

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of JL MAG RARE-EARTH CO., LTD.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in JL MAG RARE-EARTH CO., LTD., you should at once hand this circular and the accompanying form(s) of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

金力永磁
JLMAG

JL MAG RARE-EARTH CO., LTD.
江西金力永磁科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06680)

- (1) PROPOSED ISSUANCE OF NEW H SHARES UNDER SPECIFIC MANDATE**
- (2) CONNECTED TRANSACTION IN RELATION TO CONTROLLING SHAREHOLDER SUBSCRIPTION**
- (3) ENGAGEMENT OF AUDITORS FOR THE YEAR 2024**
- (4) APPLICATION TO BANKS FOR INTEGRATED CREDIT FACILITIES BY THE COMPANY AND ITS SUBSIDIARIES AND THE RELATED GUARANTEE**
- (5) PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**
- (6) HANDLING MATTERS IN RELATION TO THE SMALL-SCALE RAPID FINANCING**
- (7) PROPOSED APPOINTMENT OF NON-EMPLOYEE REPRESENTATIVE SUPERVISOR OF THE FOURTH SESSION OF THE SUPERVISORY COMMITTEE**
- (8) PROPOSED ELECTION OF DIRECTORS OF THE FOURTH SESSION OF THE BOARD**
- (9) CHANGE OF REGISTERED CAPITAL OF THE COMPANY AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION**
- (10) PROPOSED AMENDMENTS TO THE WORKING RULES FOR INDEPENDENT DIRECTORS**
- (11) GENERAL MANDATE TO ISSUE ADDITIONAL A SHARES OR H SHARES OF THE COMPANY**
- (12) GENERAL MANDATE TO ISSUE DOMESTIC AND OVERSEAS DEBT FINANCING INSTRUMENTS AND**
- (13) NOTICE OF THE 2023 ANNUAL GENERAL MEETING**

Financial Adviser to the Company



**Independent Financial Adviser to the
Independent Board Committee and
Independent Shareholders**

ALTUS CAPITAL LIMITED

The notice convening the 2023 annual general meeting (the "AGM") to be held at the conference room of Crowne Plaza Ganzhou, 188 Qiangdong Avenue, Shuidong Town, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC on Wednesday, June 5, 2024 at 2:30 p.m. is set out in this circular.

Whether or not you are able to attend the AGM, please complete and sign the form of proxy for use at the AGM in accordance with the instructions printed thereon and return them to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the AGM (i.e. before 2:30 p.m. on Tuesday, June 4, 2024). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case maybe) if you so wish.

This circular together with the form of proxy are also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.jlmag.com.cn).

May 14, 2024

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	30
Letter from the Independent Financial Adviser	32
Appendix I — General Information	51
Appendix II — Application to Banks for Integrated Credit Facilities by the Company and its Subsidiaries and the Related Guarantee	55
Appendix III — Purchase of Liability Insurance for the Company, Directors, Supervisors and Senior Management	58
Appendix IV — Handling Matters in Relation to the Small-scale Rapid Financing	59
Appendix V — Biographical Details of the Proposed Directors	62
Appendix VI — Comparison Table of Amendments to the Articles of Association	67
Appendix VII — Comparison Table of Amendments to the Working Rules for Independent Directors	95
Appendix VIII — General Mandate to Issue Additional A Shares or H Shares of the Company	124
Appendix IX — General Mandate to Issue Domestic and Overseas Debt Financing Instruments	126
Notice of the 2023 Annual General Meeting	130

DEFINITIONS

In this circular, the following expression shall have the meanings set out below unless the context requires otherwise:

“A Share(s)”	domestic share(s) of the Company with a nominal value of RMB1.00 each listed on the ChiNext Market of the Shenzhen Stock Exchange and traded in RMB
“A Shareholder(s)”	Holder(s) of A Shares
“AGM”	the 2023 annual general meeting of the Company to be held at 2:30 p.m. on Wednesday, June 5, 2024 at the conference room of Crowne Plaza Ganzhou, 188 Qiandong Avenue, Shuidong Town, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC, the notice of which is set out on pages 130 to 134 of this circular
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Controlling Shareholder(s)”	has the meaning ascribed to it in Hong Kong Listing Rules
“Controlling Shareholder Subscriber”	Jiangxi Ruide or its designated direct/indirect wholly-owned overseas subsidiaries
“Controlling Shareholder Subscription”	the proposed subscription of new H shares by the Controlling Shareholder Subscriber under the H Share Subscription Agreement
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company or any one of them
“H Share Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s H Share Registrar
“H Shareholder(s)”	holder(s) of H Shares

DEFINITIONS

“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each listed on the Stock Exchange and traded in HK\$
“H Share Issue Price”	the issue price of new H Shares to be issued under the Proposed Issuance of H Shares
“H Share Subscription Agreement”	the conditional H Share Subscription Agreement dated January 26, 2024, entered into by the Company and Jiangxi Ruide in relation to the subscription of not more than 20,171,568 new H Shares (stated figure inclusive) by the Controlling Shareholder Subscriber under the Proposed Issuance of H Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Independent Board Committee”	the Board Committee comprising Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying, the independent non-executive Directors of the Company, was formed pursuant to Hong Kong Listing Rules to advise the Independent Shareholders in respect of the H Share Subscription Agreement and the transaction contemplated thereunder
“Independent Director(s)”	the independent non-executive Directors of the Company
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the H Share Subscription Agreement and the transaction contemplated thereunder
“Independent Shareholder(s)”	the shareholder(s) other than Jiangxi Ruide and its associates
“Jiangxi Ruide”	Jiangxi Ruide Venture Investment Co., Ltd., a company established in the PRC on July 9, 2008, and a Controlling Shareholder of the Company

DEFINITIONS

“JL MAG”, “Company” or “Our Company”	JL MAG RARE-EARTH CO., LTD. (江西金力永磁科技股份有限公司)
“Latest Practicable Date”	May 7, 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, shall exclude the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“PRC Company Law”	The Company Law of the People’s Republic of China, as amended, supplemented or otherwise modified from time to time
“Proposed Issuance of H Shares”	the proposed issuance of no more than 26,895,424 new H Shares (stated figure inclusive) by the Company under the special mandate, details of which are set out in the section headed “Proposed Issuance of H Shares” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“trading day”	means a day on which the Hong Kong Stock Exchange is open for the dealing or trading in securities
“%”	percentage



JL MAG RARE-EARTH CO., LTD.
江西金力永磁科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06680)

Executive Directors:

Mr. Cai Baogui
Mr. Lyu Feng

Non-executive Directors:

Mr. Hu Zhibin
Mr. Li Xinnong
Mr. Liang Minhui
Mr. Li Xiaoguang

Independent Non-executive Directors:

Mr. Zhu Yuhua
Mr. Xu Feng
Ms. Cao Ying

*Registered office and principal place
of business in the PRC:*

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

Place of business in Hong Kong:

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

Jiangxi, May 14, 2024

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ISSUANCE OF NEW H SHARES UNDER SPECIFIC MANDATE
- (2) CONNECTED TRANSACTION IN RELATION TO CONTROLLING SHAREHOLDER SUBSCRIPTION
- (3) ENGAGEMENT OF AUDITORS FOR THE YEAR 2024
- (4) APPLICATION TO BANKS FOR INTEGRATED CREDIT FACILITIES BY THE COMPANY AND ITS SUBSIDIARIES AND THE RELATED GUARANTEE
- (5) PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
- (6) HANDLING MATTERS IN RELATION TO THE SMALL-SCALE RAPID FINANCING
- (7) PROPOSED APPOINTMENT OF NON-EMPLOYEE REPRESENTATIVE SUPERVISOR OF THE FOURTH SESSION OF THE SUPERVISORY COMMITTEE
- (8) PROPOSED ELECTION OF DIRECTORS OF THE FOURTH SESSION OF THE BOARD
- (9) CHANGE OF REGISTERED CAPITAL OF THE COMPANY AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION
- (10) PROPOSED AMENDMENTS TO THE WORKING RULES FOR INDEPENDENT DIRECTORS
- (11) GENERAL MANDATE TO ISSUE ADDITIONAL A SHARES OR H SHARES OF THE COMPANY
- (12) GENERAL MANDATE TO ISSUE DOMESTIC AND OVERSEAS DEBT FINANCING INSTRUMENTS AND
- (13) NOTICE OF THE 2023 ANNUAL GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide Shareholders with information in respect of certain resolutions to be proposed at the AGM to be held on Wednesday, June 5, 2024 to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM. For the details of the proposed resolutions at the AGM, please also refer to the notice of the AGM enclosed with this circular and the Company's annual report for 2023.

MATTERS TO BE RESOLVED AT THE AGM

1. PROPOSED ISSUANCE OF H SHARES

On January 26, 2024, the Board considered and approved the proposal in relation to the plan for the Proposed Issuance of H Shares, pursuant to which, the Company will issue not more than 26,895,424 H Shares (stated figure inclusive) at the H Share Issue Price to target subscribers including the Controlling Shareholder Subscriber and other qualified investors who are independent third parties in compliance with the requirements of applicable laws and regulations and the Listing Rules ("**Other Qualified Investors**").

The plan for the Proposed Issuance of H Shares is set out as below:

(1) Class and nominal value of shares

The type of shares to be issued under the Proposed Issuance of H Shares is overseas listed shares (H Shares), all of which are ordinary shares with a nominal value of RMB1.00 each.

(2) Method and time of issuance

The Proposed Issuance of H Shares will be conducted by way of non-public issuance to specific targets as approved at the general meeting. Upon obtaining the approvals, permissions, filings or registrations (if applicable) from the domestic and overseas regulatory authorities and the Hong Kong Stock Exchange, the Proposed Issuance of H Shares will be implemented by the Company at an appropriate time within the validity period of such approvals, permissions, filings or registrations (if applicable).

(3) Target subscribers and subscription method

The target subscribers of the Proposed Issuance of H Shares include Jiangxi Ruide, a Controlling Shareholder of the Company, and Other Qualified Investors, among which, Jiangxi Ruide will subscribe for the H Shares under the Proposed Issuance of H Shares by itself or through its designated direct/indirect wholly-owned overseas subsidiaries, or through qualified domestic institutional investors and other methods in compliance with laws and regulations. Save for Jiangxi Ruide and its designated direct/indirect wholly-owned overseas subsidiaries, none of the other target subscribers is expected to be connected person of the Company.

LETTER FROM THE BOARD

The target subscribers can subscribe for the new H Shares to be issued under the Proposed Issuance of H Shares in cash and the new H Shares will be issued and allotted in accordance with the terms of the subscription agreement (the “**Subscription Agreement**”) to be entered into between the Company and the qualified investors and/or the placing agreement (the “**Placing Agreement**”) to be entered into with the placing agent in relation to the Proposed Issuance of H Shares.

As of the Latest Practicable Date, save for the H Share Subscription Agreement entered into between the Company and Jiangxi Ruide, the Company has not yet identified any other investors or the placing agent. Further announcement(s) will be made by the Company in accordance with the Hong Kong Listing Rules in due course after any Subscription Agreement and/or Placing Agreement (as the case may be) has/have been entered into with other investors and/or the placing agent in relation to the Proposed Issuance of H Shares. The Company does not expect that the H Share Subscription Agreement, the other Subscription Agreement and the Placing Agreement are inter-conditional upon each other.

(4) Issue price and pricing method

Subject to compliance with applicable laws and regulations, the issue price of the Proposed Issuance of H Shares (the “**Proposed Issue Price**”) shall be the average closing price (rounded to the nearest 2 decimal places) for the ten trading days prior to the date of the 24th meeting of the third session of the Board of the Company (the “**Board Meeting Date**”, i.e. January 26, 2024), i.e. HK\$8.19 per H Share. If the closing price of the Company’s H Shares is higher than the Proposed Issue Price on the trading day (the “**Reference Date**”) prior to the general meeting to consider the Proposed Issuance of H Shares, the Company shall have the right to adjust the final issue price to the closing price on the Reference Date, provided that if the closing price on the Reference Date is equal to or higher than 5% of the Proposed Issue Price, the final issue price shall be increased by 5% based on the Proposed Issue Price (rounded to the nearest 2 decimal places). The price at which the Company issued additional H Shares to Jiangxi Ruide was the same as that to Other Qualified Investors.

The Proposed Issue Price (HK\$8.19 per new H Share) is:

- (i) 10.38% premium to the closing price of HK\$7.42 per H Share as quoted on the Hong Kong Stock Exchange on the Board Meeting Date;
- (ii) 6.57% premium to the average closing price of HK\$7.68 per H Share as quoted on the Hong Kong Stock Exchange for the five trading days prior to the Board Meeting Date;
- (iii) equal to the average closing price of HK\$8.19 per H Share as quoted on the Hong Kong Stock Exchange for the ten trading days prior to the Board Meeting Date;
- (iv) 8.30% discount to the average closing price of HK\$8.93 per H Share as quoted on the Hong Kong Stock Exchange for the 20 trading days prior to the Board Meeting Date;

LETTER FROM THE BOARD

- (v) 16.67% premium to the closing price of HK\$7.02 per H Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date; and
- (vi) 56.60% premium over HK\$5.23, being the audited net assets per ordinary share of the Company as at December 31, 2023 (calculated based on the audited net assets of the Company disclosed in the 2023 annual report and the total number of ordinary shares of the Company as at the Latest Practicable Date.

Taking into account the estimated expenses for the Proposed Issuance of H Shares of approximately HK\$5.0 million, comprising fees, costs, charges and expenses incurred or to be incurred in relation to the Proposed Issuance of H Shares, the net price to be received by the Company for each new H Share to be issued is approximately HK\$8.00.

Since the Proposed Issue Price of HK\$8.19 per new H Share is higher than the benchmarked price of HK\$7.68 per H Share (being the higher of the closing price per H Share as at the Board Meeting Date and the average closing price per H Share in the five trading days immediately prior to the Board Meeting Date), there is no theoretical dilution effect as a result of the Proposed Issuance of H Shares on the assumption that 26,895,424 new H Shares under the Proposed Issuance of H Shares are fully subscribed and no other change in the share capital of the Company since the Latest Practicable Date. For illustration purpose, if the Proposed Issuance of H Shares is conducted based on the maximum issue price of HK\$8.60 per H Share, there will be no theoretical dilution effect as well.

The H Share Issue Price was determined with reference to (i) the recent closing prices of the H Shares; (ii) the business plan of the Company; and (iii) the recent market conditions of the Hong Kong capital market.

The H Share Issue Price was determined to ensure that the issue price reflects the Company's future earnings potential and growth trajectory, making the shares of the Company an attractive investment while securing the capital necessary for loan repayment and providing enough liquidity to fund upcoming projects of the Company. Set out below are factors considered by the Company when determining the H Share Issue Price with reference to the business plan of the Company and the recent market conditions of the Hong Kong capital market:

Robust Business Fundamentals and Resilience: The decision to set a higher price is firmly rooted in the strong fundamentals of the Company. Despite the broader market downturn, the Company has demonstrated resilience and sustained good performance. It has a solid track record of profitability, a strong balance sheet, and robust cash flows. This financial stability and unique business model provide confidence in the Company's future performance.

LETTER FROM THE BOARD

Strategic Growth Initiatives: The H Share Issue Price reflects the funding requirements of the Company's ambitious business plans, which are designed to capitalize on long-term opportunities even in the face of current market adversities. These initiatives include (i) the establishment of industry-leading production capacity by building a production capacity of 40,000 tonnes/year of high-performance REPM blanks and establish the advanced production line of magnetic components by 2025, as well as investment and construction of the production line project with annual output of 1 million sets of magnetic components in Mexico; (ii) strengthening the Company's R&D innovation capabilities; and (iii) further extension of the Company's global business footprint to more regions and countries, all of which are expected to significantly contribute to the Company's future revenue streams and profitability.

Market Position and Competitive Advantage: The Company holds a leading position in the industry with significant competitive advantages. This positioning allows the Company to command a premium in its share pricing because investors recognize the value in its market leadership and the potential for sustained growth and market share gains.

Investor Confidence and Long-Term Value: The closing prices per H Share demonstrated a decreasing trend in line with the Hang Seng Index until mid-January 2024, after which the closing price per H Share declined sharply while the Hang Seng Index remained largely stable. Over the past 6 months leading up to the Board Meeting Date, the lowest and highest closing prices of H Shares as quoted on the Hong Kong Stock Exchange were HK\$7.42 on January 26, 2024 and HK\$12.46 per H Share on August 1, 2023, respectively. The Proposed Issue Price of HK\$8.19 per H Share and the maximum issue price of HK\$8.60 per H Share are within the range of the lowest and highest closing prices of H Shares but closer to the lower end during the period. The Proposed Issue Price, while less favorable when compared with earlier months of the period, is fair and reasonable compared to the recent price trend of H Shares. The pricing also reflects the confidence that existing and potential investors have in the Company's management team and strategic direction. It is structured to attract long-term investors who are focused on the inherent value of the Company rather than short-term market fluctuations.

Taking into account the reasons set out in the paragraph headed "Reasons for and Benefits of the Proposed Issuance of H Shares and the Controlling Shareholder Subscription" below, the Directors consider that the H Share Issue Price is fair and reasonable and in the interests of the Company and the H Shareholders as a whole.

In the event that the Company distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the date on which the issuance plan of the Proposed Issuance of H Shares having considered and approved by the Board to the issuance date of the Proposed Issuance of H Shares, the H Share Issue Price shall be adjusted on ex-right or ex-dividend basis. In such regard, the adjusted H Share Issue price will be disclosed in accordance with the requirements of the Listing Rules in due course.

LETTER FROM THE BOARD

The adjustment formula shall be as follows:

1. when only cash dividend is paid, adjusted according to the following formula: $P1=P0-D$;
2. when only bonus shares are issued or capital reserve is converted into share capital, adjusted according to the following formula: $P1=P0/(1+N)$; and
3. when the above two items are carried out simultaneously, adjusted according to the following formula: $P1=(P0-D)/(1+N)$.

whereas $P0$ represents the issue price before adjustment, N represents the number of bonus shares issued per share or number of shares converted from capital reserve into share capital, D represents dividend per share and $P1$ represents the adjusted issue price.

(5) *Issue size and number of shares to be issued*

According to the relevant laws and regulations and taking into account the financial position and investment plan of the Company, the number of H Shares to be issued under the Proposed Issuance of H Shares shall not exceed 2% of the total share capital of the Company on the Board Meeting Date, i.e. not exceeding 26,895,424 Shares (stated figure inclusive), among which, Jiangxi Ruide intends to subscribe for not more than 1.5% of the total share capital of the Company on the Board Meeting Date, i.e. not more than 20,171,568 Shares (stated figure inclusive), and the remaining portion will be subscribed by Other Qualified Investors. The final issue size shall be determined by the Board or its authorized person(s) in accordance with legal requirements, regulatory approvals and market conditions.

The above 26,895,424 Shares represent approximately 1.96% of the enlarged total issued Shares upon completion of the Proposed Issuance of H Shares.

In the event that the Company grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the date on which the issuance plan for the Proposed Issuance of H Shares having considered and approved by the Board to the issuance date of the Proposed Issuance of H Shares, the maximum number of the Proposed Issuance of H Shares will be adjusted accordingly. In such event, the maximum number of H Shares that can be issued would be the total adjusted share capital of the Company after dividend, multiplied by 1.5% for Jiangxi Ruide and 0.5% for Other Qualified Investors.

The maximum number of H Shares available for issuance will not be adjusted for ex-dividend event. The maximum number of new H-Shares to be issued is 26,895,424 H Shares.

LETTER FROM THE BOARD

(6) *Lock-up period*

Jiangxi Ruide undertakes not to transfer the new H Shares subscribed for under the Proposed Issuance of new H Shares within 12 months upon completion of the Proposed Issuance of H Shares, and undertakes to procure its designated direct/indirect wholly-owned overseas subsidiaries to honor the above lock-up period undertakings until the expiry of the lock-up period. If the relevant regulatory authorities in relation to the Proposed Issuance of H Shares and the Hong Kong Stock Exchange have other provisions on the lock-up period of shares subscribed by the target subscribers and the transfer of shares upon expiry, such provisions shall prevail.

(7) *Use of proceeds*

Upon completion of the Proposed Issuance of H Shares, and assuming that the maximum number of new H Shares (i.e. 26,895,424 Shares) are issued at the Proposed Issue Price, it is expected that the Company will be able to raise gross proceeds of not more than HK\$220,273,523 (inclusive). The net proceeds to be raised from the Proposed Issuance of H Shares is estimated to be approximately HK\$215.3 million after deducting the preliminary estimation of issuance expenses of approximately HK\$5.0 million.

Details on the use of proceeds to be raised upon completion of the Proposed Issuance of H Shares (after deduction of relevant expenses incurred or to be incurred in relation to the Proposed Issuance of H Shares) are as follows:

No.	Use of proceeds	Allocation of net proceeds ² (HK\$ million)	Percentage of net proceeds	Expected timeline for the use of unutilized net proceeds
1	Purchase of raw materials	129.2	60%	within 6 months from the receipt of such proceeds
2	Repayment of debts ¹	64.6	30%	within 6 months from the receipt of such proceeds
3	Other day-to-day uses ³	21.5	10%	within 6 months from the receipt of such proceeds
		215.3	100%	

LETTER FROM THE BOARD

Notes:

1. The proceeds will be used to repay the current RMB200 million borrowing with an interest rate of 2.700% from The Export-Import Bank of China that will be due on 9 August 2024. Based on the exchange rate of HK dollar against Renminbi as of the Latest Practicable Date, the total principal and interest of the above loan amounted to approximately HK\$220.48 million. The remaining borrowings will be repaid using the Company's internal funds.
2. If the Proposed Issuance of H Shares is not fully subscribed (i.e. less than 26,895,424 Shares), the corresponding proceeds raised will be allocated proportionally to their respective purposes. Any shortfall of proceeds shall be made up by the Company by utilising its internal funds.
3. Mainly includes payment for liquidity expenses incurred during the operation, including but not limited to energy expenses, administrative expenses, maintenance and repair expenses.

(8) *Listing arrangement*

The shares to be issued under the Proposed Issuance of H Shares will be listed on the Main Board of the Hong Kong Stock Exchange in accordance with relevant regulations.

(9) *Arrangements for accumulated undistributed profits before the Proposed Issuance of H Shares*

The undistributed profits accumulated before the Proposed Issuance of H Shares will be shared by the new and existing Shareholders upon completion of the Proposed Issuance of H Shares.

(10) *Validity period of the resolution(s) on the Proposed Issuance of H Shares*

The resolution(s) of the Proposed Issuance of H Shares shall be valid for 12 months from the date of approval of the issuance plan for the Proposed Issuance of H Shares at the general meeting of the Company. If the Company has completed the issuance approval, permission, filing or registration (if applicable) with the regulatory authorities and the Hong Kong Stock Exchange within the validity period of the resolution(s) of the general meeting for the Proposed Issuance of H Shares, the Company may complete the work in relation to the Proposed Issuance of H Shares during the validity period as confirmed in such approval or permission by, or filing or registration with regulatory authorities.

