participant upon granted and are not recorded in the share capital.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

36. SHARE INCENTIVE PLAN (CONTINUED)

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	Exercise price* RMB per share	**Subscribed and registered ’000**	Exercise price* RMB per share	Subscribed and registered ’000
At 1 January	**13.1375 (representing 8.0484 after distribution of cash dividends and transfer from share premium into share capital in July 2023)**	**1,225**	13.3875 (representing 13.1375 after increase of share capital in June 2022)	2,444
Forfeited during the year**	**13.1375**	**14**	13.1375	9
Exercised during the year***	**8.0484**	**1,842**	13.1375	1,210
At the end of the year	**8.0484**	**96**	13.1375	1,225

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	Exercise price* RMB per share	**Subscribed and registered ’000**	Exercise price* RMB per share	Number of shares ’000
At 1 January	**13.1375 (representing 8.0484 after distribution of cash dividends and transfer from share premium into share capital in July 2023)**	**4,166**	13.3875 (representing 13.1375 after increase of share capital in June 2022)	5,728
Granted during the year	**–**	**–**	–	–
Forfeited during the year****	**13.1375**	**264**	13.1375	37
Forfeited during the year*****	**8.0484**	**225**	–	–
Exercised during the year******	**13.1375**	**1,146**	13.1375	1,525
Exercised during the year*******	**8.0484**	**2,231**	–	–
At the end of the year	**8.0484**	**1,954**	13.1375	4,166

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

36. SHARE INCENTIVE PLAN (CONTINUED)

Fair values of the Type I Restricted Shares are based on the share price as at the granting date. Fair Value of the Type II Restricted Shares are calculated under the Black-Scholes pricing model using the following assumptions:

Type II Restricted Shares granted in August 2020	SIP
Share price at the grant date	RMB40.00
Exercise price*	RMB21.62
Expected life	3
Expected volatility	73.63%
Annual rate of dividends	0.54%
Risk-free rate	2.43%

Type II Restricted Shares granted in October 2020	SIP
Share price at the grant date	RMB40.00
Exercise price*	RMB21.62
Expected life	3
Expected volatility	69.64%
Annual rate of dividends	0.54%
Risk-free rate	2.87%

Type II Restricted Shares granted in 2021	SIP
Share price at the grant date	RMB36.13
Exercise price*	RMB13.39
Expected life	2
Expected volatility	59.29%
Annual rate of dividends	0.54%
Risk-free rate	2.33%

* According to the SIP, the grant price was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, and the grant price in 2022 was then adjusted to RMB13.1375 per share. Since the Company declared cash dividends of RMB0.26 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in July 2023, the grant price in 2023 was then adjusted to RMB8.0484 per share.

** Before the unlock day in 2022, four participants had resigned and therefore their shares were not unlocked. The Type I Restricted Shares of the resigned participants, i.e., 8,760 shares (representing 14,016 A shares after the increase of share capital in May 2021), which were recorded in the treasury shares, were repurchased by the Company according to the SIP in June 2023.

*** On 3 November 2023, 719,400 (representing 1,841,663 A shares after the increase of share capital in July 2023) of Type I Restricted Shares were unlocked.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

36. SHARE INCENTIVE PLAN (CONTINUED)

**** Four participants abandoned the subscription of the Type II Restricted Shares due to personal reasons, 164,800 shares (representing 263,680 A shares after the increase of share capital in May 2021) granted to the participants that had not been vested were forfeited by the Company.

***** 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), which were recorded in the treasury shares, will be repurchased by the Company according to the SIP. As at 31 December 2023, due to ongoing procedures, there has been no impact on the financial statements of our company for the year 2023. The Type II Restricted Shares of the resigned participants, i.e., 88,080 shares (representing 225,484 A shares after the increase of share capital in July 2023) were forfeited.

****** On 10 April 2023, 141,000 (representing 225,600 A shares after the increase of share capital in May 2021) of Type II Restricted Shares were vested. On 12 May 2023, 575,000 (representing 920,000 A shares after the increase of share capital in May 2021) of Type II Restricted Shares were vested.

******* On 10 April 2023, 871,400 (representing 2,230,784 A shares after the increase of share capital in July 2023) of Type II Restricted Shares were vested.

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 year ended 31 December 2022, the Company received a cash consideration of a total of RMB20,062,000 by the issuance of Type II Restricted Shares, of which RMB1,525,000 and RMB18,537,000 were recorded in share capital and share premium, respectively.

For the years ended 31 December 2023 and 31 December 2022, the Group has recognised amounts of RMB6,714,000 and RMB27,297,000 respectively, as share incentive plan expenses.

37. RESERVES

The amounts of the Group’s reserves and the movements therein for the years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Pursuant to the relevant laws and regulations and the articles of association of the Company, the Company is required to transfer 10% of its profit after income tax, as determined under the PRC GAAP, to the reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory reserve can be used to make good previous years’ losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(1) The Group had non-cash additions to right-of-use assets and lease liabilities of RMB8,646,000 and RMB7,288,000 for the years ended 31 December 2023 and 2022, respectively, in respect of lease arrangements;

(2) The Group had non-cash additions to the interest-bearing bank borrowings of RMB115,701,000 and RMB328,613,000 for the years ended 31 December 2023 and 2022, respectively, in respect of financing through letters of credit and reverse factoring arrangements.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Other payables and accruals RMB'000	Total RMB'000
As at 1 January 2023	1,446,027	11,212	227,261	1,684,500
Proceeds from loans and borrowings	769,712	–	–	769,712
Repayment of loans and borrowings	(835,705)	–	–	(835,705)
Settlement of letters of credit	(637,612)	–	–	(637,612)
Dividends paid	–	–	(218,163)	(218,163)
Principal portion of lease payments	–	(4,203)	–	(4,203)
New other loans	–	–	6,207	6,207
Increase in discounted commercial acceptance notes	82,206	–	–	82,206
Interest paid	6,173	(410)	(48,637)	(42,874)
Changes from financing cash flows	(615,226)	(4,613)	(260,593)	(880,432)
Exchange realignment	–	(537)	–	(537)
New leases	–	8,646	–	8,646
Finance charges on lease liabilities	–	410	–	410
Financing through letters of credit	115,701	–	–	115,701
Changes from operating activities	–	–	271,904	271,904
Changes from investing activities	–	–	128,945	128,945
As at 31 December 2023	946,502	15,118	367,517	1,329,137

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Other payables and accruals RMB'000	Total RMB'000
As at 1 January 2022	1,762,693	6,850	162,558	1,932,101
Proceeds from loans and borrowings	813,179	–	–	813,179
Repayment of loans and borrowings	(1,228,009)	–	–	(1,228,009)
Settlement of letters of credit	(230,449)	–	–	(230,449)
Dividends paid	–	–	(209,108)	(209,108)
Principal portion of lease payments	–	(3,835)	–	(3,835)
Interest paid	–	(439)	(67,743)	(68,182)
Changes from financing cash flows	(645,279)	(4,274)	(276,851)	(926,404)
Exchange realignment	–	909	–	909
New leases	–	7,288	–	7,288
Finance charges on lease liabilities	–	439	–	439
Financing through letters of credit and reverse factoring arrangements	328,613	–	–	328,613
Changes from operating activities	–	–	261,684	261,684
Changes from investing activities	–	–	79,870	79,870
As at 31 December 2022	1,446,027	11,212	227,261	1,684,500

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Within operating activities	**283**	671
Within financing activities (Note)	**4,613**	4,274
	4,896	4,945

Note: Cash outflow for leases in financing activities includes the principal portion of lease payments and their interests.

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in notes 15, 16 and 27, respectively, to the consolidated financial statements.