(11) *Authorization*

The Board proposes that the general meeting of the Company authorizes the Board to and the Board delegates to the chairman of the Board, the secretary of the Board and any other person(s) it may otherwise delegate the authority to determine and deal with, either alone or jointly, matters relating to the Proposed Issuance of H Shares, including but not limited to:

LETTER FROM THE BOARD

1. determine and implement the specific plan for the Proposed Issuance of H Shares within the scope of the issuance plan for the Proposed Issuance of H Shares as approved at the general meeting, including but not limited to the specific method and time of issuance, target subscribers and subscription method, issue price, issue size and number of shares to be issued, lock-up period, use of proceeds and all other matters in relation to the issuance plan for the Proposed Issuance of H Shares, and the implementation details in relation to the Proposed Issuance of H Shares;
2. make/supplement/correct/ratify all prior actions and steps necessary and incidental to the Proposed Issuance of H Shares, including but not limited to engaging placing agents, domestic and overseas legal advisers and other relevant intermediaries, applying to relevant domestic and overseas regulatory authorities for the approval, registration, filing and other procedures for the issuance, reporting, trading and listing in relation to the Proposed Issuance of H Shares on behalf of the Company, executing, amending, terminating and/or approving all necessary legal documents in relation to the Proposed Issuance of H Shares (including but not limited to the share subscription agreements, placing agreements, proxy agreements and Hong Kong Stock Exchange listing application documents relating to the shares, CSRC filing reports and undertakings) on behalf of the Company and handle other matters relating to the issuance and trading in relation to the Proposed Issuance of H Shares;
3. negotiate and sign the share subscription agreements with the target subscribers of the Proposed Issuance of H Shares or placing agreements with the placing agents of the Proposed Issuance of H Shares, and confirm any amendments to the share subscription agreements or placing agreements;
4. agree that the Company shall submit the listing application for the shares under the Proposed Issuance of H Shares to the Hong Kong Stock Exchange, including but not limited to the application for exemption from compliance with any applicable laws or regulations (the "**Listing Application**"), sign any documents related to the Listing Application on behalf of the Company and the person(s) authorized by the Board will act as the listing agent of the Company to submit the application documents related to the Listing Application on behalf of the Company, and publish the announcements, circulars and notices related to the Proposed Issuance of H Shares on the websites of the Hong Kong Stock Exchange and the Company, and submit the relevant forms, documents or other information to the Hong Kong Stock Exchange;

LETTER FROM THE BOARD

5. approve and authorize the H Share Registrar of the Company to issue share certificates in respect of the new H Shares in the name of the subscriber(s)/placee(s) or other person(s)/institution(s) as instructed by it and to enter the name of such person/institution or HKSCC Nominees Limited, as appropriate, as the holder(s) of the relevant number of the allotted and issued Shares on the Company's H Share register of members maintained in Hong Kong;
6. prepare, modify and submit the application materials related to the issuance, reporting, trading and listing in respect of the Proposed Issuance of H Shares in accordance with the relevant laws and regulations, opinions and suggestions of regulatory authorities and actual circumstances, and deal with the information disclosure/exemption disclosure matters in relation to the issuance of the Proposed Issuance of H Shares in accordance with the regulatory requirements.
7. make corresponding amendments and subsequent amendments (if necessary) to the Articles of Association in accordance with the issuance in respect of the Proposed Issuance of H Shares (including changes in the number of issued H Shares, the registered capital and the capital structure of the Company upon completion of the Proposed Issuance of H Shares), handle the relevant industrial and commercial registration procedures for the change in the registered capital of the Company, and other matters of change thereof;
8. deal with all other matters in relation to the Proposed Issuance of H Shares with full discretion, including but not limited to formulating, changing, approving, ratifying and confirming the relevant issuance plan and all other terms, and signing, entering into and/or delivering any documents which are considered necessary and appropriate;
9. the authorization shall be valid for 12 months from the date of approval of the resolution(s) in relation to the plan for the Proposed Issuance of H Shares at the general meeting.

LETTER FROM THE BOARD

2. CONNECTED TRANSACTION IN RELATION TO CONTROLLING SHAREHOLDER SUBSCRIPTION

In accordance with the issuance plan for the Proposed Issuance of H Shares, the Company entered into the H Share Subscription Agreement with Jiangxi Ruide on January 26, 2024. Pursuant to the terms and subject to the conditions set out in the H Share Subscription Agreement, the Company has agreed to allot and issue to the Controlling Shareholder Subscriber and Jiangxi Ruide has agreed to subscribe for not more than 20,171,568 H Shares (stated figure inclusive) of the Company at the H Share issue price in cash by itself or by its designated direct/indirect wholly-owned overseas subsidiaries, or through qualified domestic institutional investors and other methods in compliance with laws and regulations.

The principal transaction terms of the H Share Subscription Agreement are consistent with those set out in the issuance plan for the Proposed Issuance of H Shares as disclosed above. Other major terms of the H Share Subscription Agreement are set out below:

Parties:

1. The Company (as issuer); and
2. Jiangxi Ruide (as subscriber)

Subscription price and number:

The Controlling Shareholder Subscriber will subscribe for the new H Shares at the H Share Issue Price in the issuance plan for the Proposed Issuance of H Shares as stated in the paragraph headed "Issue price and pricing method".

Jiangxi Ruide undertakes that it intends to subscribe for no more than 20,171,568 H Shares (stated figure inclusive) under the Proposed Issuance of H Shares.

Time and method of payment of the subscription price and registration arrangement for the new shares:

The Controlling Shareholder Subscriber shall, upon the H Share Subscription Agreement becoming effective, pay the full amount of the subscription price in cash in Hong Kong dollars to the designated bank account as notified in the demand notice from the date of receipt of the demand notice issued by the Company in accordance with the requirements of the demand notice.

LETTER FROM THE BOARD

If the Controlling Shareholder Subscriber expects that it will not be able to pay the subscription price in full within the payment period, it should notify the Company immediately. If the Controlling Shareholder Subscriber fails to pay the subscription price in full within the payment period, the Company is entitled to disqualify the Controlling Shareholder Subscriber from subscribing for the shares under the Proposed Issuance of H Shares by notice in writing before the Controlling Shareholder Subscriber can pay the subscription price in full. If the Controlling Shareholder Subscriber has already paid part of the subscription price before the Company's cancellation of its entitlement to subscribe for Proposed Issuance of H Shares, the Company shall return the subscription price paid by the Controlling Shareholder Subscriber plus the interest on deposits of the People's Bank of China for the same period of time to the Controlling Shareholder Subscriber who has paid the subscription price within five (5) working days from the date of termination of the agreement.

The Company shall take necessary measures and use its best reasonable endeavors to complete the share registration procedures of H Share Registrar as soon as possible so that the Controlling Shareholder Subscriber will become the legal holder of the subscription shares.

LETTER FROM THE BOARD

Conditions precedent:

The H Share Subscription Agreement shall be established from the date when the legal representatives or authorized representatives of the Company and Jiangxi Ruide sign and affix their company seal. Except for the conditions precedent and the provisions in relation to liability for breach of contract, representations, warranties and undertakings, applicable laws and dispute resolution, confidentiality and force majeure which shall take effect from the date of the H Share Subscription Agreement, other terms of the H Share Subscription Agreement shall take effect upon the satisfaction or waiver of all of the following conditions precedent, and the latest date of the completion of the following events shall be the effective date of such provisions:

- (1) the H Share Subscription Agreement having been signed by both parties;
- (2) in accordance with the articles of association of the Controlling Shareholder Subscriber, the competent authority of the Controlling Shareholder Subscriber having approved the relevant resolutions in relation to the subscription of the Shares under the Proposed Issuance of H Shares by the Controlling Shareholder Subscriber and other matters relating thereto;
- (3) the Board and the general meeting of the Company having considered and approved the issuance plan for the Proposed Issuance of H Shares and related matters;
- (4) the Controlling Shareholder Subscriber having completed the filing/registration procedures (if applicable) in relation to the overseas direct investment with the National Development and Reform Commission, Ministry of Commerce of the PRC and foreign exchange;

LETTER FROM THE BOARD

- (5) the Company having obtained the approval, or permission by, or completed the filing or registration (if applicable) with domestic and foreign regulatory authorities including the Hong Kong Stock Exchange for the implementation of the Proposed Issuance of H Shares;
- (6) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the shares to be issued under the Proposed Issuance of H Shares.

As of the Latest Practicable Date, none of the conditions precedent outlined in the H Share Subscription Agreement has been waived, (1) the H Share Subscription Agreement has been signed by both parties, (2) the competent authority of the Controlling Shareholder Subscriber has made the relevant resolutions agreeing to the subscription of the Shares under the Proposed Issuance of H Shares and (3) the Proposed Issuance of H Shares and the Controlling Shareholder Subscription have been considered and approved by the Board (but not yet by the general meeting) of the Company. None of the other conditions precedent under the H Share Subscription Agreement has been fulfilled.

REASONS FOR AND BENEFITS OF THE PROPOSED ISSUANCE OF H SHARES AND THE CONTROLLING SHAREHOLDER SUBSCRIPTION

As of December 31, 2023, the Company's cash and cash equivalent amounted to approximately RMB3,156.7 million, while its total interest-bearing bank and other borrowings amounted to RMB946.5 million, of which RMB402.3 million, RMB500.0 million and RMB44.2 million will mature in 2024, 2025 and 2028 respectively. Except for approximately HK\$64.6 million of maturing debts (assuming 26,895,424 new H Shares are issued at the Proposed Issue Price, and will be adjusted proportionally if the new H Shares are not fully subscribed) will be repaid utilizing proceeds to be raised under the Proposed Issuance of H Shares, all such maturing debts are expected to be repaid with the Company's internal resources. Furthermore, the Company has recorded capital commitments relating to property, plant and equipment and investment commitment of RMB742.1 million as of December 31, 2023 which are contracted but has not been provided. In addition, as disclosed in the 2023 annual report of the Company, it is the Company's strategic goal to become a global leader in the REPM industry through (i) the establishment of industry-leading production capacity by building a production capacity of 40,000 tonnes/year of high-performance REPM blanks and establish the advanced production line of magnetic components by 2025, as well as investment and construction of the production line project with annual output of 1 million sets of magnetic components in Mexico; (ii) strengthening its R&D innovation capabilities; and (iii) extending its global business footprint to more regions and countries. The Company expects to commit significant resources to achieve these goals. In terms of cashflow, the Company has recorded net cash outflow in investing activities of RMB942.0 million and net cash outflow in financing activities of RMB815.6 million, resulting in a net decrease in cash and cash equivalents of RMB239.9 million for the year ended December 31, 2023. Based on the

LETTER FROM THE BOARD

above, the Company considers that it has an imminent funding need to conduct the Proposed Issuance of H Shares.

Prior to deciding to conduct the Proposed Issuance of H Shares, the Company has considered the feasibility of alternative fund-raising methods, including but not limited to, debt financing and other forms of equity financing such as rights issue and open offer.

The Company considered that debt financing will worsen the Group's gearing level of 40.5% as at December 31, 2023 by creating additional debt liabilities and will incur extra interest burden to the Group. Furthermore, as one of the use of proceeds of the fund-raising exercise is to repay existing debt, debt financing was not considered.

Alternative forms of equity financing such as rights issue and open offer are also considered to be less preferable as they may require shares to be issued at a discount to the prevailing market price and incur higher transaction costs and/or longer time.

In addition, given that the Proposed Issue Price is at a premium to the closing price of the H Shares as at the Latest Practicable Date, the Directors consider it is not in the interest of the Company to incur underwriting costs and other issuance costs of new Shares under an open offer or rights issue.

Based on the above and the reasons stated at the following paragraph, the Company considers that the Proposed Issuance of H Shares is the most appropriate fund-raising method and is in the interest of the Company and its Shareholders as a whole.

The Proposed Issuance of H Shares will contribute to enhancing the Company's capital strength and assets size, reinforcing its core competitiveness and profitability, promoting its sustained and rapid growth of the main business and providing capital protection for its further expansion. As one of the subscribers of the Proposed Issuance of H Shares, the Controlling Shareholder Subscriber demonstrates its firm confidence in the future development of the Company, which is beneficial in boosting market confidence and safeguarding the interests of the Company's small and medium-sized Shareholders.

The Directors (including the independent non-executive Directors) consider that although the Proposed Issuance of H Shares and the Controlling Shareholder Subscription are not conducted in the ordinary and usual course of business of the Group, the terms and conditions of the H Share Subscription Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

IMPACT OF THE PROPOSED ISSUANCE OF H SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, assuming that there is no other change in the number of issued shares of the Company (other than the Proposed Issuance of H Shares) between the Latest Practicable Date and completion of the Proposed Issuance of H Shares, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Proposed Issuance of H Shares (assuming that 26,895,424 new H Shares under the Proposed Issuance of H Shares are fully subscribed); and (iii) immediately after the completion of the Proposed Issuance of H Shares (assuming completion of the Controlling Shareholder Subscription only, i.e. 20,171,568 new H Shares are subscribed):

Class of share	As at the Latest Practicable Date		Immediately after completion of the Proposed Issuance of H Shares (assuming 26,895,424 new H Shares under the Proposed Issuance of H Shares are fully subscribed)		Immediately after completion of the Proposed Issuance of H Shares (assuming completion of the Controlling Shareholder Subscription only, i.e. 20,171,568 new H Shares are subscribed)	
	<i>Approximate percentage of total number</i>		<i>Approximate percentage of total number</i>		<i>Approximate percentage of total number</i>	
	<i>Number of shares</i>	<i>of issued shares³</i>	<i>Number of shares</i>	<i>of issued shares³</i>	<i>Number of shares</i>	<i>of issued shares³</i>
A Shares						
Jiangxi Ruide	387,100,160	28.79%	387,100,160	28.22%	387,100,160	28.36%
Other core connected persons of the Company ¹	38,984,119	2.90%	38,984,119	2.84%	38,984,119	2.86%
Public A Shareholders	717,941,356	53.39%	717,941,356	52.34%	717,941,356	52.60%
Total A Shares	1,144,025,635	85.07%	1,144,025,635	83.40%	1,144,025,635	83.81%
H Shares						
Controlling Shareholder Subscriber	-	-	20,171,568	1.47%	20,171,568	1.48%
Public H Shareholders						
- Independent third party places	-	-	6,723,856 ²	0.49%	-	-
- Other public H Shareholders	200,745,600	14.93%	200,745,600	14.64%	200,745,600	14.71%
Total H Shares	200,745,600	14.93%	227,641,024	16.60%	220,917,168	16.19%
Total	1,344,771,235	100.00%	1,371,666,659	100.00%	1,364,942,803	100.00%

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, apart from Jiangxi Ruide, the aggregate holding of 38,984,119 A Shares by Ganzhou Geshuo Investment Management Center (limited partnership), Ganzhou Xinsheng Investment Management Center (limited partnership), Ganzhou Huirui Investment Management Center (Limited Partnership), Mr. Cai Baogui, Mr. Hu Zhibin, Mr. Li Xinnong and Mr. Lyu Feng will not be considered as part of the public float as they will be considered as core connected persons (as defined in Hong Kong Listing Rules) of the Company.
2. It is expected that the independent third party placees will not become substantial shareholders of the Company upon completion of the Proposed Issuance of H Shares and the shares held by them will be considered to be held by the public.
3. Any discrepancy between the total and the sum of the individual percentages in the above table is due to rounding.

FUNDS RAISED DURING THE PAST 12 MONTHS

The Company has not conducted any fund raising activities involving the issue of equity securities in the 12-month period prior to the Latest Practicable Date.

LISTING APPLICATION

Application will be made by the Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the new H Shares on the Hong Kong Stock Exchange.

HONG KONG LISTING RULES IMPLICATIONS

The new H Shares under the Proposed Issuance of H shares will be issued under the specific mandate to be sought from the Shareholders at the AGM. The Proposed Issuance of H shares is subject to the approval of the relevant resolution(s) at the AGM.

Jiangxi Ruide is a controlling Shareholder of the Company, and hence a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Controlling Shareholder Subscription pursuant to the H Share Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders, and the Independent Board Committee comprising all three independent non-executive Directors has been established to advise the Independent Shareholders, in respect of the H Share Subscription Agreement and the transaction contemplated thereunder.

Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are persons acting in concert with Jiangxi Ruide and are therefore considered to have a material interest in the Proposed Issuance of H Shares and the Controlling Shareholder Subscription and have abstained from voting on the relevant resolution of the Board. Save as disclosed above, none of the Directors has any material interest in the Proposed Issuance of H Shares and the Controlling Shareholder Subscription and therefore no other Directors are required to abstain from voting on such resolutions of the Board.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong, and the investment holding entities controlled by them, namely Jiangxi Ruide, Ganzhou Geshuo Investment Management Center (limited partnership) and Ganzhou Xinsheng Investment Management Center (limited partnership), collectively held 421,799,769 A Shares, representing approximately 31.37% of the total issued share capital of the Company and they are acting in concert. As such, all of them and their respective associates are required to abstain from voting on resolutions in relation to the Proposed Issuance of H Shares and the Controlling Shareholder Subscription.

Other than Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong, Jiangxi Ruide, Ganzhou Geshuo Investment Management Center (limited partnership) and Ganzhou Xinsheng Investment Management Center (limited partnership) and their respective associates, no Shareholders are required to abstain from voting on the resolutions at the AGM on resolutions in relation to the Proposed Issuance of H Shares and the Controlling Shareholder Subscription.

INFORMATION ON THE PARTIES

The Company

The Company is a leading producer of high-performance rare earth permanent magnets. The Group's products have a wide array of applications in new energy vehicles and automotive parts, permanent magnetic wind turbine generators, energy-saving variable-frequency air-conditioners and other sectors.

Jiangxi Ruide

Jiangxi Ruide is a limited liability company established and validly existing under the laws of the PRC and was established on July 9, 2008. Its main business includes industrial investment, scientific and technological development, and domestic trading, with the exception of those regulated by specific provisions of the state. As at the Latest Practicable Date, it directly holds 28.79% of the shares of the Company and is a Controlling Shareholder of the Company. As of the Latest Practicable Date, Jiangxi Ruide is owned as to 40%, 30% and 30% equity interests by Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong respectively.

3. ENGAGEMENT OF AUDITORS FOR THE YEAR 2024

An ordinary resolution will be proposed at the AGM to consider and approve the re-appointment of Ernst & Young Hua Ming LLP as the domestic auditor of the Company for the year 2024, and the re-appointment of Ernst & Young as the international auditor of the Company for the year 2024 with a term of one year. The relevant annual audit fees will be determined by the management, as to be authorized at the AGM through a proposal of the Board, based on the specific efforts and market price level of the audit work in 2024.

LETTER FROM THE BOARD

4. APPLICATION TO BANKS FOR INTEGRATED CREDIT FACILITIES BY THE COMPANY AND ITS SUBSIDIARIES AND THE RELATED GUARANTEE

A special resolution will be proposed at the AGM to consider and approve the application to banks for integrated credit facilities by the Company and its subsidiaries and the related guarantee, details of which are set out in Appendix II to this circular.

5. PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

An ordinary resolution will be proposed at the AGM to consider and approve the purchase of liability insurance for the Company, Directors, Supervisors and senior management, details of which are set out in Appendix III to this circular.

6. HANDLING MATTERS IN RELATION TO THE SMALL-SCALE RAPID FINANCING

A special resolution will be proposed at the AGM to consider and approve the authorization of the Board to decide to issue A shares with a total financing amount of no more than RMB300 million and 20% of net assets at the end of the latest year to specific target, details of which are set out in Appendix IV to this circular.

The A shares to be issued pursuant to the authorization in relation to the small-scale rapid financing will be issued under the general mandate to issue additional A shares of the Company (if approved by the shareholders' general meeting).

7. PROPOSED APPOINTMENT OF NON-EMPLOYEE REPRESENTATIVE SUPERVISOR OF THE FOURTH SESSION OF THE SUPERVISORY COMMITTEE

Reference is made to the announcement of the Company dated March 28, 2024 in relation to, among other things, the proposed appointment of non-employee representative supervisor of the fourth session of the Supervisory Committee.

As the term of the third session of the Supervisory Committee of the Company will expire on April 23, 2024. In order to ensure the normal operation of the Supervisory Committee, the Company has commenced the general election of the Supervisory Committee, in accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, No. 2 Self-Regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies – the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the ChiNext Board, and other laws, regulations and regulatory documents as well as relevant provisions in the Articles of Association, details of which are set out below:

The Company has held a meeting of the Supervisory Committee on March 28, 2024 to consider and approve the nomination of Mr. Li Hua as the candidate of the

LETTER FROM THE BOARD

Non-employee Representative Supervisor of the fourth session of the Supervisory Committee, with the term of office commencing the date on which the relevant resolution is considered and approved at the 2023 annual general meeting of the Company until the expiry of the fourth session of the Supervisory Committee. After having been considered and approved at the 2023 annual general meeting of the Company, the candidate of the Non-employee Representative Supervisor, together with the 2 employee representative supervisors elected at the meeting of the employee representatives of the Company on March 26, 2024, namely Ms. Liu Qiujun and Mr. Liang Qilu, shall constitute the fourth session of the Supervisory Committee.

Biographical details of Mr. Li Hua are set out as follows:

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

Mr. Li Hua confirmed that, save as disclosed above, as of the Latest Practicable Date: (1) he does not hold any other positions in the Company or any of its subsidiaries, nor has he held any directorships in the last three years in any other public companies where the securities of which are listed on any securities market in Hong Kong or overseas; (2) he does not have any relationship with any other directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company or any of its subsidiaries; (3) he does not hold any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (4) he does not have any matters regarding his appointment that shall be disclosed pursuant to Rule 13.51(2)(h) to Rule 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, nor is there any other issue regarding his appointment that shall be brought to the attention of the shareholders of the Company (the "Shareholders").

In accordance with the relevant provisions of the Company Law of the PRC and the Articles of Association, all the Supervisors of the third session of the Supervisory Committee shall continue to perform their duties as Supervisors in accordance with the applicable laws and regulations until the election of the members of the fourth session of the Supervisory Committee is completed.

LETTER FROM THE BOARD

Subject to the approval of his appointment by the Shareholders at the 2023 annual general meeting, the Company will enter into a service contract with Mr. Li Hua. Mr. Li Hua will not receive any remuneration for his appointment as a non-employee representative Supervisor. Instead, he will receive corresponding remuneration, including position salary, performance bonuses and benefits, based on his specific position in the Company, and his final remuneration will be disclosed in the Company's annual report for the relevant year.

8. PROPOSED ELECTION OF DIRECTORS OF THE FOURTH SESSION OF THE BOARD

Reference is made to the announcement of the Company dated March 28, 2024 in relation to, among other things, the proposed appointment of directors of the fourth session of the Board.

As the term of the third session of the Board of the Company will expire on April 23, 2024. In order to ensure the normal operation of the Board, the Company has commenced the general election of the Board, in accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, No. 2 Self-Regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies – the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the ChiNext Board, and other laws, regulations and regulatory documents as well as relevant provisions in the Articles of Association, details of which are set out below:

The Company has held a Board meeting on March 28, 2024 to consider and approve the following resolutions: (i) to nominate Mr. Cai Baogui, Mr. Hu Zhibin, Mr. Li Xinnong, Mr. Liang Minhui, Mr. Li Xiaoguang, Mr. Xue Naichuan and Mr. Lyu Feng as candidates of the non-independent directors of the fourth session of the Board of the Company. Among them, Mr. Cai Baogui and Mr. Lyu Feng are candidates of executive directors, and Mr. Hu Zhibin, Mr. Li Xinnong, Mr. Liang Minhui, Mr. Li Xiaoguang and Mr. Xue Naichuan are candidates of non-executive directors. The final election of the non-independent directors of the fourth session of the Board of Directors of the Company shall be effective on the candidates having votes ranking top six of seven from cumulative votes cast at the shareholders' general meeting, with the term of office commencing from the date of considering and passing the relevant resolution at the general meeting of the Company until the expiry of the fourth session of the Board; and (ii) to nominate Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying as candidates of independent non-executive directors of the fourth session of the Board of the Company. The term of office of the independent directors of the fourth session of the Board of the Company shall commence on the date considering and passing of the relevant resolution by the shareholders' general meeting of the Company until the expiry of the fourth session of the Board.

In accordance with the relevant provisions of the Company Law of the PRC and the Articles of Association, all the Directors of the third session of the Board shall continue to perform their duties as Directors in accordance with the applicable laws and regulations until the election of the members of the fourth session of the Board is completed. In terms of the nomination of candidates of independent non-executive directors, the nomination

LETTER FROM THE BOARD

committee of the Board has considered the contribution of each candidate that can bring to the Board in terms of qualification, skills, experience, independence and gender diversity (in accordance with the Board diversity policy of the Company taking into account the relevant Directors' biographical information and background, and considering various factors including but not limited to gender, age, cultural and educational background and professional experience), the Board has recommended the proposed re-election of Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying as independent non-executive Directors. Mr. Zhu Yuhua has many years of experience in the non-ferrous metals and standardization industry, Mr. Xu Feng also has many years of experience in company operations and management, and Ms. Cao Ying has profound experience in corporate governance and financial expertise. The appointment of Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying as independent non-executive directors of the Company will help enhance the diversity of the Board, contributing extensive financial expertise, corporate governance expertise and in-depth industry insights to the Board. Based on the Company's diversity policy and nomination policy as well as the recommendations of the Nomination Committee, the Board, having comprehensively considered the educational background, knowledge, skills and experience of Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying and contributions they can make to the Board, proposed the appointment of Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying as independent non-executive directors of the Company. Each of Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying has further confirmed that (1) he/she complies with each of the independence criteria referred to in Rule 3.13(1) to (8) of the Listing Rules; (2) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person (as defined in the Listing Rules) of the Company; and (3) there are no other factors that may affect his/her independence at the time of his/her nomination of independent non-executive Director. In addition, the Board has assessed the independence of Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying, being the candidates as independent non-executive directors, by reference to the independence guidelines as set out in Rule 3.13 of the Listing Rules and considered they are independent.

The Company will enter into a service contract with each of the Directors appointed. The Board propose that the remuneration of each of non-executive Director and independent non-executive Director will be fixed at RMB150,000 (tax inclusive) per annum, which is determined with reference to their duties and responsibilities with the Company and the prevailing market conditions respectively, subject to the approval of the Shareholders at the 2023 annual general meeting. The Company will also disclose the total remuneration received by the Directors in its annual reports accordingly.