40. COMMITMENTS

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**667,590**	920,494
Investment commitment	**74,524**	151,599
Total	**742,114**	1,072,093

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

41. RELATED PARTY TRANSACTIONS

(a) The Group had the following related parties during the reporting period:

Name of Company	Relationship
Ganzhou Industrial Investment Holding Group Co., Ltd.	Major shareholder, 5.14% of the Company
Ganzhou Poly-Max Magnetics Co., Ltd.	Associate
Goldwind Investment Holdings Co., Ltd.	Shareholder, more than 5% of the Company from January to February 2023
Goldwind Science & Technology Co., Ltd.*	The controlling shareholder of Goldwind Investment Holdings Co., Ltd., which has significant influence over the Company
Goldwind Technology Zhejiang Co., Ltd.	Subsidiary of Goldwind Science & Technology Co., Ltd.
Xingtai Goldwind Technology Co., Ltd	Subsidiary of Goldwind Science & Technology Co., Ltd.
Goldwind Technology Hebei Co., Ltd	Subsidiary of Goldwind Science & Technology Co., Ltd.

* On 6 July 2023, Xinjiang Goldwind Science & Technology Co., Ltd. was renamed as Goldwind Science & Technology Co., Ltd., which is the controlling shareholder of Goldwind Investment Holdings Co., Ltd.

Goldwind Investment Holdings Co., Ltd. has significant influence over the Company. The Company's former director, Li Fei, who resigned from the Company within 12 months, is the executive director of Goldwind Science & Technology Co., Ltd.

(b) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the reporting period:

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Purchases of products from companies controlled by the Company's shareholder:		
Southern Rare Earth International Trading Co., Ltd. *	–	425,929
Longnan Youli Rare Earth Science and Technology Development Co., Ltd. *	–	1,327
	–	427,256
Purchases of products from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**40,927**	10,086

* On 2 June 2022, Ganzhou Rare Earth Group Co., Ltd. transferred all the interests it held in China Southern Rare Earth Group Co., Ltd. to China Rare Earth Group Co., Ltd. China Southern Rare Earth Group Co., Ltd. and its subsidiaries were no longer related parties of the Group. The transaction amounts disclosed above between Southern Rare Earth International Trading Co., Ltd. and the Group only covered the amounts for the period from 1 January 2022 to 1 June 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the reporting period: (continued)

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Rental income from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**81**	81
Sales of goods to the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**29,457**	9,451
Sales of services to the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**57**	52
Sales of goods to companies controlled by the shareholder:		
Goldwind Technology Zhejiang Co., Ltd.	**11,079**	–
Xingtai Goldwind Technology Co., Ltd	**13,035**	–
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	**–**	30,696
Goldwind Science & Technology Co., Ltd. **	**–**	8,745
	24,114	39,441
Sales of goods to other related parties:		
CRRC Corporation Limited and its subsidiaries:		
Xi'an CRRC Yongdian Jieli Wind Power Co., Ltd.	**–**	182,291
Jiangsu CRRC Electric Co., Ltd.	**–**	119,901
Baotou CRRC Motor Co., Ltd.	**–**	180,902
Hami CRRC New Energy Motor Co., Ltd.	**–**	4,125
Shandong CRRC Electric Co., Ltd.	**–**	102,035
Nanjing Turbine Motor Changfeng New Energy Co., Ltd.	**–**	96,690
	–	685,944

** In 2022, the Group signed a framework contract with its related party Goldwind Science & Technology Co., Ltd. The selling prices are adjusted on a quarterly basis according to the average price of major rare earth raw materials in the previous quarter. Under the framework contract, the purchase quantities are subject to the purchase contracts entered into by the Group and Goldwind Science & Technology Co., Ltd. CRRC Corporation Limited and its subsidiaries and Nanjing Turbine Motor Changfeng New Energy Co., Ltd. and other wind turbine manufacturers. This framework contract expired on 1 January 2023, and was not been renewed by 31 December 2023, and CRRC Corporation Limited and its subsidiaries and Nanjing Turbine Motor Changfeng New Energy Co., Ltd. were no longer listed as related parties.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade receivables due from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**4,544**	9,140
Trade receivables due from companies controlled by the shareholder:		
Goldwind Science & Technology Co., Ltd.	**489**	489
Goldwind Technology Zhejiang Co., Ltd.	**12,395**	–
Xingtai Goldwind Technology Co., Ltd	**14,582**	–
Goldwind Technology Hebei Co., Ltd.	**–**	6,830
	27,466	7,319
Notes receivable due from a company controlled by a shareholder:		
Goldwind Science & Technology Co., Ltd.	**–**	274,798
Other receivables due from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**1,302**	801
Trade payables due to the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**3,816**	6,821

The amounts due from or due to related parties are all trade in nature, relating to sales of NdFeB materials, purchases of rare earths, and other income and gains, respectively.