Please refer to Appendix V to this circular for the biographical details of all of the above candidates.

LETTER FROM THE BOARD

9. PROPOSED ALLOWANCES FOR THE DIRECTORS OF THE FOURTH SESSION OF THE BOARD OF THE COMPANY

In accordance with requirements under the Company Law of the People's Republic of China, the Articles of Association and the relevant systems of the Company, and taking into consideration of the industry of the Company, the economic development level of the region, and the operation of the Company, the Company shall (1) provides relevant allowances to non-executive Directors of the fourth session of the Board who does not assume other responsibilities in the Company, the proposed allowance is RMB150,000 (tax inclusive) for each person each year; (2) provides relevant allowances to independent non-executive Directors of the fourth session of the Board of the Company, the proposed allowance is RMB150,000 (tax inclusive) for each person each year.

The above allowance standard has been reviewed by the Remuneration and Appraisal Committee of the Board and approved at the Board meeting held on March 28, 2024, and is subject to the approval of the shareholders of the Company by way of an ordinary resolution at the general meeting. The allowance standard will be implemented from the month on which it is considered and approved by the shareholders' general meeting.

10. PROPOSED CHANGE OF REGISTERED CAPITAL OF THE COMPANY AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated March 28, 2024 in relation to, among other things, the proposed change of the registered capital of the Company and proposed amendments to the Articles of Association.

In view of the implementation of the 2020 Restricted Share Incentive Plan by the Company, the attribution and registration of the Type II Registered Shares were completed on December 25, 2023, with a total of 2,230,784 Shares registered, and the share capital has been increased by 2,230,784 shares correspondingly. The Company proposes to increase the total share capital of the Company from 1,342,540,451 Shares to 1,344,771,235 Shares and the registered capital was increased from RMB1,342,540,451 to RMB1,344,771,235.

Due to the above-mentioned change of the registered capital of the Company, and in view of the "Measures for the Administration of Independent Directors of Listed Companies" [Decree No. 220] was issued by the China Securities Regulatory Commission in August 2023, in order to further enhance the standardised operation level and improve the corporate governance structure, the Company intends to amend the Articles of Association, and taking into account the actual conditions of the Company, the Board approved and proposed to make the Proposed Amendments.

The details of the Proposed Amendments to the Articles of Association are set out in the Appendix VI of this Circular.

LETTER FROM THE BOARD

The proposed change of registered capital and the proposed amendments are subject to the consideration and approval of the shareholders of the Company at the general meeting of the Company. The Board also requests the AGM to authorize the management of the Company to handle the subsequent registration for industrial and commercial changes, filing of the Articles of Association and other related matters. The authorization is valid from the date of the consideration and approval at the AGM to the date when the relevant industrial and commercial changes and filing of the Articles of Association are completed. The specific content of changes in the Articles of Association is subject to the industrial and commercial registration.

11. PROPOSED AMENDMENTS TO THE WORKING RULES FOR INDEPENDENT DIRECTORS

Reference is made to the announcement of the Company dated March 28, 2024, in relation to, among other things, the Proposed Amendments to the Working Rules for Independent Directors.

In view of the “Measures for the Administration of Independent Directors of Listed Companies” [Decree No. 220] was issued by the China Securities Regulatory Commission in August 2023, in order to further enhance the standardised operation level and improve the corporate governance structure, and taking into account the actual conditions of the Company, the Board approved and proposed to make the Proposed Amendments.

The details of the Working Rules for Independent Directors are set out in the Appendix VII of this Circular.

12. GENERAL MANDATE TO ISSUE ADDITIONAL A SHARES OR H SHARES OF THE COMPANY

In view of the Company’s development needs and based on the actual situation of the Company, the Board of Directors proposes to the AGM of the Company to authorize the Board of Directors to re-delegate the chairman of the Board and its authorized persons to determine to allot, issue and deal with shares or securities convertible into such shares, options, warrants or similar rights to subscribe for any A Shares or H Shares of the Company not exceeding 20% of the existing A Shares or H Shares in issue.

The Board wishes to state that they have no immediate plans to issue any new Shares under the general mandate. Further details of the special resolution to be passed to grant a general mandate to issue additional A Shares or H shares of the Company are set out in Appendix VIII to this circular.

LETTER FROM THE BOARD

13. GENERAL MANDATE TO ISSUE DOMESTIC AND OVERSEAS DEBT FINANCING INSTRUMENTS

In order to meet the needs of the Company's business development, reduce financing costs, and seize favorable market opportunities in a timely manner, in accordance with the Company Law and other relevant laws and regulations, the listing rules of the stock exchange where the Company's shares are listed, and the Articles of Association of the Company, the Board intends to propose to the Shareholders at the AGM to generally and unconditionally authorize the Board of Directors (and for the Board of Directors to sub-delegate the Chairman and his authorized person(s)) to determine and implement specific matters regarding the issuance of debt financing instruments within the quota as approved by the Shareholders at the AGM.

Further details of the special resolution to be passed to grant a general mandate to issue domestic and overseas debt financing instruments are set out in Appendix IX to this circular.

2023 AGM

The notice convening the AGM of the Company to be held at the conference room of Crowne Plaza Ganzhou, 188 Qiandong Avenue, Shuidong Town, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC on Wednesday, June 5, 2024 at 2:30 p.m. with the form of proxy for use at the AGM is enclosed. Whether or not you intend to attend the AGM, you are advised to complete, sign and return the proxy form in respect of the AGM in accordance with the instructions printed thereon as soon as possible to the Company's H Shares Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, in any event, not less than 24 hours prior to the commencement of the AGM (i.e. before 2:30 p.m. on Tuesday, June 4, 2024). Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case maybe) should you so wish.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed in this circular, no connected persons of the Company, the Shareholders and their respective associates had a material interest in the resolutions proposed, considered and approved at the AGM which would require them to abstain from voting at the AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the H Shareholders entitled to attend and vote at the AGM, the register of members of the H Shares of the Company will be closed from the period of Friday, May 31, 2024 to Wednesday, June 5, 2024 (both days inclusive), during which no transfer of H Shares will be registered. H Shareholders whose names appear on the register of members of the Company on Wednesday, June 5, 2024 shall be entitled to attend and vote at the AGM. H Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong

LETTER FROM THE BOARD

Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Thursday, May 30, 2024 to complete registration.

VOTING BY POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules, apart from certain exceptions, any vote of Shareholders at a general meeting must be taken by poll. On a poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she has in the same manner.

RECOMMENDATION

The Board considers that each resolution to be proposed at the AGM is in the interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favor of all the resolutions to be proposed at the AGM.

Having taken into account the advice of Independent Financial Adviser, the Independent Board Committee considers that (i) the terms of the H Share Subscription Agreement are fair and reasonable, (ii) the H Share Subscription Agreement and the transaction contemplated thereunder are, although not conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and (iii) the H Share Subscription Agreement and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM in respect of the Proposed Issuance of H Shares and the Controlling Shareholder Subscription.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from Altus Capital which contains its advice to the Independent Board Committee and the Independent Shareholders and the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders. Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By Order of the Board
JL MAG RARE-EARTH CO., LTD.
Cai Baogui
Chairman



JL MAG RARE-EARTH CO., LTD.
江西金力永磁科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06680)

May 14, 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTIONS
IN RESPECT OF THE CONTROLLING SHAREHOLDER SUBSCRIPTION**

INTRODUCTION

We refer to the circular (the “**Circular**”) of the Company dated May 14, 2024 of which this letter forms a part. Terms used in this letter have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you on whether, in our opinion, (i) the terms of the H Share Subscription Agreement are fair and reasonable; (ii) the H Share Subscription Agreement and the transaction contemplated thereunder, although not conducted in the ordinary and usual course of business of the Group, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 29 of the Circular and the letter from the Independent Financial Adviser as set out on pages 32 to 50 of the Circular, which contains, inter alia, their advice and recommendation regarding the terms of the H Share Subscription Agreement and the transactions contemplated thereunder with the principal factors and reasons for their advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the H Share Subscription Agreement and the transactions contemplated thereunder and taking into account the advice and recommendation of the Independent Financial Adviser, we are of the view that (i) the terms of the H Share Subscription Agreement are fair and reasonable, (ii) the H Share Subscription Agreement and the transaction contemplated thereunder are, although not conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and (iii) the H Share Subscription Agreement and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions regarding the Proposed Issuance of H Shares and the Controlling Shareholder Subscription at the AGM.

Yours faithfully,

For and on behalf of

the Independent Board Committee of
JL MAG RARE-EARTH CO., LTD.

Zhu Yuhua

Xu Feng

Cao Ying

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the H Share Subscription Agreement, which has been prepared for the purposes of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

14 May 2024

To the Independent Board Committee and the Independent Shareholders

JL MAG RARE-EARTH CO., LTD.

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

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO CONTROLLING SHAREHOLDER SUBSCRIPTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Controlling Shareholder Subscription and the H Share Subscription Agreement. Details of the Controlling Shareholder Subscription which forms part of the Proposed Issuance of H Shares are set out in the “Letter from the Board” contained in the circular of the Company dated 14 May 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 26 January 2024, the Board considered and approved the proposal in relation to the plan for the Proposed Issuance of H Shares, pursuant to which, the Company will issue not more than 26,895,424 H Shares (stated figure inclusive) at the H Share Issue Price to target subscribers including the Controlling Shareholder Subscriber and other qualified investors who are independent third parties in compliance with the requirements of applicable laws and regulations and the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

The new H Shares under the Proposed Issuance of H shares will be issued under the specific mandate to be sought from the Shareholders at the AGM. The Proposed Issuance of H shares is subject to the approval of the relevant resolution(s) at the AGM.

Jiangxi Ruide is a Controlling Shareholder of the Company, and hence a connected person of the Company under the Listing Rules. Accordingly, the Controlling Shareholder Subscription pursuant to the H Share Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are persons acting in concert with Jiangxi Ruide and are therefore considered to have a material interest in the Proposed Issuance of H Shares and the Controlling Shareholder Subscription and have abstained from voting on the relevant resolution of the Board. Save as disclosed above, none of the Directors has any material interest in the Proposed Issuance of H Shares and the Controlling Shareholder Subscription and therefore no other Directors are required to abstain from voting on such resolutions of the Board.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying, has been established to consider and advise the Independent Shareholders as to (i) whether the terms of the H Share Subscription Agreement are fair and reasonable; (ii) whether the entering into of the H Share Subscription Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the H Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating thereto to be proposed at the AGM, after taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the H Share Subscription Agreement are fair and reasonable; (ii) whether the entering into of the H Share Subscription Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating thereto to be proposed at the AGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not acted as an independent financial adviser or financial adviser for any transactions of the Group in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Controlling Shareholder Subscription is at market level and not conditional upon successful passing of the resolution to be proposed at the AGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its Controlling Shareholder or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among others, (i) the H Share Subscription Agreement; (ii) the annual report of the Company for the years ended 31 December 2022 (the “**2022 Annual Report**”); (iii) annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); and (iv) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the AGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background Information

1.1 *Principal business of the Company*

The Company is a leading producer of high-performance rare earth permanent magnets (“REPM”). The Group’s products have a wide array of applications in new energy vehicles and automotive parts, permanent magnetic wind turbine generators, energy-saving variable-frequency air-conditioners and other sectors.

1.2 *Financial information of the Group*

Set out below are tables summarising certain key financial information of the Group extracted from the 2022 Annual Report and 2023 Annual Report.

Consolidated statement of profit or loss

<i>RMB'000</i>	<i>(Audited)</i> Year ended 31 December 2021 <i>(“FY2021”)</i>	<i>(Audited)</i> Year ended 31 December 2022 <i>(“FY2022”)</i>	<i>(Audited)</i> Year ended 31 December 2023 <i>(“FY2023”)</i>
Revenue	4,080,072	7,165,187	6,687,864
Cost of sales	(3,165,133)	(6,006,159)	(5,612,943)
Gross profit	914,939	1,159,028	1,074,921
Gross profit margin	22.4%	16.2%	16.1%
Other income and gains	51,308	84,771	164,729
Selling and distribution expenses	(24,971)	(36,107)	(35,081)
Administrative expenses	(159,620)	(172,478)	(184,271)
Research and development (“R&D”) expenses	(160,159)	(337,476)	(353,884)
Foreign exchange differences, net	(16,453)	183,286	33,038
Finance costs	(77,724)	(68,879)	(51,482)
Other items	(14,901)	(45,450)	(31,015)
Profit before tax	512,419	766,695	616,955
Income tax expenses	(58,445)	(62,110)	(50,076)
Profit for the year/period	453,974	704,585	566,879

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2022 vs. FY2021

During FY2022, the Group's revenue grew by 75.6% to RMB7,165 million due principally to the continued increase in sales of NdFeB magnetic steel, underpinned by both increases in sales volume and average selling price. In particular, sales to NEVs and automotive parts business sector experienced strong growth. Gross profit margin was however affected by high prices of rare earth raw materials, as well as production inefficiencies during the process of capacity uplifting in its Baotou factory. Consequently, gross profit grew by a lesser extent of 26.7%. The Group was able to contain the increases of selling and distribution expenses as well as administrative expenses at a lesser extent of revenue growth during FY2022. R&D expenses however increased by over 100%, necessitated by higher testing raw material fees and machine material consumption for its R&D projects.

The Group's profitability in FY2022 was augmented by higher income and gains from government grants and bank interest income, as well as a substantial net gain in foreign exchange differences of RMB183.3 million. The aforesaid net gain was due to the impact of exchange rate fluctuations on monetary items denominated in foreign currencies; in particular gains relating to proceeds of HK\$4,032 million from the issuance of H shares in early 2022. Consequently, its profit after tax increased by 55.2% from RMB454.0 million in FY2021 to RMB704.6 million in FY2022.

FY2023 vs. FY2022

During FY2023, the Group's revenue decreased by 6.7% to RMB6,688 million mainly due to the decline in average selling price of NdFeB magnetic steel products, which was affected by the significant fluctuations and downward trend in the market prices of rare earth raw materials. While Growth in sales to NEVs and automotive parts sector continued, it was offset by the decline in other sectors. Gross profit margin decreased slightly from 16.2% in FY2022 to 16.1% in FY2023.

Other income and gains increased by RMB80.0 million mainly due to the increase in bank interest income and government grants. Foreign exchange differences recorded a gain of RMB33.0 million in FY2023 as compared to a gain of RMB183.3 million in FY2022 mainly due to the relatively large exchange gain from the Group's listing of H Shares in FY2022. Meanwhile, expenses relating to selling and distribution, administrative and R&D had remained relatively stable in FY2023 as compared to FY2022.

Due mainly to the combined effects of lower revenue, lower foreign exchange gains and higher other income and gains, profit after tax for FY2023 decreased by 19.5% to RMB566.9 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consolidated statement of financial position

RMB'000	<i>(Audited)</i> As at 31 December 2021	<i>(Audited)</i> As at 31 December 2022	<i>(Audited)</i> As at 31 December 2023
Non-current assets	1,485,824	2,093,492	2,989,691
– <i>Property, plant and equipment</i>	1,038,124	1,706,646	2,473,946
Current assets	4,564,960	9,126,962	8,836,265
– <i>Inventories</i>	1,324,200	1,931,141	2,213,180
– <i>Trade receivables</i>	1,231,485	2,192,191	1,980,548
– <i>Cash and cash equivalents</i>	1,255,467	3,400,384	3,156,726
– <i>Restricted cash</i>	244,040	729,863	729,031
Total assets	6,050,784	11,220,454	11,825,956
Non-current liabilities	(516,409)	(321,385)	(805,307)
– <i>Interest-bearing bank and other borrowings</i>	(411,810)	(200,000)	(544,212)
Current liabilities	(2,568,024)	(4,111,295)	(3,983,497)
– <i>Trade and notes payables</i>	(1,017,661)	(2,603,486)	(2,909,590)
– <i>Interest-bearing bank and other borrowings</i>	(1,350,883)	(1,246,027)	(402,290)
Total liabilities	(3,084,433)	(4,432,680)	(4,788,804)
Total Equity	2,966,351	6,787,774	7,037,152

The Group's non-current assets between 31 December 2021 and 31 December 2023 comprised mainly property, plant and equipment which had increased from RMB1,038 million to RMB2,474 million as the Group continued to increase its investment in equipment relating to additional production lines and automation of production facilities as well as the purchase of land under ownership.

Current assets comprised principally (i) inventories of raw materials, work in progress and finished goods which had increased as at 31 December 2023 compared with 31 December 2021 due to higher amount of finished goods as the Group had increased in production scale along with business increase; (ii) trade receivables which had increased from RMB1,231 million as at 31 December 2021 to RMB2,192 million as at 31 December 2022 and decreased to RMB1,981 million as at 31 December 2023, in line with revenue trend over the period; and (iii) cash and cash equivalents which had increased substantially from RMB1,255 million as at 31 December 2021 to RMB3,156 million due mainly to net proceeds from the listing of H Shares in January 2022.

The Group's total interest-bearing bank and other borrowings had decreased from RMB1,763 million as at 31 December 2021 to RMB1,446 million as at 31 December 2022 and RMB947 million as at 31 December 2023 as the Group continued to make net repayments of its bank loans with its cash resources.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Between 31 December 2021 and 31 December 2023, the Group's total equity had increased substantially from RMB2,966 million to RMB7,037 million primarily due to net proceeds from the global offering of H Shares in January 2022, augmented by the Group's profitability during the period.

Consolidated statement of cash flows

RMB'000	<i>(Audited)</i> Year ended 31 December 2021	<i>(Audited)</i> Year ended 31 December 2022	<i>(Audited)</i> Year ended 31 December 2023
Net cash flows from operating activities	101,791	310,124	1,517,766
Net cash flows used in investing activities	(652,545)	(745,333)	(942,047)
<i>– Purchases of items of property, plant and equipment</i>	<i>(563,204)</i>	<i>(549,806)</i>	<i>(730,869)</i>
Net cash flows from/(used in) financing activities	1,217,738	2,435,892	(815,626)
Net increase in cash and cash equivalents	666,984	1,991,683	(239,907)

The Group had been generating positive cash flows from operating activities during each of FY2021, FY2022 and FY2023. Meanwhile there had been consistent cash outflows from investing activities in line with the Group's expansion of its production facilities and capabilities. There were substantial net cash inflows from financing activities in FY2021 from share issuance and new banks loans while the cash inflows in FY2022 were mainly due to net proceeds from the listing of H Shares. The Group recorded net cash outflow from financing activities during FY2023 as there was net repayment of bank loans.

Section conclusion

The Group had recorded generally good business performance in particular during FY2021 and FY2022, although some headwind on revenue and/or profit growth was observed in FY2023. The Group had also maintained healthy financial position as evidenced by its relatively low level of borrowings and ample holdings of cash and cash equivalents to meet its liabilities as at 31 December 2023. Meanwhile we noted continuous requirement for the Group to invest in its production facilities which resulted in cash outflows. Overall, given the Group's current stage of business operations coupled with its development strategy as elaborated in the section headed "1.3 Future development strategy of the Group" below, we are of the view that it is reasonable for the Group to replenish its financial resources as and when opportunities arise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 *Future development strategy of the Group*

The Company stated in the 2023 Annual Report that as part of its strategic goal to become a global leader in the REPM industry, the Group intends to, among others, (i) establish industry-leading production capacity of magnetic materials and magnetic components; (ii) strengthen its R&D innovation and broaden its product categories; and (iii) expand its global business footprint.

The aforesaid development strategy necessitates substantial financial resources commitment as evidenced by the net cash outflows from investing activities recorded during FY2021, FY2022 and FY2023. It is also consistent with the increase in R&D expenses from FY2021 to FY2023.

2. **The Company's rationale for the Proposed Issuance of H Shares and the Controlling Shareholder Subscription**

According to the "Letter from the Board", the Proposed Issuance of H Shares is implemented to contribute to enhancing the Company's capital strength and assets size, reinforcing its core competitiveness and profitability, promoting its sustained and rapid growth of the main business and providing capital protection for its further expansion.

We are of the view that the above is consistent with the Company's strategy and development and it is reasonable for the Group to replenish its financial resources periodically taking into account the fact that (i) the Group's intention to further scale up its production capacity, strengthen its R&D efforts and broaden its product offering, and expand its global business footprint requires (for example, its plan for the "Mexico New Production Line Project with 1 million units/sets of Magnetic Components per year" in Mexico) substantial financial resources; (ii) there had been continuous net investing cash outflows recorded during FY2021, FY2022 and FY2023, and as at 31 December 2023, the Group had capital commitments relating to property, plant and equipment as well as investment commitment of RMB742.1 million; and (iii) RMB402.3 million, RMB500.0 million and RMB44.2 million of the Company's interest-bearing bank and other borrowings will mature in 2024, 2025 and 2028 respectively, which are expected to be repaid with the Company's internal resources (except for approximately HK\$64.6 million maturing debts which will be repaid by the proceeds to be raised under the Proposed Issuance of H Shares, assuming 26,895,424 new H Shares are issued at the Proposed Issue Price).

Further, as one of the subscribers of the Proposed Issuance of H Shares, the Controlling Shareholder Subscriber hopes to demonstrate its firm confidence in the future development of the Company. We concur that this will be beneficial in boosting market confidence in the Company and could send positive signals to investors especially in light of recent down trend of the market trading price of the H Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Overall, we are of the view that the Proposed Issuance of H Shares (which includes the Controlling Shareholder Subscription) are consistent with the Group's future development strategy and are in the interests of the Company and the Shareholders as a whole, subject to our analysis on the Proposed Issue Price set out under the section headed "4. Our assessment of the Proposed Issue Price" below.

3. Principal terms of the plan for the Proposed Issuance of H Shares and the principal terms of the H Share Subscription Agreement

3.1 *Proposed Issuance of H Shares*

Set out below are principal terms of the plan for the Proposed Issuance of H Shares. For details of the plan, please refer to the section headed "1. Proposed Issuance of H Shares" under the "Letter from the Board".

Target subscribers	The target subscribers of the Proposed Issuance of H Shares include Jiangxi Ruide, a Controlling Shareholder of the Company, and other qualified investors who are independent of the Company and/or connected persons of the Company (the " Other Qualified Investors ") in compliance with the applicable laws and regulations and the requirements of the Hong Kong Stock Exchange, among which, Jiangxi Ruide will subscribe for the H Shares under the Proposed Issuance of H Shares by itself or through its designated direct/indirect wholly-owned overseas subsidiaries, or through qualified domestic institutional investors and other methods in compliance with laws and regulations. Save for Jiangxi Ruide and its designated direct/indirect wholly-owned overseas subsidiaries, none of the other target subscribers is expected to be connected person of the Company.
--------------------	---

Issue price and pricing method	Subject to compliance with applicable laws and regulations, the issue price of the Proposed Issuance of H Shares (the " Proposed Issue Price ") shall be the average closing price (rounded to the nearest 2 decimal places) for the ten trading days prior to the date of the 24th meeting of the third session of the Board of the Company (the " Board Meeting Date ", i.e. 26 January 2024), i.e. HK\$8.19 per H share.
--------------------------------	---

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the closing price of the Company's H Shares is higher than the Proposed Issue Price on the trading day (the "Reference Date") prior to the AGM to consider the Proposed Issuance of H Shares, the Company shall have the right to adjust the final issue price to the closing price on the Reference Date, provided that if the closing price on the Reference Date is equal to or higher than 5% of the Proposed Issue Price, the final issue price shall be increased by 5% based on the Proposed Issue Price (rounded to the nearest 2 decimal places). The price at which the Company issued additional H Shares to Jiangxi Ruide was the same as that to Other Qualified Investors.

Since the Proposed Issuance of H Shares does not result in a theoretical dilution effect of 25% or more on its own, the theoretical dilution effect of the Proposed Issuance of H Shares is in compliance with the requirements under Rule 7.27B of the Listing Rules.

The H Share Issue Price was determined with reference to (i) the recent closing prices of the H Shares; (ii) the business plan of the Company; and (iii) the recent market conditions of the Hong Kong capital market. Taking into account the reasons set out in the paragraph headed "Reasons for and Benefits of the Proposed Issuance of H Shares and the Controlling Shareholder Subscription" in the "Letter from the Board", the Directors consider that the H Share Issue Price is fair and reasonable and in the interests of the Company and the H Shareholders as a whole.