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

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Salaries, allowances and benefits in kind	**8,194**	7,814
Performance related bonuses	**6,727**	7,329
Share incentive expense	**10,275**	12,996
Social insurance and housing fund	**707**	685
	25,903	28,824

Further details of directors' and the chief executive's emoluments are included in note 6 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2023

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	13,262	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
	6,061,799	209,513	225,751	6,497,063

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
	4,128,615	4,128,615

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2022

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	13,306	13,306
Trade receivables	2,192,191	–	–	2,192,191
Notes receivable	548,736	–	97,088	645,824
Financial assets included in prepayments, other receivables and other assets	10,021	–	–	10,021
Financial assets at fair value through profit or loss	–	143,471	–	143,471
Restricted cash	729,863	–	–	729,863
Cash and cash equivalents	3,400,384	–	–	3,400,384
	6,881,195	143,471	110,394	7,135,060

Financial liabilities	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Trade and notes payables	2,603,486	–	2,603,486
Financial liabilities included in other payables and accruals	148,012	–	148,012
Financial liabilities at fair value through profit or loss	–	3,219	3,219
Interest-bearing bank borrowings	1,446,027	–	1,446,027
	4,197,525	3,219	4,200,744

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and notes payables, and financial assets included in prepayments, other receivables and other assets approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

Assets measured at fair value:

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

As at 31 December 2022	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	143,471	–	143,471
Notes receivable	–	97,088	–	97,088
Equity investments designated at FVOCI	–	–	13,306	13,306
	–	240,559	13,306	253,865

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial liabilities at fair value through profit or loss	**–**	**–**	**–**	**–**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	–	3,219	–	3,219

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of the reporting period:

As at 31 December 2023

	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**

As at 31 December 2022

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity investments designated at FVOCI	Net assets method	Net assets	13,306	N/A

During the years ended 31 December 2023 and 2022, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, mainly forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the consolidated financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rate, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	(Decrease)/Increase in profit after tax RMB'000
2023		
RMB	**5%**	**(52)**
RMB	**(5%)**	**52**
2022		
RMB	5%	(53)
RMB	(5%)	53

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR and USD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/(decrease) in EUR/USD rate	Increase/(decrease) in profit before tax RMB'000	Increase/(decrease) in equity RMB'000
2023			
If the RMB weakens against the EUR	5%	7,002	444
If the RMB strengthens against the EUR	(5%)	(7,002)	(444)
If the RMB weakens against the USD	5%	14,685	116
If the RMB strengthens against the USD	(5%)	(14,685)	(116)
2022			
If the RMB weakens against the EUR	5%	8,522	151
If the RMB strengthens against the EUR	(5%)	(8,522)	(151)
If the RMB weakens against the USD	5%	16,547	(100)
If the RMB strengthens against the USD	(5%)	(16,547)	100

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each reporting period. The amounts presented are gross carrying amounts for financial assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,004,778	2,004,778
Notes receivable	–	–	–	–	–
– Normal**	153,316	–	–	–	153,316
Financial assets included in prepayments, other receivables and other assets					
– Normal**	46,229	611	–	–	46,840
Restricted cash	–	–	–	–	–
– Not yet past due	729,031	–	–	–	729,031
Cash and cash equivalents	–	–	–	–	–
– Not yet past due	3,156,726	–	–	–	3,156,726
	4,085,302	611	–	2,004,778	6,090,691

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,218,681	2,218,681
Notes receivable					
– Normal**	554,279	–	–	–	554,279
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,913	1,015	–	–	10,928
Restricted cash					
– Not yet past due	729,863	–	–	–	729,863
Cash and cash equivalents					
– Not yet past due	3,400,384	–	–	–	3,400,384
	4,694,439	1,015	–	2,218,681	6,914,135

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the consolidated financial statements.