In the event that the Company distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the date on which the issuance plan of the Proposed Issuance of H Shares having considered and approved by the Board to the issuance date of the Proposed Issuance of H Shares, the H Share Issue Price shall be adjusted on ex-right or ex-dividend basis. In such regard, the adjusted H Share Issue Price will be disclosed in accordance with the requirements of the Listing Rules in due course.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issue size and
number of shares
to be issued

According to the relevant laws and regulations and taking into account the financial position and investment plan of the Company, the number of H Shares to be issued under the Proposed Issuance of H Shares shall not exceed 2% of the total share capital of the Company on the Board Meeting Date, i.e. not exceeding 26,895,424 Shares (stated figure inclusive), among which, Jiangxi Ruide intends to subscribe for not more than 1.5% of the total share capital of the Company on the Board Meeting Date, i.e. not more than 20,171,568 Shares (stated figure inclusive), and the remaining portion will be subscribed by Other Qualified Investors. The final issue size shall be determined by the Board or its authorized person(s) in accordance with legal requirements, regulatory approvals and market conditions.

The above 26,895,424 Shares represent approximately 1.96% of the enlarged total issued Shares upon completion of the Proposed Issuance of H Shares.

The Company does not expect that the H Share Subscription Agreement, the other Subscription Agreement and the Placing Agreement are inter-conditional upon each other.

In the event that the Company grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the date on which the issuance plan for the Proposed Issuance of H Shares having considered and approved by the Board to the issuance date of the Proposed Issuance of H Shares, the maximum number of the Proposed Issuance of H Shares will be adjusted accordingly. In such event, the maximum number of H Shares that can be issued would be the total adjusted share capital of the Company after dividend, multiplied by 1.5% for Jiangxi Ruide and 0.5% for Other Qualified Investors.

The maximum number of H Shares available for issuance will not be adjusted for ex-dividend event. The maximum number of new H Shares to be issued is 26,895,424 H Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lock-up period	<p>Jiangxi Ruide undertakes not to transfer the new H Shares subscribed for under the Proposed Issuance of new H Shares within 12 months upon completion of the Proposed Issuance of H Shares, and undertakes to procure its designated direct/indirect wholly-owned overseas subsidiaries to honor the above lock-up period undertakings until the expiry of the lock-up period. If the relevant regulatory authorities in relation to the Proposed Issuance of H Shares and the Hong Kong Stock Exchange have other provisions on the lock-up period of shares subscribed by the target subscribers and the transfer of shares upon expiry, such provisions shall prevail.</p>
Use of proceeds	<p>Upon completion of the Proposed Issuance of H Shares, assuming that the maximum number new H Shares (i.e. 26,895,424 Shares) are issued at the Proposed Issue Price, it is expected that the Company will be able to raise gross proceeds of not more than HK\$220,273,523 (inclusive). The net proceeds to be raised from the Proposed Issuance of H Shares is estimated to be approximately HK\$215.3 million after deducting the preliminary estimation of issuance expenses of HK\$5.0 million.</p> <p>Details on the use of proceeds to be raised upon completion of the Proposed Issuance of H Shares (after deduction of relevant expenses incurred or to be incurred in relation to the Proposed Issuance of H Shares) are set out under the paragraph headed “(7) Use of proceeds” under the “Letter from the Board”.</p>
Validity period of the resolution(s) on the Proposed Issuance of H Shares	<p>The resolution(s) of the Proposed Issuance of H Shares shall be valid for 12 months from the date of approval of the issuance plan for the Proposed Issuance of H Shares at the AGM. If the Company has completed the issuance approval, permission, filing or registration (if applicable) with the regulatory authorities and the Hong Kong Stock Exchange within the validity period of the resolution(s) of the AGM for the Proposed Issuance of H Shares, the Company may complete the work in relation to the Proposed Issuance of H Shares during the validity period as confirmed in such approval or permission by, or filing or registration with regulatory authorities.</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 *H Shares Subscription Agreement*

Set out below are principal terms of the H Shares Subscription Agreement. For details of the H Shares Subscription Agreement, please refer to the section headed "2. Connected transaction in relation to Controlling Shareholder Subscription" under the "Letter from the Board".

- Parties:
1. The Company (as issuer); and
 2. Jiangxi Ruide (as subscriber)
- Subscription price and number:
- The Controlling Shareholder Subscriber will subscribe for the new Shares at the H Share Issue Price in the issuance plan for the Proposed Issuance of H Shares as stated in the paragraph headed "Issue price and pricing method".
- Jiangxi Ruide undertakes that it intends to subscribe for no more than 20,171,568 H Shares (stated figure inclusive) under the Proposed Issuance of H Shares.
- Conditions precedent:
- The H Share Subscription Agreement shall be established from the date when the legal representatives or authorized representatives of the Company and Jiangxi Ruide sign and affix their company seal. Except for the conditions precedent and the provisions in relation to liability for breach of contract, representations, warranties and undertakings, applicable laws and dispute resolution, confidentiality and force majeure which shall take effect from the date of the H Share Subscription Agreement, other terms of the H Share Subscription Agreement shall take effect upon the satisfaction or waiver of all of the following conditions precedent, and the latest date of the completion of the following events shall be the effective date of such provisions:
- (1) the H Share Subscription Agreement having been signed by both parties;
 - (2) in accordance with the articles of association of the Controlling Shareholder Subscriber, the competent authority of the Controlling Shareholder Subscriber having approved the relevant resolutions in relation to the subscription of the Shares under the Proposed Issuance of H Shares by the Controlling Shareholder Subscriber and other matters relating thereto;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (3) the Board and the general meeting of the Company having considered and approved the issuance plan for the Proposed Issuance of H Shares and related matters;
- (4) the Controlling Shareholder Subscriber having completed the filing/registration procedures (if applicable) in relation to the overseas direct investment with the National Development and Reform Commission, Ministry of Commerce of the PRC and foreign exchange;
- (5) the Company having obtained the approval, or permission by, or completed the filing or registration (if applicable) with domestic and foreign regulatory authorities including the Hong Kong Stock Exchange for the implementation of the Proposed Issuance of H Shares;
- (6) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the shares to be issued under the Proposed Issuance of H Shares.

4. Our assessment of the Proposed Issue Price

The Proposed Issue Price is HK\$8.19 per new H Share, subject to the adjustment mechanism below.

If the closing price of the Company's H Shares is higher than the Proposed Issue Price on the trading day prior to the AGM to consider the Proposed Issuance of H Shares, the Company shall have the right to adjust the final issue price to the closing price on the Reference Date, provided that if the closing price on the Reference Date is equal to or higher than 5% of the Proposed Issue Price, the final issue price shall be increased by 5% based on the Proposed Issue Price (rounded to the nearest 2 decimal places). As such, the maximum issue price would be HK\$8.60 per new H Share (the "**Maximum Issue Price**").

The Proposed Issue Price (HK\$8.19 per new H Share) represents:

- (i) 10.38% premium over the closing price of HK\$7.42 per H Share as quoted on the Hong Kong Stock Exchange on the Board Meeting Date;
- (ii) 6.57% premium over the average closing price of HK\$7.68 per H Share as quoted on the Hong Kong Stock Exchange for the 5 trading days prior to the Board Meeting Date;
- (iii) the average closing price of HK\$8.19 per H Share as quoted on the Hong Kong Stock Exchange for the 10 trading days prior to the Board Meeting Date;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) 8.30% discount to the average closing price of HK\$8.93 per H Share as quoted on the Hong Kong Stock Exchange for the 20 trading days prior to the Board Meeting Date;
- (v) 16.67% premium to the closing price HK\$7.02 per H Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date; and
- (vi) 56.60% premium over HK\$5.23, being the audited net assets per ordinary share of the Company as at 31 December 2023 (calculated based on the audited net assets of the Company disclosed in the 2023 Annual Report and the total number of ordinary shares of the Company as at the Latest Practicable Date.

Given that the H Shares Issue Price was determined with reference to (i) the recent closing prices of the H Shares; (ii) the business plan of the Company; and (iii) the recent market conditions of the Hong Kong capital market, in assessing the fairness and reasonableness of the H Share Issue Price, we have conducted the following analysis:

4.1 Comparable transactions analysis

We have identified transactions involving subscription of new shares under specific mandate for cash consideration announced by companies listed on the Hong Kong Stock Exchange during the six-month period from 27 July 2023 up to and including 26 January 2024 (being the Board Meeting Date) (the “**Review Period**”), based on the following selection criteria: (i) the transactions had not lapsed or had not been terminated as at the Latest Practicable Date; (ii) the transactions did not involve issuance of A shares or domestic shares; (iii) the transactions were not subject to Takeovers Code implication, where control premiums may apply; (iv) the transactions were not issuance of shares for the purpose of making share awards; and (v) the trading of shares of the listed company relating to the transactions had not been halted/suspended for over one month (the “**Comparable Transactions**”). We found an exhaustive list of five Comparable Transactions based on the above criteria. Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions, the Comparable Transactions can provide a fair and representative reference as to how the recent market generally perceives share subscriptions under specific mandate, including their prevailing terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Date of announcement	Market capitalisation as at the Board Meeting Date (HK\$ million)	Premium/ (discount) of the subscription price over/to the average closing price per share for the five consecutive trading days prior to, where applicable, and including the date of subscription agreement or last trading day if trading of shares was halted/ suspended on the aforesaid date		
			Premium/ (discount) of the subscription price over/to the closing price per share on the date of subscription agreement or last trading day if trading of shares was halted/ suspended on the aforesaid date (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the five consecutive trading days prior to, where applicable, and including the date of subscription agreement or last trading day if trading of shares was halted/ suspended on the aforesaid date (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the ten consecutive trading days prior to, where applicable, and including the date of subscription agreement or last trading day if trading of shares was halted/ suspended on the aforesaid date (%)
CT Vision S.L. (International) Holdings Limited (994)	2023-07-28	284	-11.11	-10.31	-11.30
Digital Domain Holdings Limited (547)	2023-10-19	3,072	5.61	0.00	-4.17
InvesTech Holdings Limited (1087)	2023-11-07	43	-9.52	-9.52	-29.63
Creative China Holdings Limited (8368)	2023-11-10	476	-10.17	-7.99	-9.09
OSL Group Limited (formerly known as BC Technology Group Limited) (863)	2023-11-13	3,307	-22.76 (Note)	-4.81 (Note)	-1.12 (Note)
		Maximum	5.61	0.00	-1.12
		Minimum	-22.76	-10.31	-29.63
		Average	-9.59	-6.53	-11.06
		Median	-10.17	-7.99	-9.09
The Company – based on the Proposed Issue Price	2024-01-26	1,490 (for H Shares)	10.38	6.57	0.00

Note: The trading of the shares of OSL Group Limited (formerly known as BC Technology Group Limited) was halted on the date of the relevant subscription agreement, i.e. 13 November 2023. Accordingly, the discounts to the then prevailing trading prices of its shares were calculated based on the last trading day prior to the date of the relevant subscription agreement.

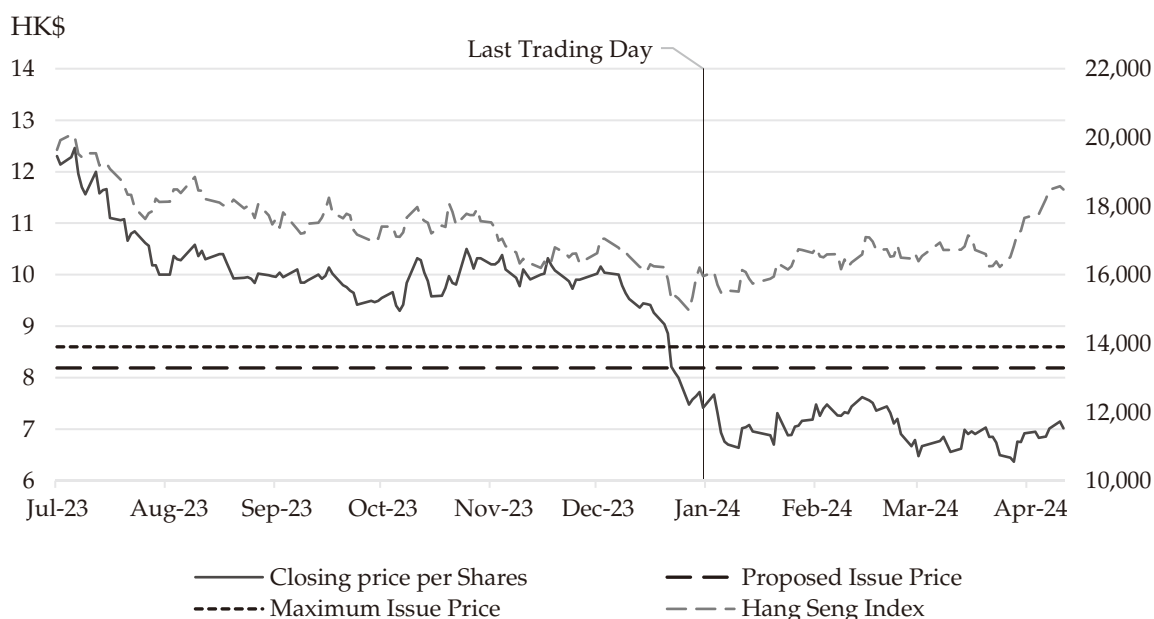
As shown above, the premiums over each of (i) the closing price per share on the last trading day; (ii) the average closing price per share for the five or ten consecutive trading days prior to the last trading day calculated based on the Proposed Issue Price, are higher than those of respective high ends of the Comparable Transactions. As such, the Proposed Issue Price is fair and reasonable from the perspective of comparable transactions analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Share price performance

Set out below is a chart showing the movement of the daily closing prices of the H Shares as quoted on the Hong Kong Stock Exchange during the Review Period as well as the Proposed Issue Price and the Maximum Issue Price for comparison. We consider the Review Period of approximately six months adequately reflects recent market perception of the value of the Company and trading activities of the H Shares.

Historical daily closing price per H Share and Hang Seng Index



Source: The Hong Kong Stock Exchange's website

The closing prices per H Share demonstrated a decreasing trend which was generally in line with the Hang Seng Index until mid-January 2024, after which the closing price per H Share declined sharply while the Hang Seng Index remained largely stable. We are not aware of any announcement of price-sensitive information by the Company which may have caused such decline and diversion from the general market.

During the Review Period, the lowest and highest closing price of Shares as quoted on the Hong Kong Stock Exchange were HK\$7.42 on 26 January 2024 and HK\$12.46 per H Share on 1 August 2023 respectively. The average and median of the closing prices of Shares during the Review Period were HK\$10.02 and HK\$10.00 respectively. The Proposed Issue Price of HK\$8.19 per H Share and the Maximum Issue Price of HK\$8.60 per H Share are within the range of the lowest and highest closing price of H Shares but closer to the lower end during the Review Period. They are also lower than the average and median of the closing prices of Shares during the Review Period. We are of the view that the Proposed Issue Price, while less favourable if compared with

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

earlier months of the Review Period as well as if compared with the average and median of closing prices due to their relatively high levels during the earlier months of the Review Period, is fair and reasonable comparing with recent price trend of H Shares. This is in line with general practice of subscription and placing of shares transactions conducted by publicly listed companies.

4.3 *Theoretical dilution effect*

According to the table set out under the sub-section headed “Impact of the Proposed Issuance of H Shares on the shareholding structure of the Company” of the “Letter from the Board”, since the Proposed Issue Price of HK\$8.19 per H Share is higher than the benchmarked price of HK\$7.68 per Share (being the higher of the closing price per Share as at the Board Meeting Date and the average closing price per H Shares in the five trading days immediately prior to the Board Meeting Date), there is no theoretical dilution effect as a result of the Proposed Issuance of H Shares on the assumption that 26,895,424 new H Shares under the Proposed Issuance of H Shares are fully subscribed and no other change in the share capital of the Company since the Latest Practicable Date. For illustration purpose, if the Proposed Issuance of H Shares is conducted based on the Maximum Issue Price of HK\$8.60 per Share, there will be no theoretical dilution effect as well. We consider the said nominal level of dilution to the shareholding interests of Independent Shareholders to be acceptable.

5. **Financial effect from the Proposed Issuance of H Shares**

The gross proceeds to be raised from the Proposed Issuance of H Shares will be no more than HK\$220,273,523 based on the Proposed Issue Price of HK\$8.19 per new H Share.

Upon completion of the Proposed Issuance of H Shares (which includes the Controlling Shareholder Subscription), the net proceeds (after deducting the expenses relating thereto) will be recorded as cash and cash equivalents of the Group. The Group’s total assets and net assets position will be enhanced accordingly. In addition, and for illustration purpose, the gearing ratio as at 31 December 2023, calculated by dividing total liabilities by total assets, would improve by approximately 0.7%¹, assuming the Proposed Issuance of H Shares (which includes the Controlling Shareholder Subscription) were completed on 31 December 2023.

¹ With the gross proceeds from the Proposed Issuance of H Shares of approximately HK\$220.3 million, the Company’s gearing ratio as at 31 December 2023 would be 39.8%. This ratio is calculated by dividing the total liabilities of the Company as at 31 December 2023, by the sum of total assets and the gross proceeds. The gearing ratio of 39.8% is approximately 0.7% lower than the Company’s gearing ratio as at 31 December 2023, which was 40.5%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Proposed Issue Price represented a premium over the net assets per ordinary share of the Company as at 31 December 2023, the net assets per ordinary share will improve following the completion of the Proposed Issuance of H Share (which includes the Controlling Shareholder Subscription).

RECOMMENDATION

We have considered (i) that development strategy as set out in the section headed “1.3 Future development strategy of the Group” necessitates substantial financial resources commitment as evidenced by the net cash outflows in investing activities recorded during FY2021, FY2022 and FY2023; (ii) the Company’s rationale for the Proposed Issuance of H Shares (which includes the Controlling Shareholder Subscription); (iii) that despite the Proposed Issue Price is close to the low end of the closing price per H Share during the Review Period, it is within the range of the highest and lowest closing price per H Share during the same period and is above the ranges of the Comparable Transactions; (iv) the possible financial effects of the Proposed Issuance of H Shares (which includes the Controlling Shareholder Subscription); and (v) the fact that subscription price to Jiangxi Ruide is the same as that to Other Qualified Shareholders, who are independent of the Company and/or connected persons of the Company, we are of the view that (i) the terms of the H Share Subscription Agreement are fair and reasonable; (ii) the H Share Subscription Agreement and the transaction contemplated thereunder, despite not being in the ordinary and usual course of business of the Group, are conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Therefore, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve the H Share Subscription Agreement which forms part of the Proposed Issuance of H Shares.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Sean Pey Chang
Responsible Officer

Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS

As of the Latest Practicable Date, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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%

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
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		
Lyu Feng ²			421,799,769	36.87%	31.37%
	A Shares	Interests of controlled corporation	2,168,862		
	A Shares	Beneficial owner	2,115,648		
			4,284,510	0.38%	0.32%

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 the Latest Practicable Date, 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.

None of the Directors, chief executives or Supervisors of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a Controlling Shareholder of the Company.

Save for (i) Mr. Cai Baogui, Mr. Hu Zhibin, and Mr. LI Xinnong of his directorships or positions in Jiangxi Ruide; and (ii) Mr. Liang Minhui of his directorships or positions in Ganzhou Development Investment Holding Group Co., Ltd. and/or certain subsidiaries of, as at the Latest Practicable Date, none of the Directors was a director or an employee of any shareholders of the Company or a company which has an interest or short position in Shares or 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.

3. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

4. DIRECTORS' AND SUPERVISORS' INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular:

- (a) None of the Directors or Supervisors has any direct or indirect interest in any assets which have been, since December 31, 2023, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors have confirmed that there has been no not any material adverse change in the financial or trading position of the Group since December 31, 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualifications
Altus Capital Limited	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance

As at the Latest Practicable Date, Altus Capital Limited had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, Altus Capital Limited was not interested, directly or indirectly, in any assets that, since December 31, 2023 (the date to which the latest published audited financial statements of the Company were made up) had been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter/report on the same date and references to its name in the form and context in which it appears.

8. DOCUMENTS ON DISPLAY

Copies of the H Share Subscription Agreement will be available on the websites of HKEXnews (<http://www.hkexnews.hk>) and the Company (<http://www.jlmag.com.cn>) from the date of this circular and for a reasonable period of time (not less than 14 days).

APPLICATION TO BANKS FOR INTEGRATED CREDIT
FACILITIES BY THE COMPANY AND ITS SUBSIDIARIES AND
THE RELATED GUARANTEE**I. Application for integrated credit facilities from banks**

In order to ensure the liquidity of the Company and its wholly-owned subsidiaries JL MAG (Baotou) Technology Co., Ltd. (“**JL Baotou**”), Jinli Permanent Magnet (Ningbo) Technology Co., Ltd. (“**JL Ningbo**”), Jiangxi Jincheng Permanent Magnet New Materials Co., Ltd. (“**Jincheng Permanent Magnet**”), support the Company’s strategic development plan, the Company and its subsidiaries intend to apply for integrated credit facilities from banks, of which the Company intends to apply for an integrated credit facility of not more than RMB4,850 million from banks; Jinli Baotou intends to apply for an integrated credit facility of not more than RMB1,700 million from banks; Jinli Ningbo intends to apply for an integrated credit facility of not more than RMB500 million from banks; and Jincheng Permanent Magnet intends to apply for an integrated credit facility of not more than RMB400 million from banks, for a period fell within 12 months from the date of the approval of this resolution at the 2023 AGM. The details are as follows:

Within the above credit facilities, the Company and its subsidiaries will distribute it according to the actual situation of applying for integrated credit facilities from the banks. The integrated credit facilities are used for various loans and trade financing businesses such as working capital loans, project loans, bank acceptance bills, import and export documentary bills, bank guarantees, bank factoring, letters of credit. The specific credit line, term, interest rate, guarantee method and other conditions are subject to the final approval of the relevant financial institutions.

APPENDIX II	APPLICATION TO BANKS FOR INTEGRATED CREDIT FACILITIES BY THE COMPANY AND ITS SUBSIDIARIES AND THE RELATED GUARANTEE
--------------------	--

II. Provision of guarantee for subsidiaries

(1) Overview of the guarantee

In order to meet the business development needs of subsidiaries and ensure their operating capital requirements, while strengthening the day-to-day management of the Company's external guarantees and enhancing the planning and reasonableness of the Company's external guarantees, the Company plans to provide guarantee for JL Baotou with a guarantee quota not exceeding RMB400 million. It plans to provide guarantee for JL Ningbo with a guarantee quota not exceeding RMB300 million; and it plans to provide guarantee for Jincheng Permanent Magnet with a guarantee quota not exceeding RMB400 million. Guarantee methods include but are not limited to joint liability guarantees, provision of equity interests in subsidiaries as a pledge guarantee, pledges of other assets and other financial guarantee methods. The term shall fall within 12 months from the date of approval of this resolution at the 2023 AGM. It is also proposed to the general meeting that the management of the Company be authorized to implement the relevant matters within the limit, and the Company's chairman or persons authorized by the chairman be authorized to sign relevant agreements and documents.

(2) Estimation of the guarantee facilities

Guarantor	Guarantee	Shareholding of guarantor	Latest gearing ratio of the guarantee	Remaining balance of guarantee to date (RMB'0,000)	Guarantee facilities newly added (RMB'0,000)	The proportion of guarantee facilities to the latest net assets of the Company	Whether it is a connected guarantee
The Company	JL Baotou	100%	36.06%	0	40,000	5.70%	No
The Company	JL Ningbo	100%	17.56%	40,000	30,000	4.27%	No
The Company	Jincheng Permanent Magnet	100%	31.03%	40,000	40,000	5.70%	No
Total				80,000	110,000	15.67%	-

(3) Main contents of the guarantee agreement

As for the proposed guarantee, the relevant guarantee agreement has not been signed, and its main content will be determined through negotiation between the bank and the Company and its subsidiaries, and the actual total guarantee will not exceed the guarantee quota granted this time.

III. Authorization submitted by the Board to the AGM

The Board proposes to the AGM to authorize the Chairman of the Board or the person authorized by the Chairman of the Board to examine, approve and execute all documents to the extent of the above credit facilities on behalf of the Company, including but not limited to contracts, agreements, vouchers and other legal documents in connection with credit, loan, mortgage, guarantee, account opening and account cancellation, etc. The authorization and guarantee shall be granted for a period within 12 months from the date of approval of this resolution at the 2023 AGM.

PURCHASE OF LIABILITY INSURANCE FOR THE COMPANY,
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

To protect the rights and interests of the Company and its Directors, Supervisors and senior management, promote the full exercise of powers and performance of duties by relevant responsible persons, and reduce the operational risks of the Company, the Company intends to purchase liability insurance for the Company, Directors, Supervisors and senior management in accordance with relevant provisions of the Guidelines for Governance of Listed Companies of the China Securities Regulatory Commission. The specific plan of the liability insurance is as follows:

1. **Policyholder:** JL MAG RARE-EARTH CO., LTD.
2. **Insured party:** The Company and the Company's Directors, Supervisors, senior management, etc.
3. **Indemnity limit for liability:** Not exceeding RMB50 million (subject to the amount determined through negotiation with the insurance company)
4. **Total insurance premium:** Not exceeding RMB300,000 (subject to the final quotation and approval of the insurance company)
5. **Insurance period:** 1 year

The Board of Directors of the Company proposes to the shareholders' general meeting to authorize the management of the Company to handle matters in relation to the purchase of liability insurance for the Company, all Directors, Supervisors and senior management within the above scope of authorization (including, but not limited to, the determination of other relevant responsible persons, determination of the insurance company, determination of the insurance amount, premiums and other insurance terms, selection and engagement of insurance brokerage companies or other intermediaries, execution of relevant legal documents and handling of other insurance related matters, etc.), and matters in relation to the renewal or reinsurance upon or before the expiry of the above liability insurance contract in the future.

This resolution is subject to the consideration and approval at the 2023 AGM.

**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**

To meet the Company's needs for potential strategic deployment and project investments, etc., the Board proposes to the shareholders' general meeting to authorize the Board to decide to issue shares to specific participants with a total financing amount of not more than RMB300 million and not more than 20% of the net assets as at the end of the latest year according to relevant provisions of the Administrative Measures for Securities Issuance and Registration of Listed Companies (the "**Registration Administrative Measures**"). The authorization period is from the date of approval at the 2023 AGM until the date of convening of the 2024 annual general meeting. This authorization includes the following:

(1) Type and quantity of securities to be issued

To issue RMB ordinary shares (A shares) listed in China to specific participants with a total financing amount of not more than RMB300 million and not more than 20% of the net assets as at the end of the latest year.

(2) Issuance method, participants and arrangement of placement to the existing shareholders to issue corresponding shares to no more than 35 investors in a non-public offering.

(3) Pricing method or price range

- 1) The issue price shall not be lower than 80% of the average share price of the Company in the 20 trading days prior to the pricing benchmark date. In addition, the issue price will comply with Rule 13.36(5) of the Listing Rules;
- 2) Shares issued to specific participants shall not be transferred within six months from the completion of the issuance. If issuing targets fall under the circumstances specified in the second paragraph of Article 57 of the Registration Administrative Measures, the shares subscribed by them shall not be transferred within 18 months from the completion of the issuance.

Authorization to the Board to handle matters in relation to non-public issuance of shares would not result in a change in control of the Company.

(4) Use of raised funds

The use of funds raised from the non-public issuance of shares shall comply with the following provisions:

- 1) Compliance with the national industrial policy and relevant laws and administrative regulations on environmental protection and land management;
- 2) The funds raised shall not be used for holding financial investments, and shall not be directly or indirectly invested in companies whose main business is the trading of marketable securities;
- 3) After the implementation of the fundraising project, there will be no new horizontal competition or obviously unfair related party transaction with the Controlling Shareholders, actual controllers and other enterprises controlled by them that will cause significant adverse effects, or serious impact on the independence of the Company's production and operation.

(5) Validity period of the resolution

From the date of approval at the 2023 AGM until the date of convening of the 2024 annual general meeting.

(6) Authorization to the Board of Directors to handle the specific matters in relation to the offering

The Board is authorized to handle all matters in relation to the small-scale rapid financing within the scope of this resolution, the Registration Administrative Measures and other laws, regulations and normative documents, including but not limited to:

- 1) to handle the registration of the small-scale rapid financing, including the formulation, revision, signing and registration of the relevant registration documents and other legal documents;
- 2) to the extent permitted by laws, regulations, relevant regulations of the China Securities Regulatory Commission and the Articles of Association and based on the Company's actual situation, to formulate, adjust and implement the small-scale rapid financing plan, including but not limited to the determination of the amount of funds raised, the issue price, the number of shares to be issued, the participants and all other matters in relation to the issue plan, as well as the timing of the small-scale rapid financing in accordance with the requirements of the competent authorities;

- 3) to formulate, revise and submit the small-scale rapid financing plan and the application materials for the small-scale rapid listing, go through relevant procedures and implement other procedures related to the issuance and listing of shares, such as restrictions on sales, according to the requirements of relevant government departments and regulatory agencies, and handle information disclosure matters in relation to the small-scale rapid financing in accordance with regulatory requirements;
- 4) to sign, revise, supplement, complete, submit and execute all agreements, contracts and documents related to the small-scale rapid financing (including but not limited to sponsorship and underwriting agreements, agreements related to funds raised, subscription agreements signed with investors, and announcements and other disclosure documents);
- 5) to adjust the specific arrangements for the fundraising investment project within the scope of the resolution of the general meeting according to the requirements of the relevant competent authorities and the actual situation of the securities market;
- 6) to engage intermediaries such as sponsors (lead underwriters), and deal with other matters related to this;
- 7) upon completion of the small-scale rapid financing, to revise the corresponding articles of the Articles of Association according to the results of the small-scale rapid financing, and handle the change in business registration, the registration and custody of the new shares and other relevant matters with the administration for industry and commerce and other relevant departments;
- 8) in the event that the relevant laws and regulations and regulatory authorities impose new provisions and requirements regarding compensating current returns by refinancing, to further analyze, study and demonstrate the effect of the small-scale rapid financing on the current financial indicators and current return for shareholders of the Company, formulate and revise relevant supplementary measures and policies, and handle all other relevant matters according to relevant laws and regulations and the requirements of the regulatory authorities at that time;
- 9) in case of occurrence of force majeure events or other circumstances where implementation of the small-scale rapid financing would become difficult, or it is practicable but would bring adverse impacts on the Company, or when policies governing the small-scale rapid financing change, to decide to postpone the implementation of the small-scale rapid financing plan at its discretion, or continue to handle matters in relation to the small-scale rapid financing in accordance with the new policies regarding the small-scale rapid financing;
- 10) to handle other matters in relation to the small-scale rapid financing. The resolution is still subject to be submitted to the consideration at the 2023 AGM.

Proposed Executive Director

Mr. Cai Baogui (蔡報貴), aged 53, is one of the founders of the Company 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)) (“**Ganzhou Xinsheng**”) since December 2020, a director of Ganzhou Xiexin Chaoneng Magnetic Co., Ltd. (贛州協鑫超能磁業有限公司) since June 2019, a director of China Permanent Magnet New Energy Group Co., Ltd. (中國永磁新能源集團有限公司) since December 2011. He has been the chairman of A-TECH 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.

Please refer to “2. Disclosure of Interests of Directors, Chief Executive and Supervisors” under Appendix I of this circular for the interests in the Company held by Mr. Cai Baogui as at the Latest Practicable Date within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) (Cap. 571 of the Laws of Hong Kong).

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 redesignated as an executive Director in July 2021, and is primarily responsible for participating in the decision making of material matters and supply chain management of the Company.

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

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

Please refer to "2. Disclosure of Interests of Directors, Chief Executive and Supervisors" under Appendix I of this circular for the interests in the Company held by Mr. Lyu Feng as at the Latest Practicable Date within the meaning of Part XV of the SFO.

Proposed 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.

Mr. Hu has been the chairman and general manager of Shenzhen Ruizhou Industrial Co., Ltd. (深圳市瑞洲實業股份有限公司) since March 2019, an executive director of Zhongrui Menghao (Ningbo) Investment Management Co., Ltd. (中瑞盟灝(寧波)投資管理有限公司) since December 2017, the chairman of Zhongrui Runhe (Ningbo) Investment Management Co., Ltd. (中瑞潤和(寧波)投資管理有限公司) since November 2016. He has been appointed as a director of Lanxi (Ningbo) Assets Management Co., Ltd. (瀾溪(寧波)資產管理有限公司) since June 2016, an executive director and the general manager of Zhongrui Intelligence International Holding Co., Ltd. (中瑞智慧國際控股有限公司) since September 2014, a director of China Permanent Magnet New Energy Group Co., Ltd. (中國永磁新能源集團有限公司) since December 2011, an executive director and the general manager of Shenzhen Guoke Ruicheng Technology Co., Ltd. (深圳市國科瑞成科技有限公司) since August 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 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.

For the interests in the Company held by Mr. Hu Zhibin within the meaning of Part XV of the SFO as at the Latest Practicable Date, please refer to "2. Disclosure of Interests of Directors, Chief Executive and Supervisors" under Appendix I of this circular.

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 has been 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.

For the interests in the Company held by Mr. Li Xinnong within the meaning of Part XV of the SFO as at the Latest Practicable Date, please refer to "2. Disclosure of Interests of Directors, Chief Executive and Supervisors" under Appendix I of this circular.

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.

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 the 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. He has been the non-executive Director of the Company since June 2023.

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

Mr. Xue Naichuan (薛乃川), aged 50. From 1996 to 2007, he served as accountant of Urumqi Wulabo Sub-branch of ICBC, an accountant of Urumqi Minzhu Road Sub-branch of ICBC, engineer of Information Technology Department and economist of Investment Banking Department of ICBC Xinjiang Branch, from 2007 to 2022, he successively served as director of the Investment Development Department, director of the International Business Department and the Investment Development Department, deputy general manager, executive deputy general manager, general manager, and chairman of Beijing Tianrun New Energy Investment Co., Ltd., from July 2019 to July 2022, he served as vice president of business of Goldwind Science & Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 002202, and listed on Hong Kong Stock Exchange, stock code: 2202), since July 2022, he has been vice president of Goldwind Science & Technology Co., Ltd. He has been the chairman and general manager of Goldwind Investment Holding Co., Ltd. since February 2024.

Mr. Xue Naichuan graduated from Xinjiang University of Finance and Economics (新疆財經大學) with a bachelor's degree in economics and major in economic information management, a master's degree in management from China Europe International Business School (中歐國際工商管理學院), and a doctorate in economics from Xinjiang University (新疆大學). Mr. Xue Naichuan has obtained legal advice and understands his obligations as a director of a listed issuer as required under Rule 3.09D of the Listing Rules and the possible consequences of making a false statement or providing false information to the Stock Exchange.

Proposed 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 operations 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 of the Standards Center, assistant to the president and vice president. He has been a 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) and is currently a 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 a 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. (永臻科技股份有限公司) 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 operations 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.

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.

Each of the Director candidates of the fourth session of the Board has confirmed that, saved as disclosed in this circular: (i) he/she does not hold any other positions with the Company or any of its subsidiaries and has not been a director in any other listed companies during the past three years; (ii) he/she has no relationship with any other Directors, Supervisors, senior management, substantial or Controlling Shareholders of the Company; and (iii) as at the Latest Practicable Date, he/she does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO. Each of the Director candidates of the fourth session of the Board has also confirmed that there is no other information in relation to his/her re-election or appointment that needs to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter in relation to his/her re-election or appointment that needs to be brought to the attention of the Shareholders.

The details of the proposed amendments to the Articles of Association are as follows:

No.	Before Amendments	After Amendments
1	Article 6 The registered capital of the Company is RMB1,342,540,451.	Article 6 The registered capital of the Company is RMB 1,344,771,235 .
2	Article 22 The total number of shares of the Company is 1, 342, 540, 451, all of which are ordinary shares, including 1,141,794,851 shares, held by shareholders of A shares, accounting for approximately 85.05% of the total share capital of the Company; 200,745,600 shares held by shareholders of H shares, accounting for approximately 14.95% of the total share capital of the Company.	Article 22 The total number of shares of the Company is 1,344,771,235 , all of which are ordinary shares, including 1,144,025,635 shares, held by shareholders of A shares, accounting for approximately 85.07% of the total share capital of the Company; 200,745,600 shares held by shareholders of H shares, accounting for approximately 14.93% of the total share capital of the Company.
3	<p>Article 102(1) The following matters shall be resolved by way of special resolutions at a Shareholders' general meeting:</p> <p>(I) Increase or reduction of the registered capital of the Company, and issuance of any types of shares, warranties and other similar securities by the Company;</p> <p>(II) Issuance of corporate bonds;</p> <p>(III) <u>Division, merger, dissolution and liquidation of the Company;</u></p> <p>(IV) Amendments to the Articles of Association and its appendixes (including the Rules of Procedure of the Shareholders' General Meeting, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Supervisory Committee);</p>	<p>Article 102(1) The following matters shall be resolved by way of special resolutions at a Shareholders' general meeting:</p> <p>(I) Increase or reduction of the registered capital of the Company, and issuance of any types of shares, warranties and other similar securities by the Company;</p> <p>(II) Issuance of corporate bonds;</p> <p>(III) Division, merger, dissolution and liquidation of the Company or alteration of corporate form;</p> <p>(IV) Amendments to the Articles of Association and its appendixes (including the Rules of Procedure of the Shareholders' General Meeting, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Supervisory Committee);</p>

No.	Before Amendments	After Amendments
	<p>(V) Any purchase or disposal of substantial assets made by or guarantee provided by the Company within one year exceeding 30% of the latest audited total assets of the Company;</p> <p>(VI) Guarantee provided in Article 59 of the Articles of Association, except guarantee provided by the Company to its controlled subsidiary(ies);</p> <p>(VII) Share Incentive Plan;</p> <p>(VIII) Spin-off & listing of subsidiaries;</p> <p>(IX) Major assets restructuring;</p> <p>(X) The shareholders general meeting of the listed company resolves to cancel the listing and trading of its shares on the stock exchange where they are listed and decides not to trade on the exchange or to apply for trading or transfer on other stock exchange instead;</p> <p>(XI) Any other matters as required by the laws, administrative regulations, the listing rules of stock exchange where shares of the Company are listed or the Articles of Association and matters which, if resolved by way of an ordinary resolution at a Shareholders' general meeting, will have a material impact on the Company and need be adopted by way of special resolutions.</p>	<p>(V) Any purchase or disposal of substantial assets made by or guarantee provided by the Company within one year exceeding 30% of the latest audited total assets of the Company;</p> <p>(VI) Guarantee provided in Article 59 of the Articles of Association, except guarantee provided by the Company to its controlled subsidiary(ies);</p> <p>(VII) Share Incentive Plan;</p> <p>(VIII) Spin-off & listing of subsidiaries;</p> <p>(IX) Major assets restructuring;</p> <p>(X) The shareholders general meeting of the listed company resolves to cancel the listing and trading of its shares on the stock exchange where they are listed and decides not to trade on the exchange or to apply for trading or transfer on other stock exchange instead;</p> <p>(XI) Any other matters as required by the laws, administrative regulations, the listing rules of stock exchange where shares of the Company are listed or the Articles of Association and matters which, if resolved by way of an ordinary resolution at a Shareholders' general meeting, will have a material impact on the Company and need be adopted by way of special resolutions.</p>

No.	Before Amendments	After Amendments
4	<p>Article 160 The independent directors shall meet the following requirements:</p> <p>(I) To have the qualification of acting as a director of a Company according to the laws, administrative regulations and other relevant requirements specific to the place of listing of the Company;</p> <p>(II) have the independence required by the <u>Rules for Independent Directors of Listed Companies</u>, and independent directors should also meet the requirements on “independent non-executive directors” of the Hong Kong Listing Rules;</p> <p>(III) To have the basic understanding of operation of the Company and be familiar with the relevant laws, administrative regulations, regulatory provisions and rules of the place of listing of the Company;</p> <p>(IV) To possess five or more years of experience in law, <u>economics or other necessary duties</u> as an independent director;</p> <p>(V) Independent directors and individuals who intend to act as independent directors shall participate in the training organized by the CSRC and its authorized institutions in accordance with the provisions.</p>	<p>Article 160 The independent directors shall meet the following requirements:</p> <p>(I) To have the qualification of acting as a director of a Company according to the laws, administrative regulations and other relevant requirements specific to the place of listing of the Company;</p> <p>(II) have the independence required by the Measures for the Administration of Independent Directors of Listed Companies, and independent directors should also meet the requirements on “independent non-executive directors” of the Hong Kong Listing Rules;</p> <p>(III) To have the basic understanding of operation of the Company and be familiar with the relevant laws, administrative regulations, regulatory provisions and rules of the place of listing of the Company;</p> <p>(IV) To possess five or more years of experience in law, accounting or economics field for serving as an independent director;</p> <p>(V) Possess good personal integrity and no adverse record of major breach of trust, etc.;</p> <p>(VI) Independent directors and individuals who intend to act as independent directors shall participate in the training organized by the CSRC and its authorized institutions in accordance with the provisions.</p>

No.	Before Amendments	After Amendments
5	<p>Article 161 The following persons are not allowed to be the independent director:</p> <p>(I) Employees of the Company or its associated companies and their immediate family members, major social relationships (<u>immediate family refers to the spouse, parents, and children, etc.; major social relationships refer to the brothers and sisters, parents-in-law, daughters-in-law and sons-in-law, spouses of siblings and siblings of spouse, etc.</u>);</p> <p>(II) Natural person shareholders and their immediate family member holding, directly or indirectly, 1% or more of issued shares of the Company or the top ten largest shareholders;</p> <p>(III) Corporate shareholder holding, directly or indirectly, 5% or more of the issued shares of the Company or employees of the top five largest corporate shareholders and their immediate family members;</p> <p>(IV) <u>Persons falling in one of the above-mentioned in the preceding year;</u></p>	<p>Article 161 Independent director shall maintain independence. The following persons are not allowed to be the independent director:</p> <p>(I) Employees of the Company or its associated companies and their immediate family members, major social relationships;</p> <p>(II) Natural person shareholders and their immediate family member holding, directly or indirectly, 1% or more of issued shares of the Company or the top ten largest shareholders;</p> <p>(III) Corporate shareholder holding, directly or indirectly, 5% or more of the issued shares of the Company or employees of the top five largest corporate shareholders and their immediate family members;</p> <p>(IV) Employees of the associated companies of the controlling shareholders and de facto controllers of the Company and their immediate family members;</p>

No.	Before Amendments	After Amendments
	<p>(V) <u>Persons that provide the financial, legal and consulting services to the Company or its affiliated companies;</u></p> <p>(VI) <u>Other persons who concurrently serve as independent director for five (5) listed companies;</u></p> <p>(VII) <u>The persons whose appointment will affect the independence as an independent director as specified by the Hong Kong Listing Rules;</u></p> <p>(VIII) <u>Other persons as identified by the securities regulatory authority of the place of listing of the Company.</u></p>	<p>(V) Persons who have material business relationship with the Company and its controlling shareholders, de facto controllers or their respective associated companies, or persons who work for an entity and its controlling shareholders and de facto controllers with which the Company has material business dealings;</p> <p>(VI) Persons that provide the financial, legal, consulting, sponsorship and other services to the Company and its controlling shareholders, de facto controllers or their respective associated companies, including but not limited to all the members of the project team, reviewers at all levels, persons signing the report, partners, directors, senior management and main responsible persons of any intermediary which provides such services;</p> <p>(VII) Persons who fall within any of the foregoing six circumstances in the latest 12 months;</p> <p>(VIII) Persons who concurrently serve as independent directors of three listed companies;</p>

No.	Before Amendments	After Amendments
		<p>(IX) Persons whose appointment will affect the independence as an independent director as specified by the Hong Kong Listing Rules;</p> <p>(X) Other persons determined by laws, the administrative regulations, the CSRC, business rules of the stock exchanges where the shares of the Company are listed and the Articles of Association of the Company.</p> <p>Associated companies of controlling shareholders and de facto controllers of the Company referred to in items (IV) to (VI) of the preceding paragraph exclude the associated companies which do not constitute connected relationship with the Company as stipulated in the Rules Governing the Listing of Stocks on the ChiNext Market of the Shenzhen Stock Exchange.</p> <p>In item (I), “immediate family members” refer to spouse, father, mother and children; “major social relationships” refer to siblings, spouse of siblings, and parents of spouse, siblings of spouse, spouses of children and parents of children’s spouse; “material business dealings” refer to the matters which are required to be put forward to the shareholders’ general meeting in accordance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Shenzhen Stock Exchange and other relevant regulations of the Exchange or the Articles of Association of the Company, or other material matters as recognized by the Shenzhen Stock Exchange; “work” refers to a director, supervisor, senior manager and other staff.</p>

No.	Before Amendments	After Amendments
6	<p data-bbox="323 272 823 368">Article 162 Nomination, election and replacement of the independent directors.</p> <p data-bbox="323 410 823 676">(I) The Board of Directors, Supervisory Committee or shareholders holding 1% of more of issued shares of the Company may nominate the candidates for independent directors and be elected at the shareholders' general meeting.</p> <p data-bbox="323 719 823 1325">(II) The nominator of independent directors shall obtain the nominee's consent before the nomination. The nominator shall understand the occupation, education background, professional title and detailed work experiences as well as all the parttime position of the nominee, <u>and express his/her opinion on the qualification and independence of the nominee as an independent director. The nominee shall make a public declaration that no relationship between himself/herself and the Company would impact on his/her independence.</u></p> <p data-bbox="397 1368 823 1598">Before the convening of the shareholders' general meeting for electing the independent directors, the Board of Directors of the Company shall announce the abovementioned content as required.</p>	<p data-bbox="857 272 1356 368">Article 162 Nomination, election and replacement of the independent directors.</p> <p data-bbox="857 410 1356 676">(I) The Board of Directors, Supervisory Committee or shareholders holding 1% of more of issued shares of the Company may nominate the candidates for independent directors and be elected at the shareholders' general meeting.</p> <p data-bbox="930 719 1356 985">The nominator shall not nominate any person as the candidate for independent director with whom he or she has an interest or has any other relationship that may affect the independent performance of his or her duties.</p> <p data-bbox="857 1027 1356 1666">(II) The nominator of independent directors shall obtain the nominee's consent before the nomination. The nominator shall understand the occupation, education background, professional title and detailed work experiences as well as all the parttime position of the nominee. The nominee should provide an opinion on whether there were any significant adverse records such as breach of trust, etc., and his/her compliance with the independence and other requirements for being an independent director. The nominee shall make a public statement of his or her independence and other qualifications to serve as an independent director.</p> <p data-bbox="930 1708 1356 1938">Before the convening of the shareholders' general meeting for electing the independent directors, the Board of Directors of the Company shall announce the abovementioned content as required.</p>

No.	Before Amendments	After Amendments
	<p data-bbox="323 272 823 938"><u>(III) When the Company releases a notice of shareholders' meeting convened for the election of independent directors, it shall submit the nominee statements, candidate statements and biographical information of all candidates for independent directors to the stock exchange on which the Company's shares are listed for filing. Should the Board of Directors of the Company disagrees to the relevant information of a candidate for independent director, related written opinions of the Board of Directors shall be filed as well.</u></p> <p data-bbox="397 985 823 1461">The stock exchange on which the Company's shares are listed shall, within five trading days of receipt of the above materials, examine the qualifications of the candidates for independent director. Any candidates for independent directors to whom the stock exchange on which the Company's shares are listed has raised objection may not be proposed to the shareholders' meeting for consideration.</p>	<p data-bbox="857 272 1356 1461">(III) The Company shall, at the latest, submit the "Declaration and Undertaking of Nominator of Independent Director", the "Declaration and Undertaking of Nominee for Independent Director" and "Curriculum Vitae of Independent Director Candidate" to the Shenzhen Stock Exchange on the date of publication of the announcement in relation to convening the shareholders' general meeting for the election of independence directors, disclosing the relevant declarations and undertakings and the review opinions of the Nomination Committee or the specialised meeting of independent directors and confirming the truthfulness, accuracy and completeness of the contents of the announcements. Should the Board of Directors of the Company disagrees to the relevant information of a candidate for independent director, related written opinions of the Board of Directors shall be filed as well.</p>

No.	Before Amendments	After Amendments
	<p>On the shareholders' general meeting for electing the independent directors, the Board of Directors of the Company shall state whether the stock exchange on which the Company's shares are listed has any objections to the candidate for independent directors.</p>	<p>The stock exchange on which the Company's shares are listed shall, within five trading days of receipt of the above materials, examine the qualifications of the candidates for independent director. Any candidates for independent directors to whom the stock exchange on which the Company's shares are listed has raised objection may not be proposed to the shareholders' meeting for consideration.</p> <p>On the shareholders' general meeting for electing the independent directors, the Board of Directors of the Company shall state whether the stock exchange on which the Company's shares are listed has any objections to the candidate for independent directors.</p>