** The credit quality of notes receivables and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	10,599	6,514	–	17,113
Interest-bearing bank borrowings	–	419,906	555,749	–	975,655
Trade and notes payables	–	2,909,590	–	–	2,909,590
Financial liabilities included in other payables and accruals	–	272,523	–	–	272,523
	–	3,612,618	562,263	–	4,174,881

	As at 31 December 2022				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	4,132	9,471	70	13,673
Interest-bearing bank borrowings	–	1,268,394	202,287	–	1,470,681
Trade and notes payables	–	2,603,486	–	–	2,603,486
Financial liabilities included in other payables and accruals	–	148,012	–	–	148,012
	–	4,024,024	211,758	70	4,235,852

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regards total equity as its capital and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the reporting period.

During the reporting period, the Group's strategy was to maintain the gearing ratio at a healthy level in order to monitor capital. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. Gearing ratio is net debt divided by total equity plus net debt. Net debt includes trade and notes payables, other payables and accruals, interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents and restricted cash.

The gearing ratio at the end of the reporting period was as follows:

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000
Trade and notes payables	29	**2,909,590**	2,603,486
Other payables and accruals	31	**367,517**	227,261
Interest-bearing bank borrowings	32	**946,502**	1,446,027
Financial liabilities at fair value through profit or loss		**–**	3,219
Lease liabilities	16	**15,118**	11,212
Less: Cash and cash equivalents	27	**(3,156,726)**	(3,400,384)
Less: Restricted cash	27	**(729,031)**	(729,863)
Net debt		**352,970**	160,958
Equity attributable to owners of the parent		**7,021,484**	6,784,850
Equity attributable to owners of the parent and net debt		**7,374,454**	6,945,808
Gearing ratio		**5%**	2%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**907,196**	868,294
Right-of-use assets	**27,212**	27,475
Other intangible assets	**5,684**	1,751
Investments in subsidiaries	**2,989,009**	2,192,353
Other non-current assets	**164,677**	105,871
TOTAL NON-CURRENT ASSETS	**4,093,778**	3,195,744
CURRENT ASSETS		
Inventories	**1,644,829**	1,575,477
Trade receivables	**1,696,096**	2,023,437
Notes receivable at amortised cost	**73,028**	342,338
Notes receivable at fair value through other comprehensive income	**172,308**	54,293
Prepayments, other receivables and other assets	**58,031**	41,810
Financial assets at fair value through profit or loss	**145,904**	143,471
Other current assets	**46,401**	17,746
Restricted cash	**503,354**	542,884
Cash and cash equivalents	**2,339,781**	2,832,489
TOTAL CURRENT ASSETS	**6,679,732**	7,573,945
TOTAL ASSETS	**10,773,510**	10,769,689
CURRENT LIABILITIES		
Trade and notes payables	**2,415,466**	2,314,669
Contract liabilities	**270,426**	14,050
Other payables and accruals	**241,601**	154,679
Interest-bearing bank borrowings	**398,253**	1,189,128
Lease liabilities	**192**	–
Financial liabilities at fair value through profit or loss	**–**	3,219
TOTAL CURRENT LIABILITIES	**3,325,938**	3,675,745
NET CURRENT ASSETS	**3,353,794**	3,898,200
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,447,572**	7,093,944

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**500,000**	200,000
Lease liabilities	**131**	11
Deferred income	**68,180**	59,020
Deferred tax liabilities	**46,398**	27,939
TOTAL NON-CURRENT LIABILITIES	**614,709**	286,970
NET ASSETS	**6,832,863**	6,806,974
EQUITY		
Share capital	**1,344,771**	837,956
Reserves (Note)	**5,488,092**	5,969,018
TOTAL EQUITY	**6,832,863**	6,806,974