No.	Before Amendments	After Amendments
	<p>(IV) The terms of office for each independent director shall be the same as the other Directors of the Board of Directors. Upon the expiry of the term of office, the independent directors may be re-elected or reappointed; however, the period of reappointment shall not exceed six years.</p> <p>(V) <u>If the independent directors fail to attend the meeting of the Board of Directors in person for three consecutive times, the Board of Directors may propose to the shareholders' general meeting to remove such independent director.</u></p> <p><u>Except the abovementioned situation and the situation as stipulated in the Company Law that he/she is not allowed to be the directors, the independent directors shall not be removed before the expiry of his terms of office without good cause. For any pre-mature removal, the Company shall disclose special matter for disclosure. If the independent director being removed is of the view that the reason for removal is inappropriate, he shall make public declaration.</u></p>	<p>(IV) The terms of office for each independent director shall be the same as the other Directors of the Board of Directors. Upon the expiry of the term of office, the independent directors may be re-elected or reappointed; however, the period of reappointment shall not exceed six years.</p> <p>(V) If the independent directors fail to attend the meeting of the Board of Directors in person for two consecutive times and does not appoint another independent director to attend on his/her behalf, the Board of Directors shall, within 30 days from occurrence of such matter, submit a proposal to the shareholders' general meeting for the dismissal of that independent director.</p> <p>Except the abovementioned situation and the situation as stipulated in the laws and the administration regulations that he/she is not allowed to be the directors, the independent directors shall not be removed before the expiry of his terms of office without good cause. For any pre-mature removal in accordance with legal procedures, the Company shall disclose the specific reasons and basis. Where an independent director has a dissenting opinion, the Company shall disclose the same in a timely manner.</p>

No.	Before Amendments	After Amendments
	<p>(VI) <u>An independent director may resign before the expiry of his/her term of office. The independent director shall submit the written resignation letter to the Board of Directors and state any matter which is relevant to his/her resignation or he/she consider that it would be necessary to draw the attention of the shareholder and creditor of the Company.</u></p>	<p>(VI) An independent director may resign before the expiry of his/her term of office. The independent director shall submit the written resignation letter to the Board of Directors and state any matter which is relevant to his/her resignation or he/she consider that it would be necessary to draw the attention of the shareholder and creditor of the Company. The Company shall disclose the reasons for the resignation of the independent directors and their concerns.</p>

No.	Before Amendments	After Amendments
	<p><u>Should resignation of an independent directors reduces the number of independent directors or the number of directors in the Board of Directors to less than the statutory quorum or minimum number as required by the Articles of Association, the independent directors shall still perform their duties in accordance with the laws, administrative regulations and the provisions of these Articles of Association before the re-elected independent director takes office. The Board of Directors shall convene a shareholders' general meeting to re-elect independent directors within two months, and in case of absence of such meeting, the independent director concerned may no longer perform their duties.</u></p>	<p>If the proportion of independent directors in the Board of Directors or its special committees is less than the minimum number required by the laws or the Articles of Association of the Company due to the resignation of independent Directors, or there is a lack of accounting professionals in the independent Directors, the independent Directors who intend to resign shall continue to perform their duties in accordance with the laws, administrative regulations and the Articles of Association until the newly elected independent Directors take office. The listed company shall complete the by- election within 60 days from the date of resignation of the independent director.</p> <p>The proportion of independent Directors in the Board of Directors or its special committees does not comply with laws, regulations or the Articles of Association due to the resignation or removal of independent Directors as a result of not complying with the provisions of Article 160(1) or (2) of these Articles, or the lack of accounting professionals among independent Directors, the Company shall complete the by-election within 60 days from the date of occurrence of the foregoing facts.</p>

No.	Before Amendments	After Amendments
7	Newly added	<p data-bbox="858 272 1355 378">Article 163 The independent <u>directors</u> shall perform the following duties:</p> <p data-bbox="858 427 1355 566">(I) to participate in the decision-making of the Board and express clear opinions on the matters discussed;</p> <p data-bbox="858 614 1355 1087">(II) to supervise the potential material conflict of interests between the listed company and its controlling shareholders, de facto controllers, directors and senior management as set out in Articles 166, 169, 171 and 172, so that the decision-making of the Board of Directors is in the interests of the listed company as a whole and the legitimate rights and interests of minority shareholders are protected;</p> <p data-bbox="858 1136 1355 1349">(III) to provide professional and objective advice on the Company's operation and development, and promote the quality decision-making of the Board;</p> <p data-bbox="858 1398 1355 1644">(IV) Other duties as stipulated by laws, administrative regulations, provisions of the securities regulatory authorities of the place where the shares of the Company are listed and the Articles of Association.</p>

No.	Before Amendments	After Amendments
8	<p data-bbox="322 272 820 370"><u>Article 163 Independent directors shall perform and exercise the following specific duties and powers:</u></p> <ol style="list-style-type: none"> <li data-bbox="322 412 820 859">1. <u>any connected transactions required to be brought forth to a shareholders' meeting for examination shall be endorsed by independent Directors before presented for review on a meeting of the Board of Directors. Prior to making any judgment, independent Directors may hire an intermediary institution to prepare a special report for consideration;</u> <li data-bbox="322 902 820 995">2. <u>to propose to the Board of Directors on engagement or removal of the accounting firm;</u> <li data-bbox="322 1038 820 1132">3. <u>to propose to the Board of Directors to convene extraordinary general meetings;</u> <li data-bbox="322 1174 820 1412">4. <u>to collect the opinions of small and medium shareholders, propose plans for profit distribution and capitalization of capital reserve, and submit them to the Board of Directors for consideration;</u> <li data-bbox="322 1455 820 1515">5. <u>to propose to hold meetings of the Board of Directors;</u> <li data-bbox="322 1557 820 1651">6. <u>to engage independently external auditors and consulting firms;</u> <li data-bbox="322 1693 820 1900">7. <u>to publicly solicit voting rights from shareholders prior to shareholders' general meetings. No compensation or compensation in disguise shall be paid for such solicitation.</u> 	<p data-bbox="858 272 1340 370">Article 164 Independent directors shall perform and exercise the following specific duties and powers:</p> <ol style="list-style-type: none"> <li data-bbox="858 412 1340 578">(I) to engage independent intermediaries to conduct audits, consultations and verifications on specific matters of the listed company; <li data-bbox="858 621 1340 715">(II) to propose to the Board of Directors to convene extraordinary general meetings; <li data-bbox="858 757 1340 817">(III) to propose to hold meetings of the Board of Directors; <li data-bbox="858 859 1340 961">(IV) to publicly solicit voting rights from shareholders in accordance with the laws; <li data-bbox="858 1004 1340 1170">(V) to express independent views on matters which may prejudice the interests of the listed company or the minority shareholders; <li data-bbox="858 1212 1340 1442">(VI) Other duties and responsibilities as stipulated in the laws and administrative regulations and the securities regulatory authorities on the place where the shares of the Company are listed and the Articles of Association.

No.	Before Amendments	After Amendments
9	<p>Article 164 <u>For independent directors to exercise the above powers, at least half of all independent director's approval shall be obtained. The exercise of the powers and functions set forth in the sixth item of the preceding Article shall be approved by all independent directors. Matters in items 1 and 2 of the preceding Article shall be submitted to the Board of Directors for discussion only with the consent of at least one-half of the independent directors. In the event that the abovementioned proposals have not been adopted or the above powers cannot be exercised normally, the Company shall disclose such situations.</u></p>	<p>Article 165 For independent <u>directors to exercise the powers set forth in items (I) to (III) of Article 164, more than half of all independent director's approval shall be obtained. The independent directors exercise the powers set forth in item (I) of Article 164, the Company shall disclose on a timely manner. In the event that the above powers cannot be exercised normally, the Company shall disclose such situations and reasons.</u></p>
10	<p>Newly added</p>	<p>Article 166 The following matters shall be submitted to the Board of Directors for consideration after being approved with the consent of a majority of all independent Directors of the listed company:</p> <ul style="list-style-type: none"> (i) Related party transactions that should be disclosed; (ii) The proposal of the listed company and related parties to change or waive their undertakings; (iii) Decisions made and measures taken by the Board of Directors of the acquired listed company in relation to the acquisition; (iv) Other matters as prescribed by laws, administrative regulations, the CSRC and the Articles of Association.

No.	Before Amendments	After Amendments
11	<p data-bbox="323 272 823 453"><u>Article 165 Apart from the duties set forth above, independent directors shall also express their independent opinions on the following major matters:</u></p> <ol style="list-style-type: none"> <li data-bbox="323 497 823 566">1. <u>nomination or removal of directors;</u> <li data-bbox="323 610 823 678">2. <u>appointment or removal of senior management;</u> <li data-bbox="323 723 823 832">3. <u>remuneration of directors and senior management of the Company;</u> <li data-bbox="323 876 823 1200">4. <u>formulation, adjustment, decision-making procedures, implementation and information disclosure of the Company's cash dividend policy, and whether the profit distribution policy has damaged the legitimate interests of small and medium investors;</u> <li data-bbox="323 1244 823 1683">5. <u>major matters that need disclosure such as connected transactions, provision of guarantees (excluding guarantees to subsidiaries within the scope of consolidation), entrustment of financial management, provision of external financial assistance, matters relating to use of proceeds, the Company's change in accounting policies as well as investments in shares and derivatives thereof;</u> 	Deleted

No.	Before Amendments	After Amendments
	6. <u>major asset restructuring proposals, equity incentive plans, employee share ownership plans, and share repurchase proposals;</u>	
	7. <u>the Company's proposed decision that its shares will no longer be traded on the Shenzhen Stock Exchange, or instead application for trading or transfer at other trading venues;</u>	
	8. <u>the employment and dismissal of accounting firms;</u>	
	9. <u>making changes in accounting policies, accounting estimates or corrections of significant accounting errors for reasons other than changes in accounting standards;</u>	
	10. <u>financial accounting reports and internal controls of listed companies issued by accounting firms with non-standard unqualified audit opinions;</u>	
	11. <u>the internal control evaluation report;</u>	
	12. <u>programs for changes in commitments by relevant parties;</u>	
	13. <u>the impact of preferred share issuance on equity of all types of shareholders of the company;</u>	
	14. <u>matters that the independent directors believe may harm the rights and interests of small and medium shareholders;</u>	

No.	Before Amendments	After Amendments
	<p><u>15. other matters stipulated by relevant laws, administrative regulations, departmental rules, regulatory documents, business rules of the stock exchange where the shares of the Company are listed as well as the Articles of Association.</u></p>	
12	<p>Article 166 Each of the independent directors shall provide his or her comments on the above issues: either agreeing to the relevant proposal; reserving his opinion with reasons; objecting to the relevant proposal with reasons; or expressing his or her views as not being able to provide his or her comments and the difficulties thereof. The opinions expressed by the independent directors shall be specific and unambiguous.</p>	Deleted

No.	Before Amendments	After Amendments
13	<p>Article 167 The Company shall provide the working conditions necessary for independent directors effectively performing their special duties.</p> <p>(I) <u>The Company shall ensure that independent directors enjoy the same right to information as other directors. The Company shall notify the independent directors in advance of any matters that require a decision by the Board of Directors and provide sufficient information at the same time. If the independent directors consider that the contents of the matters to be considered by the Board of Directors is unclear, non-specific or the relevant information is insufficient, they may request the Company to provide additional information or further explanation. If two or more independent directors consider that the information on the matters to be considered is insufficient or the arguments are unclear, they may jointly propose in writing to the Board of Directors to postpone the Board of Directors' meeting or the consideration of the relevant matters, and the Board of Directors shall accept such proposal.</u></p> <p><u>Information provided by the Company to an independent director shall be retained by the Company and the independent director himself or herself for at least five years.</u></p>	<p>Article 167 The Company shall provide the working conditions necessary for independent directors effectively performing their special duties.</p> <p>(I) The Company shall issue a notice of board meeting to independent directors in a timely manner, provide relevant meeting materials no later than the notice period of board meeting stipulated by laws, administrative regulations, the regulations of the CSRC or the Articles of Association, and provide effective communication channels for independent directors. Where a special committee of the Board convenes a meeting, the Company shall, in principle, provide relevant materials and information no later than three days prior to the meeting of the special committee. The Company shall keep the above meeting materials for at least ten years.</p> <p>If two or more independent directors consider that the meeting materials are incomplete, the argumentation is insufficient or the provision is not timely, they may propose in writing to the Board of Directors to postpone the convening of the meeting or postpone the consideration of the matter, and the Board of the Directors shall adopt such proposal.</p>

No.	Before Amendments	After Amendments
	<p>(II) The Company shall provide the working conditions necessary for the independent directors to perform their duties. The secretary of the Board of Directors of the Company shall actively provide assistance to the independent directors in their performance of duties, <u>such as introducing the status and providing materials. Where independent opinions, proposals and written explanations by independent directors shall be announced, the secretary of the Board of Directors shall promptly access the stock exchange for such announcements.</u> Independent directors shall have the right to request the Company to disclose the status of proposals made by them but not adopted by the Company and the reasons for not adopting such proposals.</p>	<p>(II) The Company shall provide the working conditions necessary for the independent directors to perform their duties. The secretary of the Board of Directors of the Company shall actively provide assistance to the independent directors in their performance of duties, such as introducing the status and providing materials, organising or co-operating with the independent directors in carrying out site visits, etc. The matters involved the performance of duties by independent directors that shall be disclosed, the secretary of the Board of the Directors shall handle the disclosure in a timely manner. Independent directors shall have the right to request the Company to disclose the status of proposals made by them but not adopted by the Company and the reasons for not adopting such proposals.</p>

No.	Before Amendments	After Amendments
	<p>(III) When an independent director exercises his or her powers and responsibilities, relevant personnel of the Company shall actively cooperate and shall not refuse, obstruct or conceal or interfere with his or her independent exercise of powers and responsibilities; if an independent director encounters any obstruction in the exercise of his or her powers and responsibilities, he or she may explain the situation to the Board of Directors of the Company and <u>request the senior management or the secretary of the Board of Directors to cooperate.</u></p> <p>(IV) The fees for the independent directors to engage an intermediary and other expenses incurred in the exercise of their duties and responsibilities shall be borne by the Company.</p>	<p>(III) When an independent director exercises his or her powers and responsibilities, relevant personnel of the Company shall actively cooperate and shall not refuse, obstruct or conceal or interfere with his or her independent exercise of powers and responsibilities; if an independent director encounters any obstruction in the exercise of his or her powers and responsibilities, he or she may explain the situation to the Board of Directors of the Company and request the senior management or the secretary of the Board of Directors to cooperate and the specific circumstances of the obstruction and its resolution are recorded in the work record; if the obstruction is not resolved, it can be reported to the CSRC and stock exchanges.</p> <p>(IV) The fees for the independent directors to engage an intermediary and other expenses incurred in the exercise of their duties and responsibilities shall be borne by the Company.</p>

No.	Before Amendments	After Amendments
	<p>(V) The Company shall provide appropriate allowance to independent directors. The criteria for the allowance shall be formulated by the Board of Directors, considered and approved by the shareholders in a shareholders' general meeting and disclosed in the Company's annual report.</p> <p>Save for the above allowance, independent directors shall not receive additional and other undisclosed benefits from the Company and <u>major shareholders or interested organizations and personnel of the Company.</u></p>	<p>(V) The Company shall provide appropriate allowance to independent directors. The criteria for the allowance shall be formulated by the Board of Directors, considered and approved by the shareholders in a shareholders' general meeting and disclosed in the Company's annual report.</p> <p>Save for the above allowance, independent directors shall not receive additional and other undisclosed benefits from the Company and major shareholders, de facto controllers or interested organizations and personnel of the Company.</p>
14	<p>Article 168 The Board of Directors shall set up an audit committee, and may establish special committees for strategy, nomination, remuneration and appraisal as needed. All members of the special committees shall be composed of directors, and more than half of the directors in the nomination, audit, remuneration and appraisal committees shall be independent directors, while <u>at least one independent director shall be an accounting professional in the audit committee, and the convener of the audit committee should be an accounting professional.</u></p>	<p>Article 168 The Board of Directors shall set up an audit committee, and may establish special committees for strategy, nomination, remuneration and appraisal as needed. All members of the special committees shall be composed of directors, and more than half of the directors in the nomination, audit, remuneration and appraisal committees shall be independent directors, while the Audit Committee shall be composed of directors who do not hold senior management positions in the Company. and at least one of them should be an independent director. The convener of the Audit Committee shall be an accounting professional.</p>

No.	Before Amendments	After Amendments
15	<p>Article 169 <u>The Nomination Committee shall actively identify suitable candidates to serve as directors of the Company, shall play an active role in the nomination and qualification review of directors, and shall regularly express its views of or make recommendations on the structure, size and composition of the Board of Directors.</u></p>	<p>Article 169 The Nomination Committee is responsible for drawing up selecting standards and procedures of directors and senior managerial members, making selection and audit on the qualification of directors and senior managerial members and shall regularly express its views of or make recommendations on the structure, size and composition of the Board of Directors. The Nomination Committee shall provide recommendations to the Board of Directors on the following matters:</p> <p>(I) To nominate or remove directors;</p> <p>(II) To appoint or dismiss of senior management personnel;</p> <p>(II) Other matters as prescribed by laws, administrative regulations, provisions of the CSRC and the Articles of Association of the Company.</p> <p>If the Board of Directors does not adopt the recommendations of the Nomination Committee or does not adopt them in full, the Board of Directors shall record the opinions of the Nomination Committee and its recommendations in the resolution and record and disclose the specific reasons for its non-adoption.</p>

No.	Before Amendments	After Amendments
16	<p><u>Article 171 The Audit Committee shall make recommendations on the formulation of and amendment to the Company's governance related system, effectively supervise implementation of resolutions of the Board of Directors by the senior management of the Company, regularly conduct self-examination and supervise rectification of corporate governance status, and promote the Company to continuously innovate its governance mechanism based on actual situation to form a governance mechanism with own characteristics.</u></p> <p><u>The Audit Committee may engage an independent intermediary to conduct an objective review of the current status of governance of the Company, and make recommendations for improvement to the Board of Directors and the shareholders' general meeting.</u></p>	<p>Article 171 The Audit Committee is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audits and internal control. The following matters shall be submitted to the Board for consideration with the consent of a majority of all members of the Audit Committee:</p> <p>(I) To disclose financial information and internal control evaluation reports in financial accounting reports and regular reports;</p> <p>(II) To appoint or dismiss accounting firms that undertake the audit of listed company;</p> <p>(III) To appoint or dismiss the chief financial officer of the listed company;</p> <p>(IV) Changes in accounting policies and accounting estimates or corrections of material accounting errors due to reasons other than changes in accounting standards;</p> <p>(V) Other matters stipulated by laws, administrative regulations, provisions of the CSRC and the Articles of Association.</p> <p>The Audit Committee shall meet at least once a quarter, and two or more members may propose, or the convener deems necessary, to convene an extraordinary meeting. A meeting of the Audit Committee shall be attended by more than two-thirds of its members.</p>

No.	Before Amendments	After Amendments
17	<p><u>Article 172 The Remuneration and Appraisal Committee shall make recommendations to the Board of Directors on the remuneration of internal directors and senior management, and at the same time shall make recommendations on the resignation and removal of directors and senior management for non-compliance and non-performance of duties.</u></p>	<p>Article 172 The Remuneration and Appraisal Committee is responsible for formulating the appraisal standards for directors and senior management, conducting appraisal, formulating and reviewing the remuneration policies and plans for directors and senior management, and making recommendations on resignation and removal of directors and senior management for their violations and dereliction. The Remuneration and Appraisal Committee makes recommendations to the Board on the following matters:</p> <ol style="list-style-type: none"> <li data-bbox="858 832 1353 895">(1) Remuneration of directors and senior management; <li data-bbox="858 938 1353 1204">(2) To formulate or modify the equity incentive plan and the employee stock ownership plan, and the participants are granted the rights and interests and the conditions for exercising the rights and interests are fulfilled; <li data-bbox="858 1247 1353 1385">(3) Arrangement of stock ownership plan by directors and senior management in the proposed spin-off subsidiary; <li data-bbox="858 1427 1353 1587">(4) Other matters stipulated by laws, administrative regulations, provisions of the CSRC and the Articles of Association. <p>If the recommendations of the Board of Directors on the Remuneration and Appraisal Committee are not adopted or are not fully adopted, the opinions of the Remuneration and Appraisal Committee and the specific reasons for not being adopted shall be recorded in the resolutions of the Board of the Directors and disclosed.</p>

No.	Before Amendments	After Amendments
18	<p>Article 230(5) Procedures for profit distribution:</p> <p>The Board of Directors of the Company shall comprehensively take into account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement, and study and identify with caution the timing, conditions and minimum proportion, conditions for adjustment involved in implementing the cash dividends. The proposed profit distribution plan <u>can be submitted to the Board of Directors of the Company for consideration only after it has been approved by more than half of independent directors of the Company.</u></p> <p><u>The Independent directors shall explicitly give their views.</u></p> <p><u>The Independent directors may seek the opinions of the minority shareholders, prepare a dividend distribution proposal accordingly and present it directly to the Board for consideration.</u></p>	<p>Article 230(5) Procedures for profit distribution:</p> <p>The Board of Directors of the Company shall comprehensively take into account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement, and study and identify with caution the timing, conditions and minimum proportion, conditions for adjustment involved in implementing the cash dividends.</p> <p>Independent directors shall have the right to express independent opinions if they consider that the cash dividend distribution plan may damage the interests of the listed company or minority shareholders. If the opinions of the Board of the Directors on the independent directors are not adopted or not fully adopted, the opinions of the independent directors and the specific reasons for not adopting or not fully adopted shall be disclosed in the announcement on the resolutions of the Board of the Directors.</p> <p>The Board of Supervisors supervised the implementation of cash dividend policy and shareholders' return plan by the Board of Directors, and whether to perform the corresponding decision-making procedures and information disclosure. If the Board of Supervisors finds that the Board of Directors fails to strictly implement the cash dividend policy and shareholders' return plan, fails to strictly perform the corresponding decision-making procedures or fails to truthfully, accurately and completely disclose the corresponding information, it shall issue clear opinions and urge them to make corrections in a timely manner.</p>

No.	Before Amendments	After Amendments
19	Article 230(6), (2) <u>Independent Directors shall explicitly give their views as to the resolution on adjustments to the profit distribution policy and the Company shall declare the opinions of independent directors when issuing the announcement of convening the shareholders' general meeting.</u>	deleted
20	<p>Article 230(7) Regulation in the profit distribution policy:</p> <p>Where the Board of Directors of the Company fails to submit a profit distribution plan to the shareholders' general meeting in accordance with the established profit distribution policy, the Company shall specify the reasons for and the specific use of the retained funds on a regular report, and <u>independent directors shall express their independent opinions on such matters.</u> Meanwhile set out clearly in a table the cash dividends and ratios of cash dividends to profit for the year of the company for the past three years. If the Company does not distribute profits in cash in the last three years, the Company shall not issue new shares to the public, issue convertible bonds or place shares to the existing shareholders.</p>	<p>Article 230(7) Regulation in the profit distribution policy:</p> <p>Where the Board of Directors of the Company fails to submit a profit distribution plan to the shareholders' general meeting in accordance with the established profit distribution policy, the Company shall specify the reasons for and the specific use of the retained funds on a regular report. Meanwhile set out clearly in a table the cash dividends and ratios of cash dividends to profit for the year of the company for the past three years. If the Company does not distribute profits in cash in the last three years, the Company shall not issue new shares to the public, issue convertible bonds or place shares to the existing shareholders.</p>

No.	Before Amendments	After Amendments
21	<p>Article 231 Where the Company is profitable but the Board of Directors has not made a cash profit distribution proposal, the Board of Directors shall state the reasons for not making cash dividends and the specific use of the retained funds on a regular report of that year, and <u>independent directors shall express their independent opinions on such matters.</u></p> <p>If the fund of the Company is misappropriated by any shareholders, the Company shall deduct the cash dividend distributable to such shareholders accordingly to repay the fund misappropriated.</p>	<p>Article 231 Where the Company is profitable but the Board of Directors has not made a cash profit distribution proposal, the Board of Directors shall state the reasons for not making cash dividends and the specific use of the retained funds on a regular report of that year.</p> <p>If the fund of the Company is misappropriated by any shareholders, the Company shall deduct the cash dividend distributable to such shareholders accordingly to repay the fund misappropriated.</p>

Note: As a result of the foregoing amendments, the numbering of each clause of the amended Articles of Association will be rearranged and the numbering of other clauses in the document referred to in the clauses will be amended accordingly.