Note: A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium RMB'000	Share incentive reserve RMB'000	Reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2022 and 1 January 2023	**(16,543)**	**4,417,020**	**59,530**	**201,853**	**1,307,158**	**5,969,018**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**353,164**	**353,164**
Recognition of share-based payment expense	**–**	**–**	**6,714**	**–**	**–**	**6,714**
Repurchase of shares	**(159,999)**	**–**	**–**	**–**	**–**	**(159,999)**
Dividends declared	**–**	**–**	**–**	**–**	**(218,163)**	**(218,163)**
Repurchase obligation for shares issued under incentive plan	**189**	**–**	**(170)**	**–**	**–**	**19**
Tax implications related to a share incentive plan	**–**	**–**	**(4,413)**	**–**	**–**	**(4,413)**
Vesting of Type I Restricted Shares	**15,553**	**12,490**	**(12,490)**	**–**	**–**	**15,553**
Exercise of Type II Restricted Shares	**–**	**46,303**	**(16,651)**	**–**	**–**	**29,652**
Transfer from share premium	**–**	**(503,453)**	**–**	**–**	**–**	**(503,453)**
Transfer from retained profits	**–**	**–**	**–**	**35,316**	**(35,316)**	**–**
At 31 December 2023	**(160,800)**	**3,972,360**	**32,520**	**237,169**	**1,406,843**	**5,488,092**

	Treasury shares RMB'000	Share premium RMB'000	Share incentive reserve RMB'000	Reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	(33,018)	1,174,139	117,816	138,185	943,252	2,340,374
Total comprehensive income for the year	–	–	–	–	636,682	636,682
Recognition of share-based payment expense	–	–	27,297	–	–	27,297
Tax implications related to a share incentive plan	–	–	(6,423)	–	–	(6,423)
Dividends declared	–	–	–	–	(209,108)	(209,108)
Issue of shares	–	3,145,295	–	–	–	3,145,295
Repurchase obligation for shares issued under incentive plan	121	–	(111)	–	–	10
Vesting of Type I Restricted Shares	16,354	12,484	(12,484)	–	–	16,354
Exercise of Type II Restricted Shares	–	85,102	(66,565)	–	–	18,537
Transfer from retained profits	–	–	–	63,668	(63,668)	–
At 31 December 2022	(16,543)	4,417,020	59,530	201,853	1,307,158	5,969,018

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2023

46. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2024, the Company held the 24th meeting of the 3rd Board of Directors and the 21st meeting of the 3rd Board of Supervisors, deliberated and approved the Proposal on the Plan for the New Issuance of H Shares by the Company to issue additional H shares at an issue price of HK $8.19 per share, with the number of additional H shares not more than 26,895,424. After deducting the issuance related expenses, the funds raised from the additional H shares will be used to support the business development of the Company and supplement the working capital of the Company, Repay the Company's debts as they fall due. Among them, Jiangxi Ruide Venture Investment Co., Ltd. intends to subscribe for no more than 20,171,568 H shares (including the number), and the rest will be subscribed by other qualified investors. The final issuance scale is determined by the board of Directors of the Company or its authorized person according to the legal provisions, regulatory approval and market conditions.

The type of shares to be issued under the Proposed Issuance of H shares are overseas listed shares (H shares), all of which are ordinary shares with a nominal value of RMB1.00 each.

On 30 January 2024, the Company established it wholly-owned subsidiary JL MAG Rare Earth (Korea) Co., Ltd. ("JL MAG Korea") in South Korea. It has completed the registration procedures and obtained the registration certificate. The registered capital is KRW50 million and the business term is long term starting from 30 January 2024. The business scope mainly involves the import and export of goods.

On 28 March 2024, the 25th meeting of the 3rd board of the Company proposed the 2023 final cash dividend. Based on the number of shares held by the deducted Designated A Share Repurchase Account in which the share capital of A Shares and H Shares on the date of equity registration determined in the announcement on the implementation of equity distribution, a cash dividend of RMB2.6 (tax inclusive) per 10 shares shall be distributed to all shareholders, and no capital reserve shall be converted into share capital or bonus shares shall be distributed. Based on 1,336,755,451 shares of A shares and H shares held by the Company's A-share repurchase account deducted on the disclosure date of the Company's profit distribution plan, the total amount is expected to be RMB347,556,000. The profit distribution plan shall be submitted to the 2023 Annual General Meeting of the Company for deliberation and approval before implementation.

Apart from above, as of the report date, the Group had no other significant events after the reporting period that needs to be disclosed.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 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.