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

The details of the proposed amendments to the Working Rules for Independent Directors are as follows:

No.	Before Amendments	After Amendments
1	<p>Article 1 This rule is formulated, with reference to <u>the Rules for Independent Directors of Listed Companies</u> issued by CSRC, in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Rules Governing Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereafter referred to as the “Hong Kong Listing Rules”), the laws, regulations, and normative documents of The Stock Exchange of Hong Kong Limited (hereinafter referred to as “Stock Exchange”) as well as the Articles of Association of JL MAG RARE-EARTH Co., Ltd. (hereinafter referred to as the “Articles of Association”) and other relevant provisions for the purposes of improving the corporate governance structure, strengthening the discipline and supervision system of the board of directors and management, better protecting the interests of small and medium shareholders, and promoting the standardized operation of the Company.</p>	<p>Article 1 This rule is formulated, with reference to the Measures for the Administration of Independent Directors of Listed Companies issued by CSRC, in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Rules Governing Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereafter referred to as the “Hong Kong Listing Rules”), the laws, regulations, and normative documents of The Stock Exchange of Hong Kong Limited (hereinafter referred to as “Stock Exchange”) as well as the Articles of Association of JL MAG RARE-EARTH Co., Ltd. (hereinafter referred to as the “Articles of Association”) and other relevant provisions for the purposes of improving the corporate governance structure, strengthening the discipline and supervision system of the board of directors and management, better protecting the interests of small and medium shareholders, and promoting the standardized operation of the Company.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
2	Article 2 <u>An independent director is a director who does not hold any position in the Company other than that of an independent director and has no relationship with the company he or she is employed by and its major shareholders that may hinder him/her from making independent and objective judgement.</u>	Article 2 An independent director is a director who does not hold any position in the Company other than that of an independent director, and who does not have any direct or indirect interest in the company, he or she is employed by its major shareholders, or its de facto controllers, or any other relationship that may affect his/her ability to make independent and objective judgments.
3	Article 7 The Company may only appoint independent directors to a maximum of <u>5</u> listed companies on a concurrent basis. The independent directors shall ensure that they have sufficient time and energy to fulfil their duties as independent directors in an effective manner. <u>The time spent by an independent director on working for the Company shall not be less than 15 working days per year.</u>	Article 7 The Company may only appoint independent directors to a maximum of 3 listed companies on a concurrent basis. The independent directors shall ensure that they have sufficient time and energy to fulfil their duties as independent directors in an effective manner. The time spent by an independent director on working on-site for the Company shall not be less than 15 days per year.

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
4	<p>Article 8 Independent directors employed by the Company shall be independent. The following persons are not allowed to be the independent director:</p> <p>(I) <u>Employees of the Company or its associated companies and their immediate family members, major social relationships (immediate family members refer to the spouse, parents, and children, etc.; major social relationships refer to the brothers and sisters, parents-in-law, daughters-in-law and sons-in-law, spouses of siblings and siblings of spouse, etc.);</u></p> <p>(II) Natural person shareholders and their immediate family members holding, directly or indirectly, 1% or more of issued shares of the Company or the top ten largest shareholders;</p> <p>(III) Corporate shareholders holding, directly or indirectly, 5% or more of the issued shares of the Company or employees of the top five largest corporate shareholders and their immediate family members;</p>	<p>Article 8 Independent director employed by the Company shall be independent. The following persons are not allowed to be the independent director:</p> <p>(I) Employees of the Company or its associated companies and their immediate family members, major social relationships;</p> <p>(II) Natural person shareholders and their immediate family members holding, directly or indirectly, 1% or more of issued shares of the Company or the top ten largest shareholders;</p> <p>(III) Corporate shareholders holding, directly or indirectly, 5% or more of the issued shares of the Company or employees of the top five largest corporate shareholders and their immediate family members;</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
	<p>(IV) <u>Persons falling in one of the above-mentioned in the preceding year;</u></p> <p>(V) <u>Persons that provide the financial, legal and consulting services to the Company or its associated companies;</u></p> <p>(VI) <u>Persons who concurrently serve as independent directors for five (5) listed companies;</u></p> <p>(VII) <u>Other persons as specified by the Articles of Association;</u></p> <p>(VIII) <u>The persons whose appointment will affect the independence as an independent director as specified by the Hong Kong Listing Rules;</u></p>	<p>(IV) Employees of the associated companies of the controlling shareholders and de facto controllers of the Company and their immediate family members;</p> <p>(V) Persons who have material business dealings with the Company and its controlling shareholders, de facto controllers or their respective associated companies, or persons who work for an entity and its controlling shareholders and de facto controllers with which the Company has material business dealings;</p> <p>(VI) Persons that provide the financial, legal, consulting, sponsorship and other services to the Company and its controlling shareholders, de facto controllers or their respective associated companies, including but not limited to all the members of the project team, reviewers at all levels, persons signing the report, partners, directors, senior management and main responsible persons of any intermediary which provides such services;</p> <p>(VII) Persons who fall within any of the foregoing six circumstances in the latest 12 months;</p> <p>(VIII) Persons who concurrently serve as independent directors of three listed companies;</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
	<p>(IX) <u>Other persons as identified by the securities regulatory authority of the place of listing of the shares of the Company.</u></p>	<p>(IX) Persons whose appointment will affect the independence as an independent director as specified by the Hong Kong Listing Rules;</p> <p>(X) Other persons determined by laws, the administrative regulations, the CSRC, business rules of the stock exchanges where the shares of the Company are listed and the Articles of Association of the Company to be not independent.</p> <p>Associated companies of controlling shareholders and de facto controllers of the Company referred to in items (IV) to (VI) of the preceding paragraphs exclude the associated companies which do not constitute related relationship with the Company as stipulated in the Rules Governing the Listing of Stocks on the ChiNext Market of the Shenzhen Stock Exchange.</p> <p>In item (I), “immediate family members” refer to spouse, father, mother and children; “major social relationships” refer to siblings, spouse of siblings, and parents of spouse, siblings of spouse, spouses of children and parents of children’s spouse; “material business dealings” refer to the matters which are required to be put forward to the shareholders’ general meeting in accordance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Shenzhen Stock Exchange and other relevant regulations of the Shenzhen Stock Exchange or the Articles of Association of the Company, or other material matters as recognized by the Shenzhen Stock Exchange; “employees” refers to persons who serve as a director, supervisor, senior manager and other staff.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
5	<p>Article 9 The independent directors shall meet the following requirements:</p> <p>(I) To have the qualification of acting as an independent director of a Company according to the laws, administrative regulations and other relevant requirements specific to the place of listing of the Company;</p> <p>(II) To have the basic understanding of operation of the Company and be familiar with the relevant laws, administrative regulations, regulatory provisions and rules of <u>the place of listing of the Company</u>;</p> <p>(III) <u>To possess five or more years of experience in law, economics or other necessary duties as an independent director</u>;</p> <p>(IV) To have the independence required by Article 8;</p> <p>(V) <u>Independent directors and individuals who intend to act as independent directors shall participate in the training organized by the CSRC and its authorized institutions in accordance with the provisions</u>;</p> <p>(VI) Other qualifications specified in the Articles of Association.</p>	<p>Article 9 The independent directors shall meet the following requirements:</p> <p>(I) To have the qualification of acting as an independent director of a Company according to the laws, administrative regulations and other relevant requirements specific to the place of listing of the Company;</p> <p>(II) To have the basic understanding of operation of the Company and be familiar with the relevant laws, administrative regulations, regulatory provisions and rules;</p> <p>(III) To possess five or more years of experience in law and economics, or experience in law, accounting or economics, etc. which is necessary for performing duties as an independent director;</p> <p>(IV) To have the independence required by Article 8;</p> <p>(V) Possess good personal integrity and no adverse record of major breach of trust, etc.;</p> <p>(VI) Other qualifications specified in the Articles of Association.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
6	<p>Article 11 The nominator of independent directors shall obtain the nominee’s consent before the nomination. The nominator shall fully understand the occupation, education background, professional title and detailed work experiences as well as <u>all the part-time positions of the nominee, and express his/her opinion on the qualification and independence of the nominee as an independent director. The nominee shall make a public declaration that no relationship between himself/herself and the Company would impact on his/her independence.</u> Before the convening of the shareholders’ general meeting for electing the independent directors, the Board of Directors of the Company shall announce the above-mentioned content as required.</p>	<p>Article 11 The nominator of independent directors shall obtain the nominee’s consent before the nomination. The nominator shall fully understand the nominee’s occupation, education background, professional title and detailed work experiences, all the part-time positions, whether there is a major breach of trust and other adverse records, etc., and express his/her opinion that the nominee meets the independence and other conditions for serving as an independent director. The nominee shall make a public declaration that he/she meets the independence and other conditions for serving as an independent director. Before the convening of the shareholders’ general meeting for electing the independent directors, the Board of Directors of the Company shall announce the above-mentioned content as required.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
7	<p>Article 12 (I) <u>When the Company releases a notice of shareholders' meeting convened for the election of independent directors, it shall submit the nominee statements, candidate statements and biographical information of all candidates for independent directors to the stock exchange on which the Company's shares are listed for filing.</u> Should the Board of Directors of the Company disagree to the relevant information of a candidate for independent director, related written opinions of the Board of Directors shall be filed as well.</p>	<p>Article 12 (I) The Company has to submit to the Shenzhen Stock Exchange the Declaration and Undertakings of Nominators of Independent Directors, the Declaration and Undertakings of Candidates for Independent Directors and the Biographical Details of Candidates for Independent Directors no later than the time of publication of the announcement of notice of shareholders' general meeting for the election of independent directors, and to ensure that the submitted materials are true, accurate and complete, and disclose relevant declarations and undertakings as well as the review opinion of the nomination committee or the special meeting of the independent directors. Should the Board of Directors of the Company disagree to the relevant information of a candidate for independent director, related written opinions of the Board of Directors shall be filed as well.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
8	<p><u>Article 15 If an independent director fails to attend the board meetings in person for three consecutive times, the Board of Directors shall propose to the shareholders' general meeting to remove such independent director. Except the above-mentioned situation and the situation as stipulated in the Company Law that he/she is not allowed to be the directors, the independent directors shall not be removed before the expiry of their terms of office without good cause. For any pre-mature removal, the Company shall disclose as special disclosure matter. If the independent director being removed is of the view that the reason for removal is inappropriate, he shall make a public declaration.</u></p>	<p>Article 15 If an independent director fails to attend the board meetings in person for two consecutive times and does not delegate another independent director to attend the meetings on his/her behalf, the Board of Directors shall propose to the shareholders' general meeting to remove such independent director from his/her position within thirty days from the date of occurrence of such fact. Except for the occurrence of the above circumstances and the circumstances of prohibiting him/her from serving as a director as stipulated in the laws and administrative regulations, an independent director shall not be removed before the expiration of his/her term of office without good cause. In the event of early removal in accordance with the statutory procedures, the Company shall disclose the specific reasons and grounds in a timely manner. If the independent director has objections, the Company shall disclose them in a timely manner.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
9	<p>Article 16 An independent director may resign before the expiry of his/her term of office. The independent director shall submit a written resignation report to the Board of Directors stating any matter which is relevant to his/her resignation or he/she considers that it would be necessary to draw the attention of the shareholders and creditors of the Company. <u>If at any time the independent directors of the Company do not meet the requirements of Hong Kong Listing Rules on the number, qualification or independence of independent directors, the Company shall notify the Hong Kong Stock Exchange immediately and explain the relevant details and reasons by announcement, and appoint an adequate number of independent directors within 3 months after the said non-compliance so as to meet the requirements of the Hong Kong Listing Rules.</u></p> <p><u>If the resignation of an independent director will result in the proportion of independent directors on the Board not complying with the legal requirements, the resignation of that independent director shall take effect when the next independent director fills the vacancy.</u></p>	<p>Article 16 An independent director may resign before the expiry of his/her term of office. The independent director shall submit a written resignation report to the Board of Directors stating any matter which is relevant to his/her resignation or he/she considers that it would be necessary to draw the attention of the shareholders and creditors of the Company. The Company shall disclose the reasons and concerns for the resignation of the independent director.</p> <p>If the resignation of an independent director will result in the proportion of independent directors on the Board of Directors of the Company or its specialized committees not complying with the legal requirements or the Articles of Association, or if there is a shortage of professional accountants among the independent directors, the independent director who intends to resign shall continue to perform his/her duties in accordance with the provisions of the laws, administrative regulations and these Articles.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
10	<p><u>Article 17 If an independent director cannot fulfill the independence criteria or is unsuitable to carry out the duties of an independent director, resulting in the number of independent directors falling below the minimum requirement as stipulated by these Rules, the Company shall make up the shortfall to maintain a sufficient number of independent directors.</u></p>	<p>Article 17 If an independent director resigned or is removed from duties because he/she is not qualified to be an independent directors or does not satisfy the independence requirements for being an independent director which results in the proportion of independent directors on the Board or its specialized committees not complying with the legal requirements or the Articles of Association, or if there is a shortage of professional accountants among the independent directors, the Company shall complete the by-election within 60 days from the date of occurrence of the aforesaid facts.</p>
11	<p>Chapter 4 Duties of Independent Director</p>	<p>Chapter 4 Duties of Independent Director and Modalities of Performance</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
12	<p>Article 18 <u>The independent directors shall have the powers and functions conferred on them by the Company Law and other relevant laws and regulations.</u></p>	<p>Article 18 The independent directors shall perform the following duties:</p> <p>(I) Participating in the decision-making of the Board of Directors and express a clear opinion on the matters under consideration;</p> <p>(II) Supervising potential material conflicts of interest between the Company and its controlling shareholders, de facto controllers, directors and senior management, so as to urge the Board of Directors to make decisions in line with the interests of the Listed Company as a whole and to protect the legitimate rights and interests of minority shareholders;</p> <p>(III) Providing professional and objective advice on the Company's operation and development, and promoting the enhancement of the Board of Directors' decision-making level;</p> <p>(IV) Other duties prescribed by laws, administrative regulations, requirements of securities regulatory authority of the place where the Company's shares are listed and the Articles of Association.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
13	<p>Article 19 The independent directors shall also have the following special powers and functions:</p> <p>(I) <u>Connected transactions that require submission to the shareholders' general meeting for deliberation shall be submitted to the Board of Directors for deliberation with the prior consent of the independent directors. Before making judgments, independent directors may engage an intermediary to present a special report;</u></p> <p>(II) <u>To propose to the Board of Directors the appointment or dismissal of an accounting firm;</u></p> <p>(III) <u>To propose to the Board of Directors the convening of an extraordinary general meeting;</u></p> <p>(IV) <u>To seek the views of minority shareholders and to propose profit distribution and capitalization of capital reserve; and submit them directly to the Board of Directors for consideration;</u></p> <p>(V) <u>To propose the convening of a board meeting;</u></p> <p>(VI) <u>To independently engage external auditing and consulting organizations;</u></p> <p>(VII) <u>To solicit voting rights from shareholders in an open manner prior to the convening of a general meeting, provided that no paid or disguised paid method is adopted for such solicitation.</u></p>	<p>Article 19 The independent directors shall also have the following special powers and functions:</p> <p>(I) To independently engage intermediaries to audit, consult or verify specific matters of the Listed Company;</p> <p>(II) To propose to the Board of Directors the convening of an extraordinary general meeting;</p> <p>(III) To propose the convening of a board meeting;</p> <p>(IV) To openly solicit voting rights from shareholders in accordance with the laws;</p> <p>(V) To express independent opinions on matters that may jeopardize the rights and interests of the Listed Company or minority shareholders;</p> <p>(VI) Other powers and functions prescribed by laws, administrative regulations, securities regulatory authority of the place where the Company's shares are listed and the Articles of Association.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
14	<p><u>Article 20 For independent directors to exercise the powers set forth in Article 19, at least half of all independent Director’s approval shall be obtained. The exercise of the powers and functions set forth in the sixth item of the preceding Article shall be approved by all independent directors. Matters in items 1 and 2 of the preceding Article shall be submitted to the Board of Directors for discussion only with the consent of at least one-half of the independent directors. In the event that the abovementioned proposals have not been adopted or the above powers cannot be exercised normally, the Company shall disclose such situations.</u></p>	<p>Article 20 For independent directors to exercise the powers and functions set forth in item I to III of Article 19, the consent of more than one half of all independent directors shall be obtained. If the independent directors exercise the powers and functions set forth in item I of Article 19, the Company shall disclose in a timely manner. If the abovementioned duties cannot be exercised normally, the Listed Company should disclose the specific circumstances and reasons.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
15	<p><u>Article 21</u> Apart from the duties set forth above, independent directors shall also express their independent opinions on the following major matters:</p> <ol style="list-style-type: none"> 1. <u>nomination or removal of directors;</u> 2. <u>appointment or removal of senior management;</u> 3. <u>remuneration of directors and senior management of the Company;</u> 4. <u>formulation of, adjustment to, the decision-making procedures, the implementation, and the information disclosure of the cash dividend policy, and whether the profit distribution policy has damaged the legitimate interests of small and medium investors;</u> 5. <u>major matters that need disclosure such as connected transactions, provision of guarantees (excluding guarantees to subsidiaries within the scope of consolidation), entrustment of financial management, provision of external financial assistance, matters relating to use of proceeds, the Company's voluntary change in accounting policies as well as investments in shares and derivatives thereof;</u> 	<p>Article 21 Prior to the convening of a board meeting, the independent directors may communicate with the secretary of the Board of Directors to inquire about the matters to be considered, request for additional materials, and offer opinions and suggestions. The Board of Directors and relevant personnel shall carefully study the issues, requests and opinions raised by the independent directors and provide timely feedback to the independent directors on the implementation of proposals for amendments and other matters.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
6.	<u>major asset restructuring proposals, equity incentive plans, employee share ownership plans, and share repurchase proposals;</u>	
7.	<u>the Company's proposed decision that its shares will no longer be traded on the Shenzhen Stock Exchange, or instead application for trading or transfer at other trading venues;</u>	
8.	<u>the employment and dismissal of accounting firms;</u>	
9.	<u>making changes in accounting policies, accounting estimates or corrections of significant accounting errors for reasons other than changes in accounting standards;</u>	
10.	<u>the accounting firm issued non-standard unqualified audit opinion on the financial accounting reports and internal controls of listed companies;</u>	
11.	<u>the internal control evaluation report;</u>	
12.	<u>programs for changes in commitments by relevant parties;</u>	

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
	<p>13. <u>the impact of preferred share issuance on equity of all types of shareholders of the company;</u></p> <p>14. <u>matters that the independent directors believe may harm the rights and interests of small and medium shareholders;</u></p> <p>15. <u>other matters stipulated by relevant laws, administrative regulations, departmental rules, regulatory documents, business rules of the stock exchange where the shares of the Company are listed as well as the Articles of Association.</u></p>	
16	<p>Article 22 <u>Independent directors shall give opinions regarding the matters set forth in Article 21 in one of the following ways: agree; qualified opinion and the reasons therefor; opposite opinion and the reasons therefor; disclaimer of opinion and the relevant obstacles therefor. Opinions expressed by independent directors should be clear and precise.</u></p>	<p>Article 22 The independent directors shall attend the board meetings in person. If the independent director is unable to attend the meeting in person for any reason, he/she shall review the meeting materials in advance, form a clear opinion and entrust other independent directors in writing to attend the meeting on his/her behalf.</p>
17	<p>Article 23 <u>If the relevant matter is a matter requiring disclosure, the Company shall make a public announcement of the independent directors' opinions. If the independent directors fail to reach a consensus in their opinions, the Company shall disclose each of the independent directors' respective opinions.</u></p>	<p>Article 23 An independent director who votes against or abstains from voting on a motion of the Board of Directors shall state the specific reasons and grounds, the legality and compliance of the matter involved in the motion, the possible risks and the impact on the rights and interests of the Listed Company and the minority shareholders. The Company shall disclose the dissenting opinions of the independent directors at the same time when disclosing the Board resolutions and set out in the Board resolutions and minutes of meetings.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
18	Newly added	<p>Article 24 The following matters shall be submitted to the Board of Directors for consideration after being approved by a majority of all independent directors of the Company:</p> <p>(I) Relate party transactions that shall be disclosed;</p> <p>(II) Programs of the Company and related parties to change or waive commitments;</p> <p>(III) Decisions made and measures taken by the Board of Directors of the exchange-listed acquiree in response to the acquisition;</p> <p>(IV) Other matters as prescribed by laws, administrative regulations, CSRC regulations and the Articles of Association.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
19	Newly added	<p>Article 25 The Company shall hold a meeting attended by all independent directors (the “special meeting of independent directors”) on a regular or irregular basis. Matters listed in items (I) to (III) of the paragraph 1 of Article 19, and Article 24 shall be considered at a special meeting of independent directors.</p> <p>The special meeting of independent directors may study and discuss other matters of the Company as needed.</p> <p>Special meeting of independent directors shall be convened and presided over by an independent director jointly elected by a majority of the independent directors; in the event that the convener fails to or is unable to perform his/her duties, two or more independent directors may convene and elect a representative to preside over the meeting on their own. The Company shall facilitate and support the convening of special meeting of independent directors.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
20	Newly added	<p>Article 26 The independent directors shall perform their duties in the special committees of the Board of the Company in accordance with the laws, administrative regulations, the regulations of the CSRC, the business rules of the SSE and the Articles of Association. The independent directors shall attend the meetings of the special committees in person, and if they are unable to attend the meetings in person for any reason, they shall review the materials of the meetings in advance, form a clear opinion, and entrust other independent directors in writing to attend the meetings on their behalf. If an independent director is concerned about a material matter of the Company within the terms of reference of the special committees in the performance of his or her duties, he/she may bring the matter to the special committees for discussion and consideration in a timely manner in accordance with the procedures.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
21	Newly added	<p>Article 27 The independent directors shall spend no less than fifteen days per year working on-site at the Company.</p> <p>In addition to attending shareholders' general meetings, meetings of the Board and its special committees, and special meetings of independent directors in accordance with the regulations, independent directors may perform their duties in a variety of ways, such as obtaining information on the Company's operations on a regular basis, listening to reports from the management, communicating with intermediaries such as the head of the internal auditor and the accounting firm that undertakes the audit of the listed Company, conducting on-site inspections, and communicating with the minority shareholders.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
22	Newly added	<p>Article 28 The Board of the Company, its special committees and special meetings of independent directors shall prepare minutes of the meetings in accordance with the regulations, and the opinions of independent directors shall be set out in the minutes. The independent directors shall sign and confirm the minutes of the meeting.</p> <p>Independent directors shall make work records that detail the performance of their duties. Information obtained by independent directors in the course of performing their duties, minutes of relevant meetings, and records of communications with staff members of the Company and intermediaries form an integral part of the work records. For important contents in the work records, the independent directors may request the Board secretary and other relevant personnel to sign and confirm, and the Company and relevant personnel shall render cooperation.</p> <p>Work records of independent directors and information provided by the Company to independent directors shall be kept for at least ten years.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
23	Newly added	<p>Article 29 The independent directors shall submit an annual report on their duties to the annual Shareholders' General Meeting of the Company to explain their performance of duties. The annual work report shall include the following contents:</p> <ol style="list-style-type: none"> 1. The number of times, ways and votes of attending the Board Meeting, and the number of times attending the Shareholders' General Meeting; 2. Participation in the work of special committees of the Board of Directors and special meetings of independent directors; 3. Consideration of the matters set out in Articles 24 and the matters pertaining to the involvement of independent directors in the deliberations of the Company's Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee as well as exercise of the special powers and functions of the independent directors as set out in paragraph 1 of Article 19; 4. Information on significant matters, methods and results of communication with the internal auditor and the accounting firm that undertakes the Company's auditing business regarding the Company's financial and business status;

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
		<p>5. Communication with minority shareholders;</p> <p>6. The time and content of on-site work at the Company;</p> <p>7. Other circumstances of the performance of duties.</p> <p>The annual work report of the independent directors shall be disclosed no later than when the Company gives notice of its annual Shareholders' General Meeting.</p>
24	Chapter 5 <u>Rights and Obligations of Independent Directors</u>	Chapter 5 Assurances for Performance of Duties by Independent Directors
25	Newly added	<p>Article 30 In order to ensure that the independent directors exercise their powers and functions effectively, the Company shall provide the independent directors with necessary working conditions and personnel support, and designate the Board office, the Board secretary and other special departments and personnel to assist the independent directors in performing their duties.</p> <p>The Board secretary shall ensure that there is a smooth flow of information between the independent directors and other Directors, senior management and other relevant persons, and that the independent directors have access to adequate resources and necessary professional advice in the performance of their duties.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
26	<p>Article 24 The Company shall ensure that the independent directors will enjoy the same right to information as other directors. <u>For the matters subject to decisions by the Board of Directors, the Company shall, in accordance with the statutory provisions, inform the independent directors in advance and provide them with adequate information. If the independent directors consider the said information being inadequate, they may request for supplementary information. Where two or more independent directors hold that the information is inadequate or the proofs are indefinite, they may jointly propose in writing to the Board of Directors to postpone the board meeting or postpone the consideration of the matters in question, and the Board of Directors shall accept such proposal. The Company shall keep any information it provides to the independent directors and the independent directors shall keep such information for a period no less than five years.</u></p>	<p>Article 31 The Company shall ensure that the independent directors will enjoy the same right to information as other directors. In order to ensure the effective exercise of the powers and functions of independent directors, the Company shall inform the independent directors of the Company's operation on a regular basis, provide information, and organize or cooperate with the independent directors to carry out on-site inspections.</p> <p>The Company may organize independent directors to participate in research and argumentation before the Board considers major and complex matters, fully listen to the opinions of independent directors, and provide timely feedback to independent directors on the adoption of their opinions.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
27	<p>Article 25 <u>Independent directors have the right to participate in the special committees under the Board of Directors of the Company and are eligible to serve as the chairman of the special committees, so as to give full play to the role of the independent directors in the promotion and supervision of the Company's business development and regular operation.</u></p>	<p>Article 32 The Company shall give notice of board meetings to independent directors in a timely manner, provide relevant meeting information no later than the period for notice of Board meetings as stipulated in the laws, administrative regulations, the regulations of the CSRC or the Articles of Association, and provide independent directors with an effective channel of communication; where a meeting of a special committee of the Board is convened, the Company shall, in principle, provide relevant materials and information no later than three days prior to the convening of the meeting of the special committee. The information of the above meetings shall be kept by the Company for at least 10 years.</p> <p>When two or more independent directors consider that the information is incomplete or the argumentation is insufficient and are not provided in a timely manner, they may jointly propose in writing to the Board of Directors to postpone the convening of the Board meeting or to adjourn the consideration of the matter, and the Board shall adopt such proposal.</p> <p>Meetings of the Board and special committees are held on-site as a rule. On the premise of ensuring that all participating directors are able to fully communicate and express their opinions, the meeting may be held by video, telephone or other means in accordance with the procedures when necessary.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
28	<p><u>Article 26 The Company shall provide the working conditions necessary for the independent directors to perform their duties. The secretary of the Board of Directors of the Company shall actively provide assistance to the independent directors in their performance of duties, such as introducing the status and providing materials. Where independent opinions, proposals and written explanations by independent directors shall be announced, the secretary of the Board of Directors shall promptly access the stock exchange for such announcements. Independent directors shall have the right to request the Company to disclose the status of proposals made by them but not adopted by the Company and the reasons for not adopting such proposals.</u></p>	Deleted

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
29	<p>Article 27 <u>When the independent director performs his/her duty, the relevant officers of the Company shall actively cooperate and cannot reject, obstruct or conceal, nor interfere with the exercise of powers by the independent director.</u></p>	<p>Article 33 When the independent director performs his/her duty, the relevant officers of the Company such as the Directors and senior management of the Company shall actively cooperate and cannot reject, obstruct or conceal, nor interfere with the exercise of powers by the independent director.</p> <p>If an independent director encounters obstruction in the exercise of his/her powers and functions in accordance with the law, he/she may explain the situation to the Board of Directors, request the directors, senior management and other relevant personnel to render cooperation, and record the specific circumstances of the obstruction and the solution in his/her work records; if he/she still fails to eliminate the obstruction, he/she may report the situation to the CSRC and the stock exchange.</p> <p>Where the performance of duties by an independent director involves information that shall be disclosed, the Company shall handle the disclosure matters in a timely manner; where the Company does not disclose such information, the independent director may directly apply for disclosure or report to the CSRC and the stock exchange.</p>

**APPENDIX VII COMPARISON TABLE OF AMENDMENTS TO THE
WORKING RULES FOR INDEPENDENT DIRECTORS**

No.	Before Amendments	After Amendments
30	<p>Article 29 The Company shall give the independent director an appropriate allowance. The standard of allowance will be determined by the budget prepared by the Board and approved by the general meeting, and disclosed in the annual report of the Company.</p> <p>Apart from the abovementioned subsidies, the independent directors shall not acquire other additional and undisclosed interests from the Company, its major shareholders or institutions and persons of interests with the Company.</p>	<p>Article 35 The Company shall give the independent director an allowance appropriate to their corresponding responsibilities. The standard of allowance will be determined by the budget prepared by the Board and approved by the general meeting, and disclosed in the annual report of the Company.</p> <p>Apart from the abovementioned subsidies, the independent directors shall not acquire other other benefits from the Company, its major shareholders, de facto controller or entities and personnels of interests with the Company.</p>
31	<p>Article 43 These Rules, so as its amendments, shall come into effect from the date of consideration and approval at the <u>shareholders' general meeting</u>.</p>	<p>Article 43 These Rules, so as its amendments, shall come into effect from the date of consideration and approval by the Board of Directors.</p>

Note: After the addition or deletion of the relevant articles, the serial numbers of original articles change accordingly.

RESOLUTION ON THE GENERAL MANDATE TO ISSUE ADDITIONAL
A SHARES OR H SHARES OF THE COMPANY

In order to meet the Company's needs of potential strategic deployment or project investment, optimize the Company's shareholder structure and replenish its daily working capital, and in view of the operations of the Company, the Board of Directors proposes to the shareholders' general meeting of the Company to authorize the Board of Directors to re-delegate the chairman and its authorized persons to individually or jointly allot, issue and deal with shares or securities convertible into such shares, options, warrants or similar rights to subscribe for any A Shares or H Shares of the Company not exceeding 20% of the existing A Shares and H Shares in issue (the "**General Mandate**"). According to the requirement of relevant regulations of the PRC, notwithstanding the grant of a general mandate, the issuance of A Shares is subject to the approval by the shareholders' general meeting. The specific authorization is as follows:

- (I) To generally and unconditionally authorize the Board of Directors to re-delegate the chairman and its authorized persons to determine to individually or jointly allot, issue and deal with the A Shares and/or H Shares or securities convertible into such shares, options, warrants or similar rights to subscribe for any A Shares or H Shares of the Company ("**Similar Rights**"), and to determine the terms and conditions for the allotment, issuance and disposal of new shares or Similar Rights including but not limited to the following terms:
1. class and number of the new shares to be issued;
 2. pricing mechanism and/or issue price of the new shares (including price range);
 3. the starting and closing dates of such issue;
 4. class and number of the new shares to be issued to existing shareholders; and/or
 5. the making or granting of offers, agreements, options, convertible rights or other relevant rights which might require the exercise of such powers.
- (II) The number of the A Shares or H Shares (excluding the shares issued by way of the conversion of public reserve into share capital) to be individually or jointly allotted, issued and dealt with (whether pursuant to a share option or otherwise) determined by the Board of Directors or the chairman and its authorized persons in accordance with the General Mandate referred to in the first paragraph above shall not exceed 20% of the number of the A Shares or H Shares in issue of the Company at the time when this resolution is considered and passed by the general meeting.

- (III) Where the Board of Directors or the chairman and its authorized persons have, during the effective period of the mandate referred to in the fifth paragraph of this resolution, determined to allot, issue and deal with the A Shares and/or H shares or Similar Rights, and the Company also has, during the effective period of the mandate, obtained the relevant approval, permission from, or registration (if applicable) with the regulatory authorities, the Board of Directors of the Company or the chairman and its authorized persons may, during the effective period of such approval, permission or registration, complete the relevant allotment, issuance and disposal and other works.
- (IV) To authorize the Board of Directors or the chairman and its authorized persons to obtain approvals from all relevant government departments and/or regulatory authorities (if applicable) in accordance with the applicable laws (including but not limited to the PRC Company Law, Hong Kong Listing Rules and the Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange) to exercise the General Mandate.
- (V) The effective period of the General Mandate shall commence from the date of the 2023 AGM to the earliest of the following three dates:
1. twelve months from the date of passing the resolution at the Company's 2023 AGM;
 2. the conclusion of the Company's 2024 annual general meeting; or
 3. the revocation or variation of the General Mandate granted to the Board of Directors under this resolution by special resolution of the shareholders at the general meeting of the Company.
- (VI) To authorize the Board of Directors or the chairman and its authorized persons to approve, execute and do or procure to execute and do, all such documents, deeds and things as it may consider related to the allotment, issuance and disposal of any new shares under the abovementioned General Mandate, handle the necessary procedures and take other necessary actions.
- (VII) To authorize the Board of Directors or the chairman and its authorized persons, after the completion of allocation and issuance of the new shares, to increase the registered capital of the Company and make appropriate and necessary amendments to the Articles of Association in accordance with the way, type and number of the allotment and issuance of new shares of the Company and the actual shareholding structure of the Company upon completion of the allotment and issuance of new shares.

I. Principal terms for issuance of the debt financing instruments

- (1) Categories of the debt financing instruments: The relevant debt financing instruments include, but are not limited to, short-term debentures, super short-term debentures, medium term notes, private placement debt financing instruments, enterprise bonds, corporate bonds, A Share or H Share convertible bonds, offshore RMB bonds and foreign currency bonds, perpetual bonds and other domestic and overseas debt financing instruments denominated in RMB or foreign currency permitted by the competent regulatory authority.
- (2) Size of issuance: The size of issuance of domestic and overseas debt financing instruments totaling not more than RMB2 billion (or an equivalent amount in foreign currency) (calculated based on the aggregate balance outstanding upon the issuance and, in the case of an instrument denominated in a foreign currency, based on the median rate of the exchange rates published by the People's Bank of China on the date of the issuance) is authorized to be issued either one-off or in tranches within the validity period of such authorization.
- (3) Currency of issuance: The currency of issuance of debt financing instruments may be RMB or foreign currency based on the review and approval results of the issuance of debt financing instruments and the domestic and overseas market conditions of debt financing instruments at the time of such issuance.
- (4) Term and interest rate: The maximum term shall be no more than 15 years, with a single term or hybrid type of multiple terms. Domestic debt financing instruments with an indefinite term will not be subject to the above time limit. The specific term, the size of issuance of each term and type of debt financing instruments and their interest rates shall be determined by the Board of Directors or the Chairman and his authorized person(s) in accordance with the relevant regulations and the prevailing market conditions.
- (5) Issuer: The Company or its domestic or overseas wholly-owned subsidiary, or special-purpose vehicle established by the Company. If a domestic or overseas wholly-owned subsidiary or special-purpose vehicle is the issuer of debt financing instruments, the Company shall provide guarantees (including those provided by the issuer of debt financing instruments itself and/or by the Company) for the subsidiary or special-purpose vehicle within the quota for issuance of its debt financing instruments, enter into a keep-well agreement or adopt a third-party credit enhancement method for such issuance.
- (6) Issuance price: The specific issuance price shall be determined by the Board of Directors or the Chairman and his authorized person(s) in accordance with relevant regulations and market conditions.

- (7) Use of proceeds: It is expected that, after deducting the issuance expenses, the proceeds raised from the issuance of debt financing instruments are to be used for purposes including meeting the needs of daily operations, repaying loans, replenishing working capital and/or investment, acquisition. The specific use of proceeds shall be determined by the Board of Directors or the Chairman and his authorized person(s) in accordance with the capital needs of the Company from time to time.
- (8) Method of issuance: It shall be determined based on the approval process of debt financing instruments, and the domestic and overseas market conditions of debt financing instruments at the time of such issuance.
- (9) In the event of the issuance of A-share or H-share convertible debentures, the new A-share or H-share shares so converted may be issued pursuant to the relevant general mandate set out in Appendix VIII considered and approved at the 2023 AGM upon application for conversion by the holders of the convertible debentures.
- (10) The debt financing instruments to be issued are proposed to be listed on the Inter-bank Bond Market, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange, or other domestic or foreign exchanges.

II. Authorization for issuance of debt financing instruments

- (1) It is proposed that the Shareholders at the general meeting to generally and unconditionally authorize the Board of Directors (and for the Board of Directors to sub-delegate the Chairman and his authorized person(s)) to determine in their absolute discretion, and deal with all matters in respect of the issuance of debt financing instruments in accordance with the Company's needs from time to time as well as the market conditions, including but not limited to:
 - 1) to determine and implement the specific proposal and terms of the issuance of debt financing instruments, including but not limited to the establishment and determination of the appropriate issuer, the type of the debt financing instruments to be issued, the method of issuance, currency, the nominal value of debt financing instruments, issue price, size of issuance, interest rate or its determination mechanism, issuance targets, markets for issuance, timing of issuance, term of issuance, issuance in instalments and number of tranches (if applicable), sale-back clause and redemption clause (if applicable), option for raising the coupon rate (if applicable), rating arrangement, guarantees (if applicable), principal and interest repayment period, conversion price, use of proceeds, specific placing arrangement, underwriting arrangement, debt repayment guarantee and all matters in relation to the issuance of debt financing instruments.

- 2) to carry out all necessary and ancillary actions and procedures in relation to the issuance of debt financing instruments, including but not limited to, engaging intermediary institutions, applying for and handling all approval, registration and filing procedures with the relevant government departments and/or regulatory authorities in connection with the issuance of debt financing instruments on behalf of the Company, executing, revising and implementing all necessary legal documents relating to the issuance of debt financing instruments, selecting trustee(s) for the issuance of debt financing instruments, formulating the rules for meetings of the holders of bonds, handling any information disclosure matters related to debt financing instruments in accordance with the applicable laws, regulations and requirements from regulatory authorities, and handling other matters in connection with the issuance and trading of debt financing instruments.
 - 3) in the event of changes in regulatory policies or market conditions, except for the matters which must be voted on at the general meeting of the Company in accordance with relevant laws, regulations and the Articles of Association, subject to the scope of the authorization by the Shareholders at the general meeting, to adjust relevant matters such as the specific plan for issuing debt financing instruments in accordance with the opinion of the regulatory authorities or in response to changes in market conditions, or to determine whether or not to continue the work for such issuance in accordance with actual conditions.
 - 4) to determine and handle all relevant matters in connection with the listing of debt financing instruments to be issued on the Inter-bank Bond Market, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange or other domestic or foreign exchanges based on market conditions.
 - 5) to handle any other specific matters related to the issuance of debt financing instruments and execute all relevant or necessary documents.
- (2) To agree that at the time of the approval and authorization of the above matters by the Shareholders at the general meeting, the Board of Directors be further authorized to delegate the Chairman and his authorized person(s) to implement the issuance of debt financing instruments in accordance with the Company's needs and other market conditions.
 - (3) To authorize the Chairman and his authorized person(s) to approve, execute and publish relevant documents, announcements and circulars and make relevant information disclosure in accordance with the applicable rules and regulations in the place where the Shares are listed.

III. The validity period of authorization for issuance of debt financing instruments

The validity period of authorization for issuance of debt financing instruments shall be effective from the date of approval at the 2023 AGM until the date of the 2024 annual general meeting of the Company.

If the Board of Directors or the Chairman and his authorized person(s) have resolved to issue the debt financing instruments within the validity period of the authorization and the Company has also obtained the approval, permission or registration (if applicable) for such issuance from the regulatory authorities within the validity period of the authorization, the Board of Directors or the Chairman and his authorized person(s) of the Company may complete the issuance of debt financing instruments within the validity period as confirmed by such approval, permission or registration.

NOTICE OF THE 2023 ANNUAL GENERAL MEETING



JL MAG RARE-EARTH CO., LTD. 江西金力永磁科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06680)

NOTICE OF THE 2023 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2023 annual general meeting (the “AGM”) of JL MAG RARE-EARTH CO., LTD. (the “Company”) will be held at the conference room of Crowne Plaza Ganzhou, 188 Qiandong Avenue, Shuidong Town, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC on Wednesday, June 5, 2024 at 2:30 p.m. for the purpose of considering and, if thought fit, approving the following resolutions. Unless the context otherwise requires, the terms and expressions used herein shall have same meaning as those defined in the circular of the Company dated May 14, 2024.

ORDINARY RESOLUTIONS

1. To consider and approve the Work Report of the Board of Directors for the Year 2023
2. To consider and approve the Work Report of the Supervisory Committee for the Year 2023
3. To consider and approve the 2023 Annual Report's Full Text and Report Summary and 2023 Annual Results
4. To consider and approve the Financial Statements for the Year 2023
5. To consider and approve the 2023 Profit Distribution Plan
6. To consider and approve the Engagement of Auditors of the Company for the Year 2024
7. To consider and approve the Purchase of Liability Insurance for the Company, Directors, Supervisors and Senior Management
8. To consider and approve the Proposed Election of executive and non-executive Directors of the fourth Session of the Board:
 - 8.01 To elect Mr. Cai Baogui as an executive director of the Company
 - 8.02 To elect Mr. Lyu Feng as an executive director of the Company

NOTICE OF THE 2023 ANNUAL GENERAL MEETING

- 8.03 To elect Mr. Hu Zhibin as a non-executive director of the Company
- 8.04 To elect Mr. Li Xinnong as a non-executive director of the Company
- 8.05 To elect Mr. Liang Minhui as a non-executive director of the Company
- 8.06 To elect Mr. Li Xiaoguang as a non-executive director of the Company
- 8.07 To elect Mr. Xue Naichuan as a non-executive director of the Company
- 9. To consider and approve the Proposed Election of independent non-executive Directors of the Fourth Session of the Board:
 - 9.01 To elect Mr. Xu Feng as an independent non-executive director of the Company
 - 9.02 To elect Mr. Zhu Yuhua as an independent non-executive director of the Company
 - 9.03 To elect Ms. Cao Ying as an independent non-executive director of the Company
- 10. To consider and approve the Proposed amendments to the Working Rules for Independent Directors
- 11. To consider and approve the election of Mr. Li Hua as the Non-employee Representative Supervisor of the fourth session of the Supervisory Committee
- 12. To consider and approve the allowance of non-executive Directors of the fourth session of the Board
- 13. To consider and approve the allowance of independent non-executive Directors of the fourth session of the Board

SPECIAL RESOLUTIONS

- 14. To consider and approve the connected transaction in relation to the issuance of additional H shares of the Company and entering into the share subscription agreement
- 15. To consider and approve the Application to Banks for Integrated Credit Facilities by the Company and its Subsidiaries and the Related Guarantee
- 16. To consider and approve the new H share issuance plan of the Company
- 17. To consider and approve the Change of Registered Capital of the Company and Amendments to the Articles of Association
- 18. To consider and approve the General Mandate to Issue Additional A Shares or H Shares of the Company

NOTICE OF THE 2023 ANNUAL GENERAL MEETING

19. To consider and approve the Request to the General Meeting to Authorize the Board of Directors to Handle Matters in Relation to the Small-scale Rapid Financing
20. To consider and approve the General Mandate to Issue Domestic and Overseas Debt Financing Instruments

By order of the Board
JL MAG RARE-EARTH CO., LTD.
Cai Baogui
Chairman

Jiangxi, May 14, 2024

As of the date of this notice, the Board comprises Mr. Cai Baogui and Mr. Lyu Feng as executive Directors; Mr. Hu Zhibin, Mr. Li Xinnong, Mr. Liang Minhui and Mr. Li Xiaoguang as non-executive Directors; and Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying as independent non-executive Directors.

Notes:

- (1) The register of members of the Company will be closed for the purpose of determining Shareholders' entitlement to attend the AGM from Friday, May 31, 2024 to Wednesday, June 5, 2024 (both days inclusive). In order to attend the AGM, H Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Thursday, May 30, 2024 to complete registration. The H shareholders listed on the register of the Company on Wednesday, June 5, 2024 shall have the right to attend and vote at the AGM.

The Board proposed to distribute Cash dividends of RMB2.60 (tax inclusive) for every 10 existing shares to the A Shareholders and H Shareholders whose names appear on the registers of members of the Company on the respective record dates. If the total share capital of the Company changes during the period from the promulgation to implementation of the annual profit distribution plan, the aggregate distribution will be adjusted based on the total share capital as at the record date of shareholding as determined by the implementation of the annual profit distribution plan, with the distribution ratio unchanged.

The dividend will be denominated and declared in RMB, and distributed to the domestic shareholders and investors participating in the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Program in RMB and to the overseas shareholders in Hong Kong Dollar. The exchange rate for the dividend calculation in Hong Kong Dollar is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People's Bank of China one week preceding the date of the declaration of such dividend. Arrangements for the distribution of the final dividend of A shares will be announced separately.

- (2) Subject to the approval of the resolution regarding the 2023 Profit Distribution Plan at the AGM, dividends are expected to be distributed within 2 months after the conclusion of the AGM, which will be paid to the Shareholders whose names appear on the register of members of the Company after the close of the market on Tuesday, June 18, 2024. The register of members of the Company will be closed from Thursday, June 13, 2024 to Tuesday, June 18, 2024 (both days inclusive). In order for the holders of H Shares of the Company to qualify for receiving the final dividends, but no transfer documents have been registered, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Wednesday, June 12, 2024 at 4:30 p.m.

NOTICE OF THE 2023 ANNUAL GENERAL MEETING

- (3) The Company shall duly dispatch and publish the circular, and form of proxy of shareholders of the AGM. Any shareholder of the Company (“**Shareholder**”) who intends to appoint a proxy shall refer to the 2023 Annual Report of the Company which were published on the website of The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) and the Company’s website and dispatched to the relevant shareholders. The 2023 Annual Report included Directors’ Report for 2023, audited Financial Statements and Auditor’s Report for 2023.
- (4) All votes of resolutions at the AGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.jlmg.com.cn) in accordance with the Listing Rules.
- (5) Any shareholders entitled to attend and vote at the AGM can appoint one or more proxies to attend and vote at the AGM on his/her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and type of shares in respect of which each proxy is so appointed.
- (6) Shareholders shall appoint their proxies in writing. The form of proxy shall be signed by the shareholder or his/her/its attorney who has been authorized in writing. If the shareholder is a corporation, the form of proxy shall be affixed with the corporation’s seal or signed by its director, or its attorney duly authorized in writing. If the form of proxy is signed by the attorney of the shareholder, the power of attorney or other authorization document shall be notarized. For H Shareholders, the aforementioned documents must be lodged with the Company’s Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the holding of the AGM (i.e. before 2:30 p.m. on Tuesday, June 4, 2024) in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the AGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (7) Shareholders shall produce their identification documents when attending the AGM.
- (8) If a proxy attends the AGM on behalf of a shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her attorney, which specifies the date of its issuance. If a representative of a corporate shareholder attends the AGM, such representative shall produce his/her identification document and the notarized copy of the resolution passed by the board of directors or other authority or notarized copy of any authorization documents issued by such corporate shareholder.
- (9) The AGM is expected to last for half a day. Shareholders who attend the AGM (in person or by proxy) shall bear their own traveling, accommodation and other expenses.
- (10) The No. 8 to No. 9 (including No. 8.01 to No. 8.07, No. 9.01 to No. 9.03) ordinary resolutions are divided into two groups of resolutions, namely, group for electing executive directors and non-executive directors and group for electing independent non-executive directors, each adopting cumulative voting system, where the group for electing executive directors and non-executive directors also adopt competitive election approach.

“Cumulative voting system” refers to a system when electing directors at a general meeting, for each of the group of resolutions, each of the shares held by a shareholder shall carry the same number of voting rights as the number of positions of directors to be elected under this group (among which, the number of executive and non-executive directors to be elected is six and the number of independent non-executive directors to be elected is three at this time). The voting rights owned by shareholders can be used in a concentrated or distributed manner, i.e. under each of the group of resolutions, the shareholders may use all of the votes concentrating on one particular person, or may distribute the votes for electing the number of directors to be elected or several of them (whether the votes are equally or arbitrarily distributed to those candidates). When the total votes cast by a shareholder on those or some candidates exceed the total votes to which it/he/she is entitled under a group of resolutions, all the votes cast will become invalid and be regarded as abstain votes under such group of resolutions; when the total votes cast by a shareholder for those or some candidates are equal to or less than the total votes to which it/he/she is entitled under a group of resolutions, the votes are valid and the remaining outstanding

NOTICE OF THE 2023 ANNUAL GENERAL MEETING

votes will be regarded as abstain votes under such group of resolutions. In addition, for the group of resolutions adopt competitive election approach under the cumulative voting system, where the number of candidates the shareholder casts votes on exceeds the number of directors to be elected under such group of resolutions, all the votes cast will become invalid and be regarded as abstain votes under such group of resolutions.

For the resolution regarding the election of independent non-executive directors of the fourth session of the Board, if the number of affirmative votes received by a candidate for independent non-executive director exceeds half of the total number of shares held by all shareholders present (before cumulation), that candidate will be considered elected. For the resolution in relation to election of executive directors and non-executive directors of the fourth session of the Board, given there are 7 candidates for 6 positions as executive directors and non-executive directors, any candidate who receives affirmative votes for election as an executive director or non-executive director exceeding half of the total number of shares held by all shareholders present at the AGM (before cumulation), and who ranks among the top 6 in terms of the affirmative votes, will be considered elected, and the remaining candidates for executive directors and non-executive directors will be considered not elected.

- (11) The contact of the Company:

Address: Board Secretary Office of JL MAG RARE-EARTH CO., LTD., 81 West Jinling Road, Economic and Technological Development Zone, Ganzhou City, Jiangxi Province

Postal Code: 341000

Tel: 0797-8068059

Contact Person: Mr. Lu Ming

Mr. Lai Xunlong

Fax: 0797-8068000